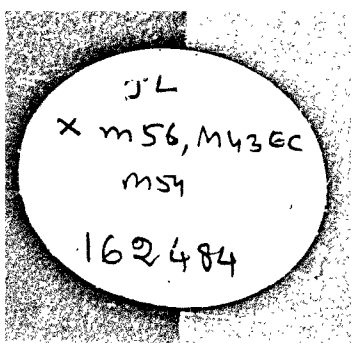
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Bombs in Cold Blood

Signpost to the Budget

Recession Recedes?

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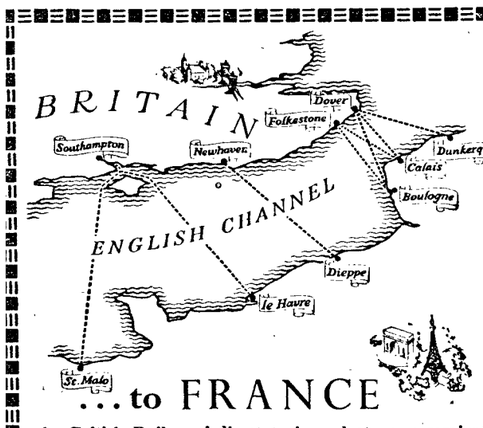

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The Economist

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APRIL 3, 1954

ONE SHILLING

Bombs in Cold Blood 1
Signpost to the Budget 3
Recession Recedes? 5

NOTES OF THE WEEK

China is Warned; Hydrogen and Hot Air; If You Can't Beat Them, Join Them; Ding-Dong in Egypt; Constituencies' Chop and Change; Boring into Rent Control; Parleys in Kenya; Palestine Truce in Danger; New Moves in the Two Germanies; Bill for the Health Service; Television Trouble; The Cost of Agriculture; Mr Stassen's Visit; Comecon in Sight; Cartel or Community?; Pay Beneath the Plate; Tories on the Screen; Battle of Kidbrooke; Investment in Council Houses? 7

LETTERS TO THE EDITOR 17
BOOKS AND PUBLICATIONS . . . 18

AMERICAN SURVEY

McCarthy and the Constitution . . 24

Rocky Road to Geneva; Wishful Thinking on Trade Expansion?; Congress Half-Way Home; Blowing Away; New Look at the Stockpile; Conspiracy in New York; Patching Up American Woolen.

THE WORLD OVERSEAS

From Churchill Street to Cyprus Street 31

Recipe for Revolution; Last of the Tigris Floods?; Danish Jet Crashes; Puzzle for Soviet Youth; Notes from South Africa.

THE BUSINESS WORLD

Economic Stocktaking 39
Two Views on No Par Value . . . 44

BUSINESS NOTES

Budget Bulls-eye—by Accident; Revenue Windfalls; London Sweeps Gold Board; Steel and Schumania; Headaches for OEEC; ICI Shows the Way; Boost for Commodities; Ford Looks Forward; Vauxhall in Top Gear; Steel Profits and Premiums; Halifax Gets Set; Deposits Level Out; Aluminium's Ups and Downs. Roads Below the Line. 45

COMPANY NOTES AND SECURITY PRICES 57
STATISTICS 60

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Bombs in Cold Blood

ONE of the hydrogen bomb's nicer characteristics is that it is very reluctant to explode. Extraordinarily high temperatures and intricately adjusted conditions are needed to set it off. In this respect it sets something of an example both to public opinion and to public men—an example that might be better heeded. In the tumult of discussion set off by the test explosion in the Pacific on March 1st, some normally level voices have been heard saying curiously wild things; and the damage caused by inadequate safety measures around Bikini may yet prove a small thing in comparison with the harmful effects of some of these hasty remarks.

Every allowance must, admittedly, be made for the unprecedented psychological atmosphere in which any discussion of such a weapon must be conducted. It is asking a good deal of human nature to expect men to speak with judicial calm of a device that can fell a city at a blow. For all that, it remains blindingly clear that a mood of alarm and bewilderment is the worst of all moods in which to pass sweeping judgments or to take fateful decisions. Yet in the past ten days, in just such a mood, and long before reliable information was available, sweeping judgments have been made and fateful decisions demanded.

Responsibility for the creation of the mood cannot be very easily allotted; if the blaze has been fanned by eager hands on this side of the Atlantic, the original tinder was provided, in the form of some brief but notably ill-chosen sentences, at the highest levels in Washington. But, whoever is to blame, the mood now exists; many people are, at least for the moment, disinclined to listen to quiet statements of fact from either scientists or statesmen; and it may be premature to ask that the problem of the bomb should be considered in the only way it ought to be considered—that is, in cold blood.

Yet cool heads and clear minds have never been more necessary. It may seem curious that there should be any need to underline the seriousness of the subject. But the need emerges plainly from the varied attempts that have been made in print and in speech to exploit the theme of the bomb, some for partisan, some for emotional, and some even for frankly commercial ends. A public that is often chided for its apathy toward vital issues is now, at a moment when its interest is fully aroused, being offered from many quarters not plain fact and sober argument, but emotion, sentiment, catchwords, and tubthumping tirades. This is, in the deepest sense, a most cynical frivolity.

What are the facts, and what is the real argument about? The bubble myth of an unlimitable explosion has now, one hopes, been disposed of by a whole series of authoritative statements, including those made by the Prime Minister on Tuesday and by Admiral Strauss at Mr Eisenhower's press conference on Wednesday. There is no danger—perhaps one should still say no present danger—of an experimental explosion getting out of control. What remains is the admittedly unappetising picture of continuing tests of weapons of increasingly giant force. It is perfectly reasonable to ask whether the tests need

go any further, now that such huge destructive power has already been demonstrated, and whether it would not be a wise political act to halt them rather than to keep on disturbing world opinion. What is unreasonable is to refuse to wait for the answers.

The answers are not simple ones: they cannot be conveyed in a six-inch headline; if they have any merit at all it is only that of being based on logical reasoning. The world is divided (and by the wish of only one of the halves; the barbed wire was all put up on the far side of the dividing line). The strongest nations on each side of the barrier both proclaim their possession of the hydrogen bomb. Both are aware of its obvious limitations; but they are equally aware that those limitations largely disappear if either side gains a completely decisive lead. The purpose of continued experiment on either side is to prevent the other from obtaining such a lead.

If it is suggested that the weapons have now reached a stage at which it is meaningless to speak of a decisive lead, or that the United States at any rate now commands a destructive power so great that to increase it would extend neither its value as a deterrent nor its actual effectiveness in war, then it is surely relevant to point out that the tests are extremely costly and laborious; that those who carry them out are the servants of a civilian government acutely aware of public pressure for financial economies; and that it is, therefore, most unlikely that any tests have been or will be made beyond those essential to the task of designing a reliable and manageable weapon.

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Is there, however, a case for halting the tests in order to quieten public anxiety? To answer this question one must try to define what the public is really anxious about. As far as concerns this country, that is not very difficult. Sensible men will not take too seriously the idea of a planet totally devastated by a technical oversight. Nor is there the slightest reason to fear that the weapons tested off Bikini—that is, American-made hydrogen bombs—are in the least likely to be used over London. The real cause for fear is that Britain may become a target for bombs from the proving grounds of Soviet Central Asia; and the first object of British policy must be to avert that danger. As Bertrand Russell said in a masterly article in Thursday's *News Chronicle*, when asked whether he saw any virtue in the proposal that the experiments should be stopped,

"None whatever, unless we have found a way of causing the Russian experiments to be stopped, too."

Bombs can, of course, always be averted by the simple act of—to give it a plain name—surrender. But the idea of surrendering to a prison state would be rejected by every group in this country that has the least attachment to the idea of human freedom. There are only two other means of warding off the threat; that of deterrence (in plain terms, being ready to hit back at least as hard), and that of agreed acceptance of effective control. The deterrent effect of the possession of hydrogen bombs must not be exaggerated. A week ago Mr Adlai Stevenson neatly defined its limits, when he pointed to the kind of small-scale hostilities that an aggressor could start in full confidence that the United States would not risk broadening the conflict by using its mightiest weapons against him. But, if the hydrogen bomb will not prevent little wars, it may prevent them from being developed into major wars by the aggressor himself.

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Deterrence, however, is a makeshift substitute for, not an alternative to, effective prevention. Effective international control of armaments has for nearly a decade been the declared and painfully pursued aim of the democratic nations. They have consistently refused to be distracted and cheated of their goal by Soviet offers of unenforceable peace pacts, unworkable schemes for international inspection, and meaningless slogans such as "outlaw the bomb." They hold to the unanswerable argument that there can be no outlawry without an enforced law; that an essential prerequisite of law enforcement is a clear knowledge of the facts; and therefore that no project for banning atomic weapons will be effective unless it provides for constant and vigilant inspection in every country.

This is not mere logic-chopping; it is common sense. If East and West simply promise not to use atomic weapons, then in present conditions neither side will trust the other's promise and both will continue to experiment with atomic weapons as they do now. Nothing will have been changed—except perhaps by making it more embarrassing for the governments of the free nations, which have to consider their public opinions, to keep up in the race. This has been the history of the promise not to use poison gas. Yet (as the history of poison gas appears also to suggest—though the circumstances are different in several important respects) the knowledge that both sides are prepared can achieve the same result as total prohibition. The one state of affairs that would make it almost certain that a hydrogen bomb will one day be dropped on a city would be if the more aggressive side gained a *de parte* superiority in the number or force of bombs and in the ability to drop them. Yet those are precisely the circumstances that would be brought about if the Labour Party's emotionalists, who were so eloquent in the House of Commons on Tuesday, got their way. That is what the Prime Minister meant when he said last week

> I am quite sure that anything like panic would be much more likely to lead to war than to a solution.

Panic, or near panic, is all the less excusable in view of the way the whole problem of inspection and effective prohibition has been minutely examined in public and private sessions of various United Nations organs over a period of years. That marathon debate began, in 1946, with the offer by the United States, at that time the sole possessor of atomic weapons, to abandon its privilege and put its unique power into an internationally controlled pool that would make atomic war impossible. The offer was welcomed by almost every government in the world except those of the Soviet group.

During the long sessions that followed, it became clear that the Soviet government, while protesting its devotion to the idea of inspection and control, would veto to the controls held by most other governments to be essential. As a direct result of this "double-think," the negotiations in Uno virtually ran into the sand five years ago; but their full history is on record, and it scarcely reveals the United States or its nuclear specialists as power-drunk fanatics. On the contrary, it brings out clearly the fact that but for Soviet opposition, agreement could have been reached before 1950 on an international system that would have done away with all such national experiments as that of March 1st.

Last December, a further American initiative was taken when President Eisenhower made his offer of a limited atomic pool for peaceful purposes. This offer, while not directly bearing on the problem of controlling nuclear weapons, held out the possibility of improving the general atmosphere and thus making easier a resumption of work on that problem. The Eisenhower offer remains open. Indeed, only a fortnight ago it was again expounded, in some detail, to the Soviet government; and the western powers stand ready to discuss both the President's proposal and broader issues of disarmament as soon as the Russians are willing to sit down at the table laid for them. If the agitated mood created in the past ten days has the effect of drawing public attention back to the facts and possibilities of this situation, some good may yet emerge from the whole discouraging episode of March.

Everybody who thinks about this terrible problem has the same objective: to see that the hydrogen bomb is never used. The best way of doing that is for both halves of the world to agree on a system of prohibiting it which both can trust. The second best course is to ensure that at least equal hitting power remains in the hands of the less aggressive and less secretive side. The worst course, and the one most likely to bring on the disaster, is simply to say that because the hydrogen bomb is horrible we will have nothing to do with it.

Signpost to the Budget

CHANCELLORS, like Grand National horses, do not always run to form; even when their stables publish the formbook in unexpected detail it is necessary to allow for such possible weaknesses as a tendency to rush fences or a preference for soft going or for restlessness under the Whip. But the Government's Economic Survey for 1954, which appeared as Cmd 9108 this week, is a surprisingly frank formbook. It describes, as usual, where the official statisticians think the economy has been in the past year. It explains, with rather unusual precision, where the Government thinks that the economy has got to now. And it throws out some broad hints about the sort of budget that Mr Butler ought to introduce next Tuesday if he believes what his experts have written.

The Survey is discussed in detail on page 39 of this issue, and here it is necessary only to underline the three main points that seem to arise from it. They are significant points indeed. First, if the statisticians are right, Britain passed in 1953 through the most prosperous year in its history; and yet it has disturbingly little of lasting value to show for that prosperity. The increase in production last year is estimated at £500 million; and the fall in import prices relative to export prices, together with increased earnings from oil investments and other so-called overseas "invisibles," seems to have hoisted the total addition to real incomes to somewhere around £800 million—a far bigger increase than has ever been recorded before. But when incomes increase in Britain there is no lack of claimants to spend them. The whole of last year's increment was gobbled up by an increase of £350 million in consumption and of nearly £500 million in defence, house-building, stockpiling and fixed investment in the nationalised industries. One result of the upsurge in these forms of spending was that there was less than nothing left to fortify the balance of payments; in fact, the external surplus actually fell, by £30 million to £225 million if one includes American aid and by £11 million to £123 million if one excludes it. Another result was that "the amount of money spent on fixed investment in (private) manufacturing industries is estimated to have been about the same" as in 1952. The two most important sectors of the British economy were last year's two Cinderellas.

That is the disappointment of the immediate past; and from it arises the second main message of the Survey, which is that it must be read as spreading equal disappointment—save only in one sector—among those who hope for extensive tax reliefs from next week's budget. The authors of the Survey make it plain that most of the sources of demand for any available resources that increased last year are likely to increase again in 1954; for example, consumption and defence expenditure were both rising throughout 1953, and even if they settle at their present level, their totals for this year will be higher than their totals for last. This does not necessarily mean that consumption and

other types of demand will have to be cut back by an increase in taxes next Tuesday; for one thing production was also rising last year, and even if it, too, levels out at its present level, its total in 1954 will be higher than its total in 1953. But the Survey declares that, on current trends and in the current year, "demand and activity should . . . be well maintained"; which seems to be the nearest approach that any official document can make towards stating that any tax reliefs which gave consumption a further shot in the arm would be folly. All eyes therefore turn to the one sector of the economy that the Survey lists as a "possible exception" to the general judgment that the expansionary plans laid in last year's budget have been brought to fruition: namely, to fixed investment in private manufacturing industry. The question arises: if an incentive to increased investment is given in the budget, will expenditure in other sectors have to be cut back or is there slack in the engineering industry which might absorb it?

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The authors of the Survey answer that there is such slack. They go out of their way to deny that an increase in investment would necessarily divert resources from the export drive because "now that more steel is available and the defence load has levelled off, exports of capital goods are no longer being seriously impeded by the pressure of home demand. Indeed, a number of these industries have spare capacity which could be used for increasing exports or home investment." Later, in their assessment of the prospect for 1954, they state bluntly that "there will be resources available in the capital goods industries to provide both for an expansion of exports and for a higher rate of industrial investment. Increases in both directions are needed to provide a firm basis for the further development of the economy in future years." "But," they add in another passage, "so far there are no clear indications of any marked increase in capital expenditure by private industry." Rarely can there have been a clearer hint that the Chancellor may be about to go forth to try to create some.

This looks, in short, very much like an official recipe for the sort of budget that was urged upon the Chancellor by *The Economist* last week. Mr Butler could and should give some tax reliefs which will induce private manufacturing industries to invest more; and it is on rearrangement of depreciation allowances that he is most likely to concentrate his attention. But if he is going to satisfy any other claimants for relief, at any rate to the extent of more than £20 million or so, he should rob some Peter to pay Paul; and in present circumstances anybody who searches for a Peter to rob is seeking to draw blood from a stone. The signpost points to a reform of depreciation allowances, and to practically nothing else.

Does it also point to another year of prosperity? This is the third main question raised by the Survey, and the answer to it is lost in the Atlantic mist. The Survey does not minimise the vulnerability of the sterling area to any deepening of the American recession. The downturn which began in America in the late summer of last year has already made some mark. The overseas sterling area—which shares the gold reserve with Britain—swung over from a balance of payments surplus of £151 million in the first half of 1953 to a deficit of £56 million in the second half, had it not been for those mysterious aircraft which flew Russian gold into London Airport last November and December, it seems certain that the reserves would have fallen in the last six months. If there is no recovery in America in the next few months, the familiar spectre of an autumn dollar crisis will be beckoning Britain on.

This is a spectre that must make any Chancellor shudder; but it is not, in icy fact, one that should make him alter his budget. The Survey finds a convenient but justifiable excuse for this conclusion, and one that does not involve official analysts in the almost equal political perils of calling the American government either level-headed and watchful or complacent and purblind. If the American recession deepens, says the Survey, it is the overseas sterling area's balance of payments that will suffer first; it hints that there is little that the British Treasury can do to obviate that. The repercussions of any deepening of the American recession upon activity in the United Kingdom itself are not now likely to be felt before the end of 1954. This, nevertheless, is not a long time. Even if next week's budget can be framed without particular reference to the state of the American conjuncture, that conjuncture remains the great question mark hanging over the world economy. It is that, more than anything else, which will determine whether the favourable year of 1953 will remain on the record like the favourable year of 1929, or whether it is to set the pattern of normality for the future. This is the question that is discussed in the following article.

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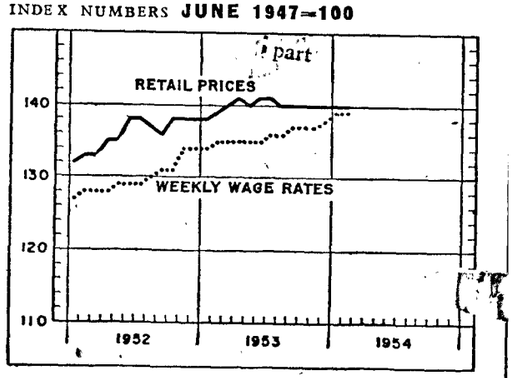

Recession Recedes?

THE profession of economic forecaster was never a very secure one, and it is now becoming downright hazardous. Never was a recession in trade more widely heralded than that which began in the United States in the latter half of last year. Never was the stage more finely set for it. There were doubters, as there always are, and wise men hedged their bets. But when every qualification was made, there did seem to be a clear margin of probability on the downward side.

Yet it begins to look as if this widespread expectation is going to be disappointed. This bet too must at once be hedged. It does not, of course, attempt to deny that there has been already a noticeable decline in the level of economic activity in the United States—though not of a size, taken by itself, to cause any great concern. Nor would it be safe to suppose that the indices will not move any lower. President Eisenhower told his press conference some little time ago that if the March unemployment figure showed no improvement he would begin to think that drastic remedial action would be necessary. As he said it, his advisers could almost be heard catching their breath and they have been trying to suggest ever since that March was really a slip of the tongue for May. Many of them think that the downward movement may well continue for another couple of months before it turns upward. The cautious would add that it is too soon yet to guess what might happen then. There are still some things that give rise to a certain apprehension. The inventories, or stocks, of business, whose swollen size is said to have been the original cause of the downturn, are still high. It is still uncertain whether the automobile industry will be able to sell the very large number of cars it is still making. The steel industry is another potential soft spot.

But there is never a time when all the straws point in the same direction, and when all the qualifications are once more said and done, the majority opinion in America has crossed back over the line. In the elegant language used for these matters on the other side of the Atlantic, it is thought that the indices will "saucer out" and that they will finish 1954 about as high as they began it. Perhaps the most significant sign of the shift of opinion is that some of the ardent politicians of the opposition, who were barely able to keep a note of triumph out of their gloomy predictions a few months ago, are now hurrying to cover.

If this revised outlook is justified by the event, it is obviously a matter of the greatest moment to other countries, more particularly to one whose present prosperity is as nicely poised as Britain's. Not only will the COMPA weather seem brighter, but the outlook for PRICboth domestic and international, will be much improved if the black cloud of an impending American depression can be removed. One thing is reasonably certain already, since it is already observable in the figures. The current recession, if it is one at all, is certainly not behaving as it was expected to. The originating cause—which is pretty generally accepted to be the excess inventories—created a number of pockets of primary unemployment, which has been, and is, quite heavy in a number of American localities. According to the rules, this primary loss of income should have given rise to secondary difficulties, which in turn would affect still wider circles, and so on until the "multiplier" had exhausted its effect. But it is not happening. The normal repercussions are not repercussing. There is the primary fall in incomes, and the process stops at that. The multiplier appears, for the present, to be much smaller than was supposed. This is not true within the American economy alone. One of the most celebrated of the predicted repercussions was on world trade. When America sneezed, it was said and believed, the sterling area caught pneumonia. So it was in 1949; so it is not in 1954—at least, not so far. With the fall in American industrial activity fully six months old and about as severe as that of 1949, sterling is still strong, the reserves are still mounting, and the commodity markets are reasonably firm.

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Why has there been such an absence of the usual snowball effect? Has it just happened that way, or was it because somebody in Washington pushed the right buttons? It is important to know the answer, because if it was the latter, then one can hope that progress is being made with the art of preventing depressions, and planning for the future can proceed in that confidence. Unfortunately, it is very difficult to reach any such comforting conclusion from the evidence. It is true that the credit policy of the Federal Reserve Board has been right in its timing, tightening up while the trend was still inflationary, but turning round very promptly indeed last May when the first signs of changing weather appeared. But the same can hardly be said of the fiscal policy of the Administration which (perhaps for good reasons of another kind) has in these recent months almost seemed to invite a falling-off in activity. And in any event, these rather marginal adjustments in the volume of credit and in the size of the federal deficit seem too small and too remote to account for the phenomenon that immediately strikes any visitor to America as being the proximate cause of the failure of the snowball to start moving—namely, the universally high state of confidence. Not only in the bank parlour and the board room, but among the ordinary wage-earners, there seems to be a sublime assurance that nothing more is afoot than a slight and brief "correction." In some cities where unemployment is relatively severe,

Sir Winston's chestnuts out of the fire. When they tried to do so over German rearmament, they point out, they merely got burned. And the speech of May 11th stands as a lasting advertisement to the political advantages of inflating diplomatic balloons; some Labour leaders feel that it is their turn to inflate one now.

If You Can't Beat Them, Join Them

MR MOLOTOV is not given to pranks, though the Berlin conference showed that he fancies himself at ponderous jokes. If this were not so, his offer to consider whether the Soviet Union could join Nato would seem like some vast April Fool hammered and sickled out under the collective leadership which, as current Soviet propaganda insists, has replaced Stalin's autocracy. It bears all the marks of collective Marxist-Leninist wit. And it would not be surprising if it were received with the same hollow laughter that is said to have rung round the conference table in Berlin when Mr Molotov produced his plan for a Soviet-European Treaty Organisation (which we have termed Seto, though the Moscow Agitation and Propaganda Department later coined the name "General European Treaty of Collective Security in Europe.")

In Berlin Mr Molotov refused to answer when he was asked point-blank to say whether Seto was compatible with Nato. He hedged and replied that amendments might be considered. It was evident that he was disconcerted by the reception of his proposal that the United States and China should be granted the right to attend Seto meetings as observers. This gave away the purpose of Seto, which is all too clearly to remove Americans, infrastructure and all, from Europe. The octogenarian M. Herriot finds there is much in the idea of Seto, but otherwise its supporters in France have been far too few, it seems, for Soviet liking. Hence the latest move from Moscow.

Once again one must go to Lewis Carroll for the best comment on this new product of the Kremlin's collective mind. It recalls the ship that went hunting a snark. "The bowsprit got mixed with the rudder sometimes"—which is just what would happen if the Soviet Union came aboard that already somewhat uncoordinated craft, Nato. The end Carroll described was sad and inevitable, and it is easy to see that the fate which overtook the hunter of the snark would meet American bases in Europe; they would "softly and silently vanish away; for the snark *was* a Boojum, you see." "Quite so," Mr Molotov would remark as the last American sailed for home, "for Nato *is* Seto, you see."

Ding-Dong in Egypt

MUCH as Cromwell's "russet coated captains" quarrelled with him and one another about the nature and pace of return to representative government, so it is with Egypt's majors and wing commanders. The difference between the two situations is that whereas Protector Cromwell always dominated the scene, President Neguib alternates between ups and downs at each successive upheaval. He lost on the events of last week-end.

On the Thursday he presided over a junta which agreed, with a seeming lack of sophistication about human nature in general and Egypt's nature in particular, to an impossible arrangement. This was government by the Council of Revolution until July 24th, after which date it would melt back into the army. Meanwhile, political detainees were to be released, political parties to have unconditional right to reform, censorship and martial law to be at an end and—in this unbridled free-for-all—elections were to be held for a constituent assembly that would subsequently elect a president.

Experience everywhere goes to show that no ruling group can preserve public order when its days are numbered and potential successors are fighting for its shoes. Even Neguib, who has shown naiveté before, cannot have thought the proposition sound. A majority of junta members, though they voted for it, certainly did not do so. For, as they now tacitly admit, they at once set out to wreck it and with it Neguib's personal ambitions. Colonel Nasser and his supporters summoned to their aid the trade union groups, which on Monday paralysed Cairo with a strike against a return to the old parties, and were supported by a considerable volume of middle-class opinion that has been reminded what these were like by recent trials implicating Wafdist and other ex-leaders.

By Monday night, Neguib's gesture towards the political parties had been his undoing. All decisions about immediate liberalisation of the regime had been cancelled; the soldiers were to stay in power for a transitional period of at least three years—that is, until 1956—and such ambitions as Neguib had awakened in other groups were fobbed off with a promise of an "advisory national assembly representing all classes and organisations." Clearly, Nasser had won a round; the aplomb with which he was able to get demonstrators on to the streets and then off them again was impressive. Neguib's position is not a comfortable one. And the weaker the government in Cairo, the more it must deflect attention on to the Canal Zone and wrath on to Britain; the farther removed therefore the day of an Anglo-Egyptian settlement. Current Egyptian news is bad news for both the British taxpayer and the British army recruiting officer.

Constituencies' Chop and Change

Part

TO the normal hazards of political life is at present being added an unheralded ordeal by Boundary Commission. MPs were vaguely aware that the Commissions (which are impartial bodies made up of eminent lawyers, retired civil servants and the like, under the Speaker's chairmanship) had to review their handiwork by the middle of next year; but the sudden appearance of proposals covering to date some two-thirds of the country has been a shock. Mr Morrison unwisely reacted by publicly hinting at unfairness to Labour. He absolved the Commissions from partisanship; but if his doubts did not concern the umpire then they must have been directed at the rules, which are still largely those that he himself framed as Home Secretary in 1944.

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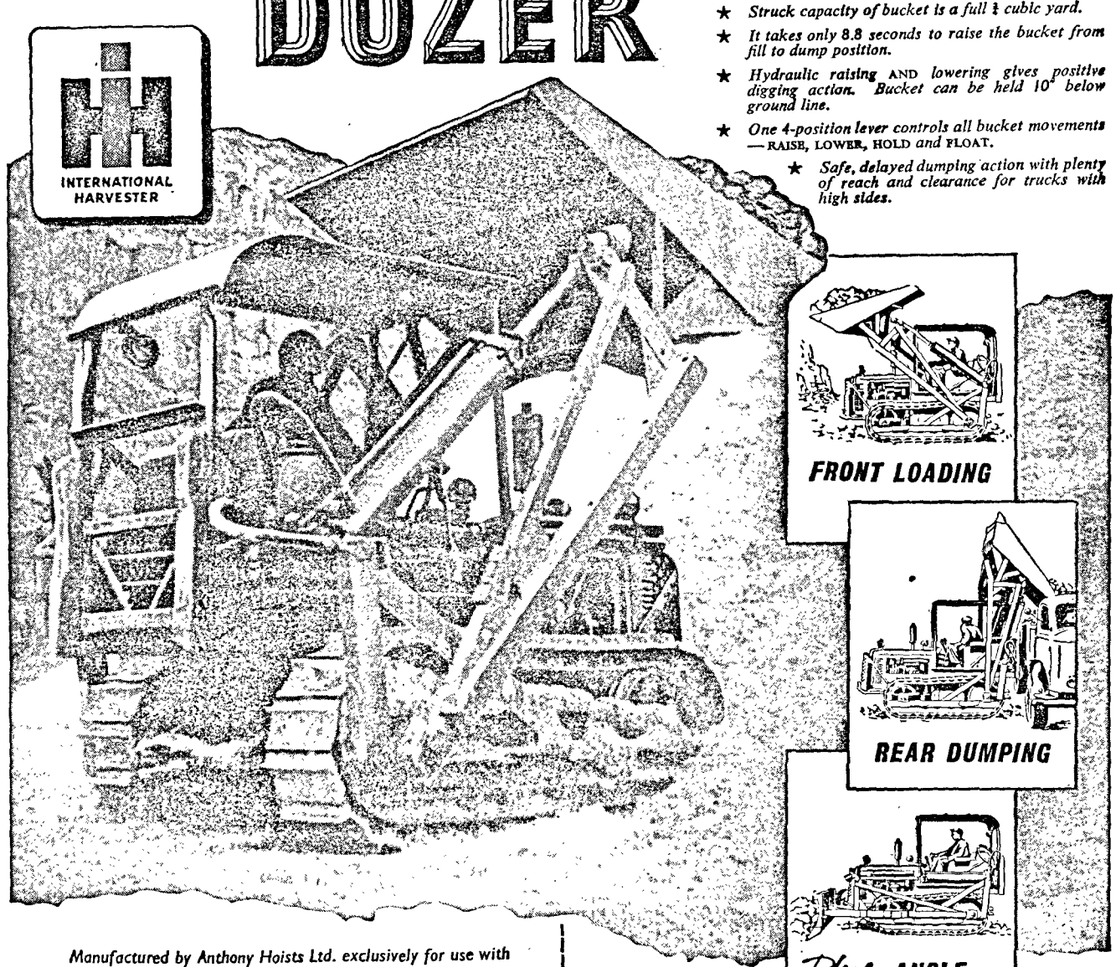

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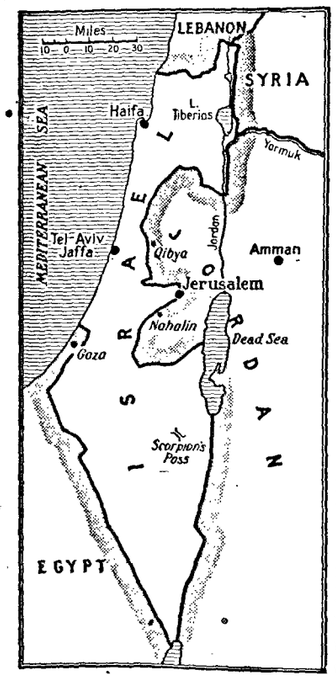
Palestine Truce in Danger

APART from Indo-China and perhaps Korea, the place at which a state of war is today nearest to birth is the Israel-Jordan frontier. Within the last ten days, most of the machinery for peaceful settlement of incidents has broken down. On March 23rd Israel withdrew from the United Nations Mixed Armistice Commission. On March 25th Mr Hammarskjöld, defeated by the refusal of Jordan, abandoned his attempts to convene an Israel-Jordan conference under the terms of their armistice agreement. On March 28th an armed band that made little attempt to disguise its Israel identity killed nine people in an attack on the Arab village of Nahalin; this no doubt took place in retaliation for the killing of eleven Jews in a bus on the Scorpions's Pass on March 17th.



Israel left the Mixed Armistice Commission allegedly in wrath at the refusal of the UN observer to vote in condemnation of Jordan for the Scorpions's Pass attack. (He abstained because evidence of Jordanian complicity stopped ten kilometres from the Jordan border.) In fact, it did so to pacify the very considerable local element that has lost all faith in UN's ability to settle frontier troubles. Jordan refused to accept the Hammarskjöld invitation because this amounted to accepting unlimited discussion of differences—a range of topics that amounts to a peace conference and that it refuses to tackle until Israel has complied with certain UN resolutions. In fact, it, too, has no longer any faith in the United Nations, and is under immense pressure from all its Arab neighbours to cede no points whatsoever.

All the incidents combined suggest that there is a deep division of opinion inside Israel about how to behave over a frontier problem that is warping the country's whole life and economy and that shows no sign of solution. One group, led by Mr Sharett, favours going on trying peaceful means that are seemly in the eyes of western allies. The other, of which Mr Ben Gurion is the prototype, is sure that nothing definite can happen unless Israel, by dramatic action, compels the world to apprehend its plight.

What do Israelis really hope for? Some, no doubt, for a firm stand to be taken by the three western powers who have already guaranteed that impossible frontier line, and for exoneration, therefore, from some of the burdens which it imposes. Some Arab residents in West Jordan would also welcome such a guarantee of quieter nights. But other Israelis now scarcely conceal their desire for an end to parleys and for some Jordanian attack that they could expand into a fight that Israel would surely win.

New Moves in the Two Germanies

THE Allied High Commissioners have now approved the amendments to the Bonn constitution which gave Federal Germany the right to set up armed forces, inside or outside a European community. After arguments with the French, a compromise has been reached among the allies, and the German government has merely been asked to undertake that it will not implement the amendments until the Bonn and Paris treaties are in force. At present Dr Adenauer has no objection to this restriction, as he has still not given up hope of the EDC, and is fully aware of the political dangers of a national army. But it is very unlikely that the ban will stay for very long. Some day Dr Adenauer's coalition partners will insist on its being removed, even if the same demand does not come from the United States and Nato headquarters. It is now clearer than ever that one way or another there will be a German army, and there are signs enough in Germany to show that none of the safeguards written into the EDC and Bonn treaties can be safely jettisoned, while any attempts by the French to strengthen them much further will be rejected in Germany.

Similar fears about the future are aroused by the forecast made by Professor Conant, the American High Commissioner, in a speech last week. He indicated that, even if the linked Bonn and Paris conventions are not ratified, German sovereignty will be restored. It is indeed certain that Dr Adenauer's government cannot be kept under occupation powers much longer, and the chief question is whether it will now be possible to retain the rights of the forces stationed on German soil that were part of the Bonn convention, and the limitations on German arms production that were attached to the treaty.

Before Professor Conant spoke, the Soviet authorities announced that "sovereignty" would be granted to the Pieck Republic. This move has been expected for a long time, as the Russians have consistently tried to build up the status of their puppet. The Ulbricht government would like to set up diplomatic as well as trade missions outside the Communist bloc; and in Germany it is still vainly trying, with Russian help, to secure recognition by Bonn. The immediate disadvantage to the west in the Soviet move lies in the fact that henceforth allied and West German applications for visas, and proposals for improvements in internal traffic, will be referred to German Communist officials instead of to the Soviet authorities.

But there is more to the Russian action than this. Behind it is doubtless a plan to introduce conscription in the Soviet Zone if West Germany is rearmed, and to link the Communist German state with the Soviet system of military alliances. This threat was vaguely made by Mr Molotov in Berlin and it has been more clearly repeated by Herr Ulbricht at the Socialist Unity party congress this week. The Pieck Republic, it seems, must be made into a fully fledged "People's Democracy," not only to threaten the west, but to make it more acceptable as an ally to the anti-German Poles and Czechs.

Bill for the Health Service

TWO years ago the Danckwerts award to general practitioners exploded any pretensions that the cost of the health service to the taxpayer could be kept below £400 million. Since then, the policy of a fixed ceiling has been abandoned in favour of a brake; this has allowed some increase in the estimates at points where the pressure is greatest, but it has prevented the service as a whole from taking a greater proportionate share of expanding national resources.

A feature of last year's estimates was the virtual stability of expenditure on the hospitals; even so, the amount voted for 1953-54 is expected to be considerably underspent. In the new financial year the hospitals are to be voted

HEALTH SERVICE ESTIMATES
(£ million)

	1951-52	1952-53	1953-54	1954-55
Net total cost (excluding civil defence)	**398**	**429***	**414†**	**430†**
Of which:—				
Advances to hospital boards.	274	296	297	308
For maintenance	*261*	*286*	*287*	*296*
General practitioner service	48	89	58	60
Pharmaceutical service:—				
Gross cost	44	48	52	52
Less patients' payments.	...	*7*	*7*	*7*
	44	41	45	45
Dental service: gross cost.	41	31	29	32
Less patients' payments.	*5.*	*11*	*7*	*7*
	36	20	22	25
Ophthalmic service:				
Gross cost	19	11	10	12
Less patients' payments.	*5*	*5*	*4*	*5*
	14	6	6	7

* Includes back payments under the Danckwerts award. † Includes the cost of the medical services and directly administered hospitals transferred last year from the Ministry of Pensions.

increases under the headings of both capital and maintenance, and they have been granted the small favour of being allowed to use their "free moneys" to supplement the money that the Ministry allocates to them for capital schemes. The estimate for maintenance includes provision for increases in wages and salaries that have not yet been authorised but may come into force before the end of next March.

The other main branches of the health service are all expected to cost slightly more than in 1953-54, the higher gross cost being partly offset by corresponding increases in patients' payments. After a sharp fall in the demand for dental treatment when the charges were first imposed, people are evidently beginning to return to the dentist's chair. But the most heartening feature of the estimates is the virtual standstill that appears to have at last been achieved in the cost of the pharmaceutical service. It looks as if the Minister of Health's appeals to doctors to prescribe less expensive drugs wherever possible is expected to have some effect, although there are no signs of a falling off in the actual number of prescriptions dispensed.

Television Trouble

THE debate on the second reading of the Television Bill was irritable and irritating. Although Sir David Maxwell Fyfe wisely tried to damp down excitement by sheer legal ponderousness, and although Mr Herbert Morrison tried initially to do the same thing by chirpy good humour, both men managed to set discussion rolling along the wrong lines. Sir David laid great emphasis on the safeguards designed to prevent the Independent Television Authority from becoming a new BBC, and said that the authority would put on its own productions only when the private enterprise contractors were unable to provide certain types of programme or to ensure continuity of service. The Government will be making a great mistake if it continues to proclaim so loudly that it has no intention of moving in the direction of a second public service programme even if the finances of the present scheme prove unsound.

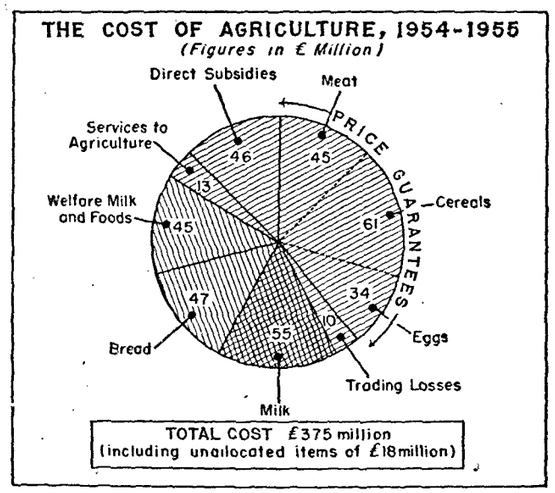
Mr Morrison finally lost his good humour—and his usually level head—when he accused the Assistant Postmaster-General of having "grossly misled the House" in his estimate that if "a second programme was provided now" by the BBC it would entail a licence fee of at least £5. Mr Gammans's figure was quite correct, since he was comparing like with like; Mr Morrison's alternative figures were based on the assumptions that a second programme would be brought in some time hence and that the number of licence-holders would increase rapidly in the meantime. One result of his muddling arithmetic is that some Labour backbenchers now honestly believe that the money paid by advertisers will somehow not save the licence-holder anything. Another result is that the Opposition as a whole is continuing to miss its great opportunity to sponsor the alternative which would be both effective and politically saleable. The ITA, as now proposed, provides an adequate framework for a second public corporation, *pari passu* with the BBC. If both were allowed to take advertisements, neither need be dependent on such revenue, but the licence fee could stay at £3. Labour still has a chance to put forward some such workable alternative, but it will need to shed its present fixation against advertising.

In the end the House divided on strictly party lines, although the Government supporters who first conceived the plan for commercial television did so with little enthusiasm. These Tory backbenchers' attitude is at least logical. They fear that the shackles now fastened to their infant may prevent it from learning to walk, and in committee they plan to unleash sundry amendments designed to set the programme contractors free. The Government has felt compelled to keep the committee stage on the floor of the House, so the critics will be able to muster their full strength. Some of the least tractable are threatening real trouble, but there is a saying among Tories these rebellious days: "Your constituency or your conscience." Whoever coined the phrase has so far proved an accurate if cynical judge of the pressures on this pressure group.

The Cost of Agriculture

ONE of the recurring difficulties in controversies over farm policy is that the contestants disagree not only about how much aid should be given to agriculture, but about how much is actually being given now. The Civil Estimates, published last week, put the total cost of agricultural and food subsidies in 1954-55 at £375 million; but this is before allowing for the £23 million that is expected to be saved as a result of the recent price review. Of this total of £375 million, £92 million represents consumer subsidies of a nutritional or welfare character; and a further £55 million (the general subsidy on milk) may be regarded as partly nutritional in its objective and partly a subsidy to producers.

The remaining categories allocated as shown in the chart represent various forms of aid to British agriculture. The services to agriculture include education and advice, losses incurred on the provision of machinery and labour at cheap



rates, pest control, and land drainage and flood services. Direct subsidies are given to reduce the cost of fertilisers and lime; to assist the ploughing up of grassland and the rearing of beef calves; to assist hill farming and marginal production; and to contribute to the cost of field drainage and water supply. The main price guarantees (apart from milk) relate to cereals, eggs, pigs and fatstock. The trading losses relate to residual operations of the Ministry of Food in relation to cereals, potatoes and eggs.

On the basis of these estimates (which are necessarily very tentative) the total cost of aid to British agriculture, as revised by the price review, can be put at £225 million (including half the milk subsidy). This is equivalent to just under one shilling on the income tax. For a variety of reasons—including the fact that the Government expects to make a profit of £108 million on sales from its stocks of de-controlled foods—these figures differ from the actual sums expected to be required for 1954-55 by the Ministries of Agriculture and Food.

Mr Stassen's Visit

THE communique issued after the brisk talks on east-west trade between Mr Stassen, M. Maurice Schumann and British government departments makes it plain that all three parties are agreed on the need for a revision of the strategic controls on goods exported to the Soviet bloc. The really difficult negotiations will come when individual items are discussed at the forthcoming talks in "Cocom" (the international committee that meets in Paris to co-ordinate the controls). Mr Thorneycroft has suggested in the House of Commons that these conversations may continue for two or three months.

Contrary to the general belief, the Americans are in fact very flexible in their attitude to east-west trade and the embargo system. As long ago as last February, before Sir Winston Churchill's famous statement, the US Administration had declared its belief in greater non-strategic trade with the Soviet bloc, and its desire to reappraise the system of controls. It would be a mistake, therefore, to assume that a reasonable compromise between the American and the British viewpoints is impossible; and much harm will be done to Anglo-American relations if the public is led to expect a drastic revision of the lists, which obviously the Americans (and possibly other allies) will find unacceptable on grounds of security. Moreover, those who suggest that Britain should "go it alone," if the Americans demur, ought to understand that they are proposing in fact to break down by unilateral action the valuable international mechanism of Cocom, and ultimately to abandon all vestige of strategic controls. There is no way of squaring this attitude with the wider, and generally accepted, policy of maintaining the security of the West through the North Atlantic Treaty Organisation.

It ought also to be understood that any relaxation of the embargo lists will not be measurable in terms of numbers of items struck off. The lists are complicated and highly selective, and a substantial revision might not be shown in a shortening of them, but rather in a reclassification of certain items. It would be unwise, moreover, to measure the revision against the numbers of Russian orders now held up that are ultimately allowed to pass; for the Russians made sure that they included in their shopping list a number of goods which, even in the most liberal interpretation, cannot be considered non-strategic.

Part
Comecon in Sight

THE Council of Mutual Economic Aid, better known as Comecon, held a two-day meeting last week in Moscow, attended by all the European members of the Soviet bloc, but not, it appears, by China. Thus Comecon, shrouded in secrecy almost since its foundation, comes back into a discreet limelight. Formed in January 1949 as a Soviet counter to the Marshall Plan, its task was to further the economic integration of the eastern bloc under Russian leadership, to co-ordinate the plans of the member countries, and to dovetail import and export quotas into those plans.

Comecon developed rapidly in the climate of the cold war, and on the eve of Stalin's death this agency of the Moscow *Gosplan* was supervising a vast and almost closed economy. But the new economic policy launched after Stalin's death, first in the Soviet Union and then in the satellites, has placed its tidy blueprints in jeopardy. The need to satisfy the consumer and the new emphasis on agricultural production must be a great strain on the available resources of the bloc. The chief purpose of last week's meeting was probably to co-ordinate the revised plans and to approve emergency trade programmes so as to prevent a collapse in production.

But there must have been a second topic on the Moscow agenda. By 1953 the flow of trade between what Stalin termed the "two world markets" had been reduced to a trickle and the members of Comecon were doing about three-quarters of their trade within the Soviet bloc. A certain resumption of trade with the West being part of the new Soviet economic policy, both the scale and the strategy of this operation were undoubtedly debated in Moscow. It was necessary to close the ranks and prepare a united front for the battles of Geneva and elsewhere. The meeting was a timely reminder to western optimists who expect ordinary trade to drive wedges between the Soviet Union and its European satellites; this is a weapon which, for obvious reasons, the other side can wield with greater vigour.

Cartel or Community?

THE export cartel organised by the steel producers of the European coal-steel community has until now lacked one vital characteristic of a full-blooded cartel. No attempt was made to assign to each member a fixed share of the export market. Apparently the cartel is now trying to make good this deficiency. According to a German economic journal, *Der Volkswirt,* discussions are taking place at the headquarters in Brussels, where the participants are wrangling over what base year to take for purposes of calculation, and over the export quotas themselves. The journal suggests that the final outcome may well be to reserve some 45-50 per cent of the steel export market for Belgium-Luxembourg, 30 per cent for France and 17-18 per cent for western Germany.

It is intended also to subdivide these national quotas as between the various firms. Still another restrictionist step contemplated by the members is to exclude from the steel export trade all those who were not already established and active before the war. Under the new arrangements the participants will be obliged to report not only the prices they charge but also the quantities sold. To administer the strengthened cartel it is claimed that a greatly enlarged apparatus will be required at the Brussels headquarters.

The immediate stimulus to this latest burst of activity was the rapid expansion of German steel exports which took place at the beginning of the year. Alarmed Belgian and French producers threatened that unless this initiative was checked, they would retaliate by competing in the German home market with a vengeance.

All of these developments bring the export cartel into direct conflict with the basic principles of the coal-steel

treaty and with the powers of the High Authority. There can no longer be the slightest ambiguity about the constitutional strength of the Authority's case against the cartel, since the treaty forbids all private agreements whose effect is to restrict or control production. M. Monnet has just departed for Washington, where he intends to conduct final negotiations for an American loan. On his return he will have to take up the challenge posed by the Brussels cartel if the community, as originally conceived, is to be preserved.

Pay Beneath the Plate

AGAINST the general background of wage increases a startling attempt is being made to reduce wages of "tippable" staff in licensed hotels and restaurants. When it first met in 1946 the Catering Wages Board took no account of tips in fixing minimum wages; it even assumed its recommendation might cause tipping to dwindle or even to stop in these establishments. But customers were not so brave or so brazen as it assumed. Two years ago, therefore, the Board started to consider the question afresh; it left "tippable" staff out of last year's wage increase. After long deliberation, it has now proposed that employers should, if they wish, reduce wages by £1 for men and by 10s. to 15s. for women, subject to the guarantee that if tips bring in less than the amounts they will make up wages to the existing minimum.

This is an attempt to swing an axe in a jungle. Examples still come to light from time to time of London restaurants where the cloakroom attendant is unpaid or is actually paying the management: and over the trade as a whole the average tippable employee would still, after the proposed cuts, be taking home considerably more than the minimum wage. The employers wanted the cut to be bigger for some classes of restaurant. The union representatives on the board opposed any reduction, but were outvoted when the independent members of the board sided with the employers.

The proposals have now to be printed, and 28 days are allowed for objections. Then, amended or not, they are submitted to the Minister of Labour. If he approves them, the workers will hardly be in a position to go on strike, for, except perhaps in Birmingham, they are not well organised. Moreover, some employers might not take advantage of the proposal immediately, for waiters are in a strong position during the summer months. The Catering Wages Board is, of course, really trying to correct a mistake it made in 1946; but it is—to say the least—a correction of an unusual sort.

Tories on the Screen

THE Conservative party's political programme on television last week was a deliberate contrast to Labour's the week before. While Labour's programme had been callowly devised but had carried a final and successful

emotional kick, the Conservative's was cunning but soporific. Mr Anthony Eden sat in his armchair while a drawing-room full of Conservative MPs and candidates—with accents carefully chosen to show that the party covered Scotland and Wales as well as England, and was also really very democratic—relayed to him questions that had been asked by their constituents. The cunning of the programme lay in the choice of the questions; they were the favourite questions that the Labour party has recently laid up for use by its own hecklers at electoral meetings, and were asked here in a flat way so that televiewers may henceforward regard them as bearded rather than barbed. Was Mr Eden aware that although the index said the cost of living had been stable for a year, the household bills of Mrs Somebody from Somewhere (a Welsh plasterer's wife with three children) just did not bear this out? Was it Tory policy to resist wage demands in order to keep British exports competitive? Did Mr Eden know that farmers were worried? Did he know that in one rat-infested slum in Glasgow eighteen people were sharing one toilet?

These, Mr Eden indicated, were precisely the sorts of question that were weighing on the government's mind; that was why it was pushing ahead with its slum-clearance programme, deficiency payments to farmers, and efforts to keep the cost of living as still as possible. In this it needed public support, as also in the all-important task of maintaining world peace; and on this—as peace was nearest to his heart—Mr Eden would like to say a few earnest final words himself. After these earnest words, which consisted largely—as in the speech of another Anthony—of declaring that opposition Brutuses were also honourable men, the programme came to an end. It is doubtful if any Labour or marginal voter can have been converted by it; but the object was clearly emollience rather than conversion. On this evidence, the Conservatives' basic electoral strategy is to make opposition histrionics look cheap and irresponsible stuff, and to tone down the political perspective to something approaching Mr Eden's own icy calm.

Battle of Kidbrooke

THE London County Council is to renew the battle over the Minister of Education's refusal to make the way easy for the new Kidbrooke Comprehensive School by sanctioning the closing of its established rival, Eltham Hill Girls' Grammar School. Its Education Committee has decided to send a deputation to the Ministry; and on Tuesday Mr. I. J. Hayward, leader of the Council, suggested that the support of the Association of Education Committees should be invoked. It is to be hoped that the Association will not be unwise enough to enter this highly political arena, even if its leading spokesman considers that the Minister interfered unjustifiably with a local authority's autonomy. There are already far too many political and far too few educational interests under dispute.

Miss Horsbrugh made her position plain in answer to Parliamentary questions last week. While she is no advocate of comprehensive schools, she has permitted a large number of schemes to go forward. There are 12 comprehensive schools already in existence in Britain; and by last December 36 proposals for further comprehensive schools had been received, of which 32 had been approved and 25 had been included in approved building programmes. Since Miss Horsbrugh came to office building approval has been given to more than 15 comprehensive schools in the LCC's province alone. This does not indicate any virulent attack on the LCC's programme, and is indeed in direct contrast to the tenor of its reproaches. It was merely bad luck that Kidbrooke, the first school to be completed, was one of the three or four which was planned to tie in with the closure of an existing grammar school.

Because the Minister regards comprehensive schools as experimental, she has said that she prefers them to be built in such a way that they can be organised later as separate schools, if this should prove desirable. This will not suit the books of those who want these schools to be committed beyond recall. To others it will seem commonsense—provided the chances of the success of the experiment in comprehensive education are not diminished by the alterations in design.

Investment in Council Houses?

A LONDON property investment syndicate is seeking to buy whole council housing estates, and is reported to have "a definite £2 to £3 million to spend, with possibly as much again if the scheme requires it." A Mr Goodman, of the firm of estate agents acting for the syndicate, has claimed that a net profit of not less than 6 per cent could be drawn from the investment with more efficient management; and that this could be earned after actually reducing rents and giving tenants the protection of the Rent Restriction Act, which at present they do not get. What, he asked, do most local councillors know about housing management?

This argument seems very tempting, and the arithmetic underlying it deserves close examination. Unfortunately that arithmetic is difficult to understand. Mr Goodman is reported to have said that a house bought at £1,200 might be let at 26s. instead of the 30s.-35s. that many councils are charging. Even without any allowance for management costs, that would not amount to 6 per cent; and most rents would therefore presumably have to bear a higher proportion to the purchase price than this. Mr Goodman also did not seem to have considered that some houses of this kind are let for as little as 12s. a week. What would happen to tenants whose rents have been adjusted to their means?

Any scheme to sell a council estate would have to be approved by the Ministry of Housing. So far no council has submitted such a scheme, although one or two have got to the point of discussing it with the agents. At present local authorities have power to sell council houses singly to their sitting tenants. They can sell prewar houses at twenty times the annual rent, and postwar houses at a price that covers the actual cost of construction. But a relevant circular expressly stated that "there is, of course, no question of selling or leasing houses to individuals or organisations for investment or speculation." In the House of Commons recently the Parliamentary Secretary to the Minister of Housing said that to gain ministerial approval the conditions of that circular would have to be observed. The chances that this novel take-over bid will succeed seem remote.

Letters to the Editor

Horizontal Weather

SIR—I notice that in your issue of March 27th you describe my proposal to allow firms to choose their own rates of depreciation on equipment as "administratively difficult" and "indiscriminate and expensive." You cannot prove that it would be expensive and I cannot prove that it would not be. But I suggest that it would be very inexpensive—much less expensive than initial allowances. In respect of the vast mass of routine outlay most firms would be likely to carry on with existing procedures; it is only the progressive, quickly moving firms, experimenting with new methods, that would opt for high depreciation rates. Remember that a price would have to be paid by a firm for this privilege, namely carrying the high depreciation rate in its own profit and loss account. The former types of outlay surely weigh much more heavily than the latter in the total of tax payments.

By like reasoning it is the initial allowance method, not my method, that is "indiscriminate." The former brings in some windfall cash to all firms, whether they need it or not. My method would only bring cash to a select number, namely to those who gave evidence that they needed it by being prepared to make a temporary sacrifice of profit in order to get it.

All reforms entail initial "administrative difficulty." But after the first impact my method would yield a great administrative saving. Think of all the arguments and correspondence between firms and the Inland Revenue about appropriate rates of depreciation that would come to an end. And think of the vast saving of clerical and accountancy labour in firms that could go over to one set of accounts, instead of having to keep two, as at present, one for the Inland Revenue and one for their published balance sheet.—Yours faithfully,

Holt, Norfolk ROY HARROD

★

SIR—In your leading article of March 27th you state that a policy of increasing the basic wear and tear allowances, i.e. shortening the assumed life of capital assets, "would be far more effective" than an increase in the initial allowances "as a stimulus to investment."

Why should this be so? For any given reduction in tax receipts, one would have thought that a system which links additional allowances directly to capital formation would be a better stimulus than one which grants them willy-nilly. You state earlier in the article that companies are not currently short of liquid funds. Nor is it easy to see why the "accelerated depreciation" you propose could more readily be made selective. Moreover, the operation of the balancing allowances system, another device closely linked to physical capital formation, means that in general the existing standard rates for wear and tear allowances do not imply a fixed life but only a maximum one for any particular capital asset.

Or is your argument that there are advantages in spreading the benefits of accelerated depreciation over a period of a few years rather than bunching them into the first year, as the initial allowance system implies? If so, should they not be weighed against the above points?—Yours faithfully,

A. R. PREST

Christ's College, Cambridge

Nato and Enosis

SIR—To your statement that "The four Nato members with interest in the Eastern Mediterranean—Britain, Greece, Turkey, United States—would do better to concert their attitude to sovereignty in Cyprus round a table than to argue it out before the Assembly of the United Nations" I want to add that the English must not think that Greeks are like the Egyptians or the Spaniards. We like the English and we respect them, and we do not want to throw them out of Cyprus; we just want the Cypriots to become Greeks.

If the Greek Government has permitted the United States Army to have base facilities in Greece on one occasion, then the English have the right to be there ten times more than the Americans, because events and circumstances of the past have strengthened our friendship much more. So, even if Cyprus becomes Greek the English can still have their own bases in Cyprus.—Yours faithfully,

BASIL PAPACHRISTOPOULOS

East Horsley, Surrey

Teachers' Pensions

SIR—As an actuary born of school-teaching parents I feel you are too harsh in your comments on the teachers. The teachers' scheme, set up by the Act, made no provision for the funding of the scheme. All that is done is that periodically the Government Actuary goes through a series of actuarial gymnastics to find out what would have been the liability if the scheme had been funded and whether the level of contributions will be sufficient in the future. There is no separate fund into which all receipts are paid and from which all pensions are drawn—all pensions and payments come out of or go into the Exchequer and so their identity is not preserved. Furthermore, retired teachers do not enjoy their pensions as of right, as members of a normal contributory pension scheme do. If a teacher takes up his profession temporarily again, as so many of them did to ease the postwar shortage, his pension is stopped to teach him a lesson. Consequently, it is arguable whether it is fair to apply cold actuarial logic to the teachers' scheme.

Even if it is granted that actuarial considerations do apply, it is a debatable point of actuarial equity whether or not the past generation's sin of having taught through an inflation should be visited on the next generation by making it pay a 6 per cent contribution.

Looking at the pension arrangements of other kindred professions, teachers feel that the comparative level of contributions in their scheme is weighted against them. Under the Federated Superannuation System for Universities, the employers pay 10 per cent and the employees 5 per cent. Under the Health Service Scheme the respective contributions are 8 per cent and 6 per cent, while under the Civil Service Pension Scheme the Government, or rather the taxpayer, bears the whole cost. It may be argued that the existence of a non-contributory pension scheme is taken into account in fixing the level of Civil Service salaries; but when inflation lifted these, did the Government Actuary go through the motions of valuing a notional Civil Service Pension Fund, and, finding it in a parlous financial state, recommend that the Civil Servants' (notional) personal contribution should be increased from *x* per cent to *y* per cent? I doubt it!—Yours faithfully, F. F. A.

Television Aunt

SIR—In your article of March 13th you write "The ITA is also to have stern powers to . . . enforce competition between the programme contractors, and to ensure that they do not annoy the actors' trade unions by using too many American films." This is surely a curious way to put it: as if this was only a matter of conciliating a trade union pressure group defending restrictive practices. Perhaps this is indeed all that the Government is concerned with: for in its zeal for commercialisation it has not shown conspicuous interest in either the educational possibilities of TV or its catering for any but majority tastes. But it is surprising to find *The Economist* indifferent to the disadvantages of having British screens dominated by American films. These will have recovered their costs in America and in general our producers, unprotected, cannot hope to compete with them. Furthermore they will cost dollars which we cannot afford. But this is stale stuff, which you would never forget in dealing with the problems of Canadian broadcasting or of the British film industry; and when it was not a matter a matter of digging at auntie BBC!—Yours faithfully,

ANTONY FLEW

Department of Moral Philosophy, University of Aberdeen

Books & Publications

Germany Through the Looking Glass

GERMAN HISTORY: SOME NEW GERMAN VIEWS.
Edited by Hans Kohn.
Allen and Unwin. 224 pages. 18s.

A NATION'S history is the mirror in which it recognises its identity, and to study the view that a nation takes of its own history is the surest way to discover its aspirations and its illusions. Since the overthrow of the Third Reich there has been a revolt, on the part of a number of German historians at least, against the orthodox view of German history as it has been taught in German universities and schools since the days of Treitschke and Sybel. Professor Hans Kohn, of the City College of New York, has taken the trouble to collect eleven examples of this German attempt to revalue the course of German history and to introduce them with a couple of essays of his own.

It is a matter for regret that in choosing his examples Dr Kohn has only represented one side of the debate and has not included any illustration of the arguments advanced on the other side. The result is an incomplete picture of German historical thought as it has developed since 1945, and unless this is clearly understood, the impression left on the reader may be misleading. For, as Dr Kohn recognises in his introduction, other historians, including some of the most eminent, have been more concerned to justify than to criticise the traditional view. The revival of German power may well give them the advantage over their critics.

Perhaps the most interesting, certainly one of the most radical, of the essays Dr Kohn has chosen is by a young Swiss historian, Walter Hofer, who has been teaching in the Free University of Berlin since 1950. Dr Hofer sees very clearly that it is a revision of values that is needed rather than of facts, and he selects three grounds of criticism of the accepted version of German history with which most of the other contributors are in agreement. The first is the exaltation of power, of the *Machtstaat*; the second, the glorification of war; the third, the erection of nationalism into an absolute value. To the non-German reader these criticisms may well appear too obvious to be worth discussion, but this is to underestimate the degree to which such ideas have been, and still are, natural assumptions for many German historians. Dr Hofer argues his case forcefully and is ably seconded by another young German historian, J. A. von Rantzau, of the University of Hamburg. Moreover, Hofer develops a second line of thought which leads to the heart of the problem.

It is altogether too easy, he points out, to say that Germany has been on the wrong track ever since the time of Frederick the Great. "What was represented as a fascinating rise, willed by historic destiny, now appears as a frightful fall, equally the work of destiny." In either case, the emphasis is on a destiny, once glorious, now tragic, which relieves the individual German of responsibility. In particular, the belief that historical destiny has treated Germany and the Germans badly, by delaying their achievement of national unity and by placing them in an exposed geographical situation, has stimulated the feverish assertion of their rights in an effort to catch up with other, more favoured nations.

The remaining essays are of unequal value. All lay stress upon the divergence between German and Western political thinking from the time of Fichte and Hegel onwards; and most are critical of the egocentricity of much German historical writing, its indifference to other points of view, its ignorance of what was happening outside Germany's borders. Of the two essays which deal with Bismarck, the first, by the Munich historian, Franz Schnabel, puts the not very convincing case for the federal solution of Germany's political problem which Bismarck rejected in favour of the unified nation state; the second, a sharp attack on the Bismarck legend by Alfred von Martin, insists that the German people cannot evade their responsibility for their own history by making a scapegoat of Bismarck—or of Hitler. There were, writes Dr Martin, "other" Germans better and wiser than Bismarck, but there was no "other" Germany, for the truth is that they represented nothing but themselves.

At the end the reader is impressed by the honesty and courage of those who have attempted to revise the Germans' view of their own history. Their chances of success are more in doubt. Perhaps the best thing for the Germans would be, not to revise, but to forget their history, for once they begin to look in the mirror again they may find the attractions of the old image too tempting. The only historical tradition Germany has is the one that runs from Frederick the Great by way of Bismarck and the Kaiser to Adolf Hitler; the "might-have-beens" of German history do not add up to an alternative. If there is to be an alternative it will have to be sought in the future, not in the past.

The Keynesian Trotsky

TOWARDS THE RESCUE OF STERLING.
By R. G. Hawtrey.
Longmans. 159 pages. 12s. 6d.

PROFESSOR R. G. HAWTREY holds a unique and rather embarrassing place in the history of modern economic doctrine. He might be called the Trotsky of the Keynesian revolution. In the early inter-war years, when economists were still struggling towards the truth about effective demand, Mr Hawtrey got farther than anybody. He was putting the finishing touches to his own theoretical model of economic behaviour when Keynes came dashing past him—with a glibber pen, a greater gift for exposition, and a much greater willingness to turn back from any unprofitable avenue of approach in order to go careering down a new one. Mr Hawtrey has gone on tending his own rather difficult and abstruse model just the same. The result is that while some economists of the younger generation may regard him as that very learned old man who writes all those odd books, those of maturer mind regard him with a respect that is much more flattering than mere reverence. And future chroniclers of the history of economic thought will also accord Mr Hawtrey a higher place than he is likely to attain on the best seller lists today.

There are two idiosyncrasies of the Hawtrey approach. He lays great emphasis on a correlation between excess spending and an excess supply of money, instead of relating potential demand from current incomes to the availability of current resources; and he labours the point that businesses nearly always hold more stocks than are strictly necessary, so that total spending can be sharply cut back when businessmen are suddenly induced by an increase in interest rates to swing over to stock economies. The latter point stands up very well in this review of economic developments between 1945 and the end of 1953. Mr Hawtrey would, of course, have resorted to a dearer money policy after 1945 much more swiftly than the authorities (and perhaps even than Keynes himself) would have done; and he would quite certainly have been right. It is possible that Mr Hawtrey still underestimates the extent to which the value of a dearer money policy today depends upon its effect in making lenders less willing to lend rather than in making borrowers less eager to borrow; but this is merely tantamount to saying that his model works better than he credits.

Unfortunately the other Hawtrey idiosyncrasy—the emphasis on an excess supply of money—makes this account of recent economic developments very difficult to understand. It leads to gross under-emphasis of the role of the budget in disinflationary policy since the war, and Mr Hawtrey's predisposition to relate the appropriate level of exchange rates to the internal supply of money convinces him that the devaluation of 1949 was a great mistake. In fact, he believes that sterling is still undervalued now and would like to see the exchange rate set free to rise. For the same "quantity of money" considerations he is obviously out of sympathy with the reflationary policy that has been followed in the past year and a half; the reduction in Bank rate last September leaves him bewildered. Strangely, too, in a book that flies the word sterling in its title, Mr Hawtrey pays less attention than one would expect to developments in the overseas sterling area since the war, and disregards the fact that developments there, much more than in Britain itself, have been responsible for bumping the currency along from crisis to crisis since the war. One is left with the impression that for a single currency area, ruled by a single government and with a perpetual political tendency towards inflation, the Hawtrey dialectic is intelligible and the Hawtrey prescription commendable; but that for the sterling area of today, striving to strike a balance across four continents between excessive demand and a wastage of resources, the dialectic is too complicated and the prescription of tougher and tougher money too simple to rescue sterling from what is temporarily a fairly mild distress.

Background of Indo-China

HISTOIRE D'UNE PAIX MANQUEE.
By Jean Sainteny.
Amiot-Dumonte. Paris. 260 pages. 19s.

A REAL contribution to an understanding of the situation in Indo-China is more than ever valuable now that the country is likely to be in the centre of international preoccupation in the near future. The development of hostilities and the emergence of Communist China as the main backing for the Viet-Minh have tended to push into the background the events that led up to the outbreak of the campaign. M. Sainteny, who was in charge of the French military mission in South China before the Japanese defeat and who was the leader of the first team of Frenchmen to return to Tonkin, later acquiring the status of Commissioner of the republic there, is in as good a position as anyone to explain the course of events; his testimony, supported by documents, has a ring of sincerity that makes it appealing provided, of course, one admits his principal thesis: that France had genuine interests in Indo-China and that if things had gone differently it might have been possible to maintain them without bloodshed.

M. Sainteny traces what went wrong largely to external factors. First of all the Japanese, having destroyed the Vichy governmental machine, did their best to start up Annamite nationalism against the French. More important was the determination, as he sees it, of the Americans responsible for Far Eastern policy, owing to what he calls their "*anti-colonialisme enfantin*," to keep the French out of Indo-China. He believes that the decision to have northern Indo-China occupied by Chinese troops was partly due to this, and partly intended as a recompense to China for the concessions it was forced to make to Russia at Yalta. He gives a lurid picture of the activities of Chiang Kai-shek's armies in northern Indo-China and makes it plain that their connivance helped the Indo-Chinese nationalists to arm themselves. All this time while the French position was being undermined by France's allies as well as enemies (he points out the very different and steadily helpful conduct of the British in Cochin-China) the French themselves were preoccupied with matters nearer home and French governments continued their usual habit of collapsing at every critical moment in the story. M. Sainteny believes indeed that at this early period Ho Chi Minh was prepared for an intermediate regime of relative independence within the framework of the French Union, and that the French Left, by encouraging the more extreme Annamites, and the French Right, by insisting on intransigence, helped to destroy any possibility of a peaceful solution on these lines.

It would, of course, be wrong to use this picture of events at that time as an indication of what may happen in Indo-China in the near future. It is clear, however, that the roots of Annamite nationalism and its Communist leanings were well established long before Chinese Communism reached down to the Indo-Chinese border and that Ho Chi Minh cannot necessarily be treated as anyone's puppet. It is equally true, however, that mere anti-colonialism, the belief that any population is capable of self-government without external aid and support, and that all one has to do is to give in to the "wave of the future" represents an evasion. M. Sainteny's story is deeply human in his picture of the sufferings undergone by the French population of Indo-China and of the losses suffered by the indigenous population when such things as the irrigation works set up by the French were neglected. Whichever way one looks at it it is not a pretty story.

Tranquil Mind

HALF A LIFE:
Count Constantine Benckendorff.
Richards Press. 319 pages. 25s.

THE author of this volume of memoirs is the son of Count Alexander Benckendorff, who was the Ambassador of Imperial Russia in Britain from 1900 until the February Revolution of 1917, and one of the most enlightened and distinguished figures of the old regime. His son joined the rapidly expanding Russian Navy in 1899, and served in the Russo-Japanese War, being taken prisoner by the Japanese at the surrender of the Port Arthur garrison. During the next years he lived largely on his family's country estate in Tambov province, and took an active part in local government, in the county *zemstvo* his liberal inclinations bringing him into conflict with the very conservative provincial governor.

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Ernest Benn

Recalled to the Navy in the First World War, he served most of the time in Archangel or Murmansk. In 1917 he was a Liaison Officer with Allied Missions at the Army GHQ in Mohilev, until demobilised after the Peace of Brest-Litovsk. The year 1918 he spent partly in Moscow, partly in the country at or near his family estate, now divided among the peasants. Bolshevik rule made remarkably little impact on him, though he had a few disagreeable brushes with the Cheka and some experience of prison life. In the spring of 1919 he was called up to serve in the Red Navy. He worked for a time in the General Staff in Moscow, and also went on official missions to the then independent republics of Esthonia and Georgia. In the second, he was accosted by one of his cousins, who was in Tiflis as an emissary of General Wrangel, the White leader, who put to him proposals for common military action by Wrangel and the Bolsheviks against the Polish forces of Pilsudski, who were then invading Russia. The author transmitted the proposals to his Bolshevik chiefs, but it is hardly surprising that nothing came of them. The following two years were spent in alternating periods of General Staff service and prison. In 1922 he left the Navy, and became for a time a professional flautist, was allowed to visit his mother in London in 1923 and finally left the Soviet Union with his wife in 1924, at which point the book ends.

The prevailing impression of this book is tranquillity. The author lived through fantastically troubled times, but he survived them without a trace of bitterness. He describes his experiences with an enlightened and mildly humorous detachment. One is accustomed to think of the Russian Revolution as a cataclysm in which everything was on a vast scale—the shame and the glory, the heroism and the meanness. But Count Benckendorff's story shows how ordinary life went on in spite of everything. Perhaps the most striking part of the book is that dealing with his life in the country, partly in his own house and partly as a guest of a neighbouring family of former landowners, during the stormy year 1918. The Russian peasants who emerge from his recollections have little in common with the savage brutes, fit only to be chastised by the whips of Tsars or the scorpions of Commissars, imagined by writers of the extreme left or right. Count Benckendorff expresses his

> conviction that the Russian peasantry, far from being a mass of ignorant, backward, recently liberated slaves, are a highly intelligent, politically conscious and independent community, entirely capable of looking after their own country both in internal and external affairs, and therefore the determining factor in the present and future of their country.

This modest, intelligent and humane book throws light on one important and much neglected aspect of twentieth century Russia.

Bicentenarian

THE ROYAL SOCIETY OF ARTS, 1754-1954.
By D. Hudson and K. W. Luckhurst.
John Murray. 429 pages. 30s.

TO mark the occasion of the bicentenary of the foundation of the Royal Society of Arts, Mr Hudson and the society's secretary, Mr Luckhurst, have written a history of its achievements. This was obviously no easy task, for the outstanding impression this book leaves is of the astonishing diversity of interests of this distinguished society, much wider indeed than the shortened name by which it is known today would suggest. When it was born two hundred years ago at a meeting of a handful of men in a London coffee-house, it was christened "The Society for the Encouragement of Arts, Manufactures and Commerce," Royal being added in 1908. It has remained true to this liberal conception ever since.

But, while the aims of this society have been steadfast, its means of achieving them have changed. The society launched itself by offering prizes, prizes to stimulate agriculture, drawing, textiles, mechanics, mineral production—in fact, almost anything — and this system prospered for nearly a century. Today it has become mainly a paper-reading society and a valuable examining body in a wide range of subjects. But what a lot of pies this society has had its fingers in since the days when Dr Johnson gave it his blessing. Some slight idea of this is evident from the differing aspects in which it is probably best known to the public—for its sponsoring of exhibitions and, in particular, the Great Exhibition of 1851, and for the plaques which it mounted on the homes of famous people. But this book gives some fascinating sidelights on the society's many ventures, large and small. Who would have thought that it needed such distinguished patronage to encourage the production of medicinal rhubarb in this country, and that to do so a box of seeds had to be smuggled out of China through the help of the Russian medical service in Asia? Or that such a society would try to promote opium-growing here? And what enterprise it showed in erecting a three-storey building solely for the purpose of setting fire to it to test a fire-extinguisher and when, in its persistent fight against industrial accidents, it sponsored an apparatus for cleaning chimneys to avoid the use of climbing boys. Of course it had several unsuccessful ventures; among these was the opening in 1852 of the first public lavatories in London which met with a complete lack of appreciation.

All this provides interesting social history and the two authors have successfully blended their contributions into a whole which generally makes bright reading, although it occasionally lapses into a rather dull catalogue of events. There is perhaps a tendency to claim too much for the society, and the authors' pens are certainly not critical. But, although this book does not supplant the earlier work of Sir Henry Trueman Wood, it is a colourful addition to it. And it is refreshing to realise that in this age of specialisation, a society like this with almost universal interests, is thriving in its elegant Adam home in the Adelphi.

The Poincaré Franc

SOUVENIRS D'UN GOUVERNEUR DE LA BANQUE DE FRANCE.
By Emile Moreau.
Librairie de Médicis, Paris. 990 francs. 639 pages.

HAVING headed the Banque de l'Algerie for twenty years, Emile Moreau accepted reluctantly the request of M. Caillaux to assume the governorship of the Banque de France at a time when many feared lest the franc repeat the spectacular fall of the German mark. Every evening, from his appointment on June 24, 1926, until stabilisation came at the end of June two years later, he recorded his observations on the day's happenings, thus writing a blow-by-blow account of the fight for the franc. Yet this is not a tract for the times enabling the present arbiters of French monetary and economic policy to go and do likewise. Jacques Rueff, who was himself directly concerned at the time in assessing the optimum level for stabilisation, points this out in his excellent preface, while hoping that the example set by MM. Poincaré and Moreau will serve to inspire and guide those who tomorrow "*devront rendre à la France une monnaie.*"

Poincaré's prestige, and the technical skill of M. Moreau and his colleagues at the Banque de France, doubled the international value of the franc between July and December, 1926, and it was held at that level for the next eighteen months without resort to exchange control or other forms of compulsion. In the final stages M. Moreau had to threaten resignation to compel Poincaré to assume full responsibility and lead the attack in the Chambre des Députés for immediate *de jure* stabilisation against the supporters of revalorisation at the prewar parity, among whom M. Moreau himself had once been numbered.

Apart from its main story, the book contains a most interesting account of the continual struggle with the late Lord Norman, whom M. Moreau sees as the head of a conspiracy to use the League of Nations Finance Committee, and the British-sponsored stabilisation mechanism for the smaller European countries, to ensure financial control of all Europe for London and New York. M. Moreau also examines his relations with Dr Schacht and the Reichsbank, with Governor Strong and the Federal Reserve Bank, and indeed with most of the outstanding financial and political personalities of the day, few of whom he spares in his frank comments.

As a final testimony, appendices show the weekly returns of the Banque de France when M. Moreau became Governor and at the time of stabilisation. Six thousand million francs of gold and

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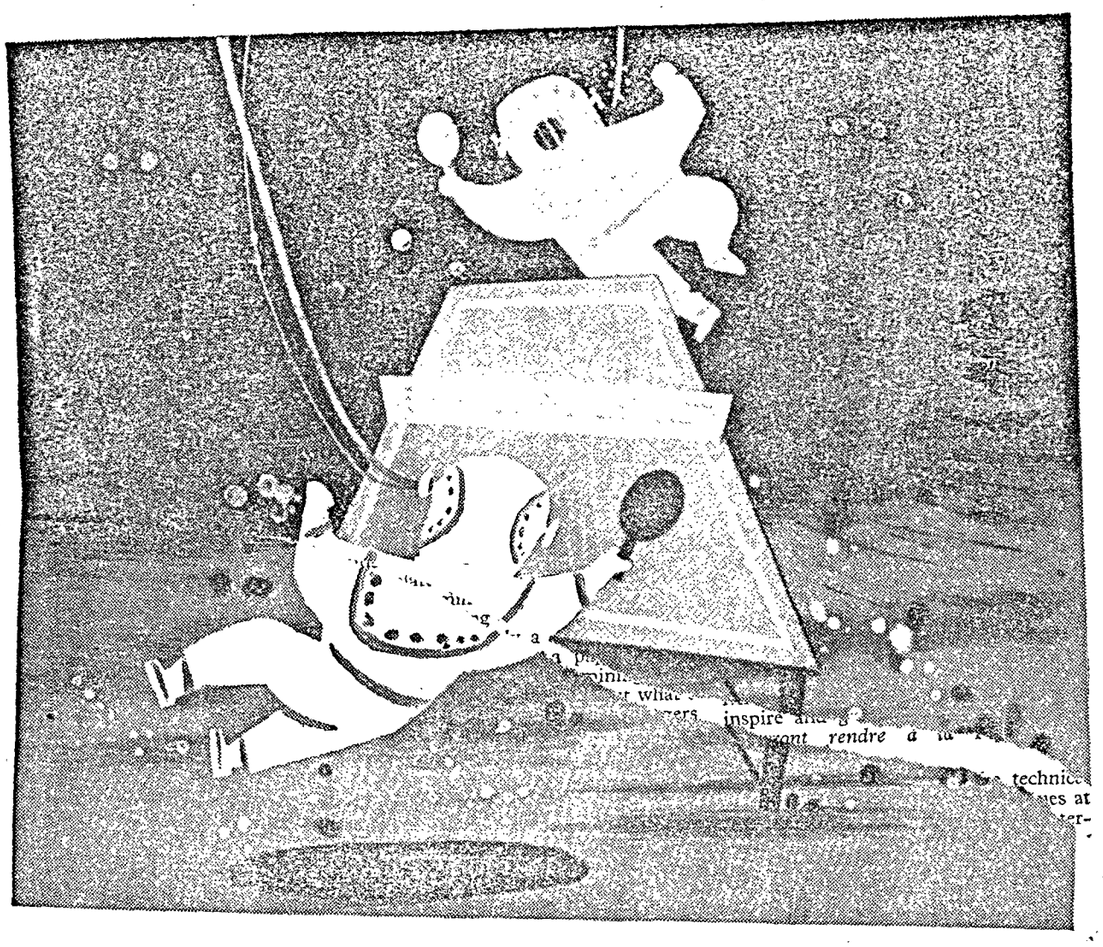

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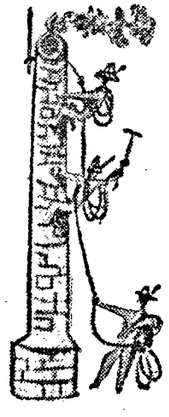

INSET. "Technically an interesting climb", said Major Colwyn-Bates, first up the difficult smoke-stack of this famous north country boiler factory. Air Marshal Plank, who organized the climb, told how the brickwork, though the smoke-stack was rotted with the fumes of typical smoke, offered scant foothold. "But the Schwerpas were splendid", he added, and all agreed that up to Ventilator 4, nobody could possibly have done without them.

Written by Stephen Potter, designed by Lewitt-Him.

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foreign exchange reserves in 1926 had become 45 thousand million in 1928. An English translation is called for, if only to show Anglo-Saxon doubters what France can really do when it so wills.

Prices and the Public

THE ECONOMICS OF RESALE PRICE MAINTENANCE
By B. S. Yamey.
Pitman. 191 pages. 25s.

MR YAMEY'S book is full of wise saws and modern instances. The attempt to eliminate price competition in the distributive trades arose with the promotion of branded merchandise towards the end of the last century, and Mr Yamey has examined its history in the pages of the trade journals. He concludes (is this an exaggeration attributable to a bias in his material?) that price maintenance has generally been the result of organised groups of distributors wringing concessions from reluctant or tardy or indifferent manufacturers. In this connection, he pertinently criticises the Lloyd Jacob Report for its careless and misleading interpretation of the history of the confectionery trade and for supposing that cut-price retailers (in the interwar period) were injuring the sales of the better known brands of the leading manufacturers of chocolate by using them as "loss-leaders," that is to lure people into their shops to buy other products on which they were making a large profit. On the contrary, argues Mr Yamey,

> manufacturers usually treated price-cutters as good customers who reduced the margins on their goods, displayed them effectively in well-stocked and well-equipped shops, bought in large quantities and sold them at a rapid rate of turnover in fresh condition.

He therefore considers that even the qualified approval given by the Lloyd Jacob Committee to resale price maintenance was based on ambiguities and a misinterpretation of history. Mr Yamey strikes a final blow at the traditional "loss-leader" argument by pointing out that the "aggressive" retailers who cut prices (and against whom the unaggressive distributors desire protection) are normally outlets which sell all their merchandise cheap and that this is very often the legitimate outcome, welcomed by consumers, of economies of large-scale buying and low selling costs.

Price maintenance is a live political issue wherever it is practised. Mr Yamey refers to the recent legislation in North America and to the British White Paper and a main purpose of his study is to analyse the effects of price maintenance and to speculate on the changes which are likely to take place if price maintenance is abolished. He concludes that the result of abolishing resale price maintenance would be an intensification of price competition and of other competitive activities; he refers to recent experience in Canada and, earlier, in South Africa and to the behaviour of prices in countries where there is relatively little price maintenance, to support the view that this competition would not become destructive. Firmly established and popular brands would become more firmly entrenched than ever and the tendency towards concentration in both industry and trade would probably increase where firms had used price maintenance as a competitive device to attract the smaller retailers and had inadequate reserves for financing advertising campaigns. Abolition would favour vertical integration where it led to the growth of larger distributive firms whose concentrated buying power and ability to go into production threatened the cohesion of the group suppliers. Margins would be diminished, yet net profit, for distribution as a whole, would probably remain much the same.

This is an interesting and stimulating book on a topic of immediate importance and Mr Yamey shows considerable courage. In spite of a certain analytical weakness, the force with which he states his conclusions should recommend the book to all who have the public interest at heart. "The important factors explaining the growth of firms and the success of new types of retailing enterprise have generally included the effective use of the appeal of lower prices or of savings to the consumer." In brief, resale price maintenance retards technical advance.

Economics North of the Border

SCOTTISH JOURNAL OF POLITICAL ECONOMY. *The Journal of the Scottish Economic Society.*
Edinburgh: *Oliver and Boyd.* 101 pages. 7s. 6d.

THE resurrection, under a new name and with a revised constitution, of the long-quiescent Scottish Society of Economists, is a piece of nationalism that deserves an international welcome. The new Scottish Economic Society proposes, while not entirely neglecting theory, to hark back from economics to political economy in "the tradition inspired by Adam Smith"; to "encourage the discussion of Scottish economic and social problems"; to arrange the publication of reprints of Scottish economic classics and other appropriate works; and to produce, twice yearly, an economic periodical which its editor, Professor Cairncross, indicates will have a principal but not exclusive Scottish angle.

The contents of the first issue of this periodical strike, in fact, a neat balance between the regional and the universal. The first two articles are editorial, respectively a manifesto of the new society and a historical note on its forerunner. The third is a factual and statistical study of labour turnover in shipbuilding—which happens to be a predominantly Scottish industry, but whose problems in this particular field are constructive for other countries. An account of the founding, in 1873, of the Glasgow Chamber of Commerce is followed by a general treatment of the stability of membership in trade unions. What looks like the most narrowly and specifically regional article in the bill of contents, on "Transport Costs in the North of Scotland," turns out to be as generally salutary a dissection of the "postalisation" principle as one could wish to push under an English planner's nose. Some useful comparative notes on "Recent Economic Trends" round off this promising first number. The *Journal* should, on this showing, succeed in its aim of appealing "to an educated, but not—or not exclusively—to a professional audience."

Managing Trees

WOODLAND MANAGEMENT.
By W. E. Hiley.
Faber and Faber. 463 pages. 63s.

MR HILEY'S book is likely to appeal to a much wider public than its title implies, for it shows a deep and penetrating understanding of the current problems on private estates and of national policy. In view of his own academic training it is surprising that he should condemn such training for not providing ready-made answers to the day-to-day problems of management—an art which surely comes from experience. Although much of the book is concerned with the routine and the technical, it possesses the distinctive feature among comparable works of giving great prominence to economic criteria. Much of the evidence and reasoning is concerned with the significance of land, labour, materials and time in the assessment of profit. The very substantial tax concessions to woodland owners get due consideration. After reviewing the economic conditions of the recent past the author takes a reasonably optimistic view about the future of investments in forestry.

As the main purpose of the book is to assist the active manager of woodlands it appears to provide a closer appreciation of his problems than is provided by the usual text books. Some of the proposals are undoubtedly controversial. It sets out to take the relatively inexperienced by the hand and to lead them through the maze of problems they are certain to encounter. At the same time, the systematic approach gives Mr Hiley an opportunity of offering some weighty criticisms of the traditional practices and against the policy, or lack of policy, associated with the industry in the not too distant past. German practice; for example, has had too great an influence when Danish and South African innovations might be more appropriate.

One of the book's many merits is that it brings together for handy reference considerable data and information on a variety of subjects such as choice of species, taxation, legal restrictions, and Government assistance. The numerous tables, photographs, and diagrams are well chosen to illustrate points in the text. All those concerned with the management of woodlands will find in this book much to stimulate their interest. It will also help to clarify their ideas about the potential contribution which forestry can make to the national economy.

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 and the Constitution

Washington, D.C.

ALTHOUGH there is now a pause for the fixing of "ground rules" before the grand confrontation can take place between Senator McCarthy and the representatives of the Army, the tension in Washington has hardly relaxed. Commentators, having for the time being exhausted the possibilities of round-by-round, blow-by-blow analyses of the struggle so far, are turning to the constitutional aspects of the crisis. While some papers hostile to the Senator, such as the *Baltimore Sun*, have taken foreign observers to task for demanding action from Mr Eisenhower without explaining just what, under the American system, Mr Eisenhower is in a position to do, more and more American leader-writers are calling for the President to take the initiative.

Nevertheless, quite apart from Mr Eisenhower's inexperience in politics, the task of keeping a Senator in order is not an easy one, particularly if he is a committee chairman. A Senator is, after all, one of the two representatives of a sovereign state ; there is something almost ambassadorial about him. This helps to explain the extremes of courtesy and mutual forbearance which members of the Senate normally display to one another and their great reluctance to discipline an errant colleague. Senators are elected for six years and, as Mr McCarthy was sent to Washington for a second term at the same time as Mr Eisenhower won the Presidency, he will not have to face the voters of Wisconsin until 1958.

According to senatorial custom the chairmanship of the Committee on Government Operations came to Senator McCarthy automatically as the result of his being in length of service the senior Republican member of the committee. This is one of the Senate's fifteen standing committees, whose functions were defined in the Legislative Reorganisation Act passed in 1946. One purpose of this measure was to ensure that Congress be equipped to understand the workings of the executive ; the federal government had become so complex that no Congressman could be expected to be familiar with all its problems and procedures. Committees were therefore streamlined, so that Senators and Representatives could specialise in the work of particular departments, permanent committee staffs were provided, and independent research facilities were made available. Seen from one angle, the present crisis is the first resounding clash between the new bureaucracy of the legislature, represented by Mr Cohn, the chief counsel of Senator McCarthy's committee, and the old bureaucracy of the executive, in the person of Mr Adams, the counsel for the Secretary of the Army.

The Committee on Government Operations is unlike the other committees in that besides several specific tasks—to receive and examine the reports of the Comptroller General, to study the relations of the federal government with states and cities and with international organisations, and to keep a watch on plans for reorganising government departments —it is given by law a broad mandate to "study the operation of government activities at all levels with a view to determining its economy and efficiency." For this purpose it appoints from its membership a Permanent Investigating Subcommittee, which employs ten full-time investigators and four other senior staff members. On becoming chairman of the main committee Mr McCarthy put himself in charge of the subcommittee, as he had every right to do. The result of course is that concentration on the Subcommittee has been almost complete—$214,000 was appropriated for its work this year against only $10,000 for the main committee.

The power to investigate has been described by Senator Fulbright, a Democrat who was the only Senator to vote against this year's appropriation for Mr McCarthy's committee, as "perhaps the most necessary of all the powers underlying the legislative function." Without it Congress would be dependent on the Administration for the information on which it bases new legislation and would be unable to use its powers over appropriations to insist that existing laws be fully executed. Dr Griswold, the dean of the Harvard Law School, has recently called for an end to the kind of investigation whose sole purpose is to develop evidence for use in criminal prosecutions. But thirty years ago many liberal lawyers, including Mr Felix Frankfurter, who is now a Justice of the Supreme Court, were most enthusiastic about this form of investigation when it resulted in the exposure of Teapot Dome and other scandals connected with the Harding regime. More recently, lesser but damaging instances of corruption and laxity in the lower ranks of Mr Truman's Administration were brought into the open by the investigating subcommittee even though it was under Democratic leadership.

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What, therefore, can be done to curb Senator McCarthy ? Most people would agree with the President that the primary responsibility lies with the Senate, and more particularly with the Republican leadership there. Characteristically, Senator McCarthy's fellow-Republicans on the subcommittee were only finally stung into action against him by a piece of personal discourtesy on his part: he released his memorandum containing accusations against the Army without consulting them and then flew off to Wisconsin, cancelling a committee meeting fifteen minutes before it was due to begin. But once they started acting they soon showed that a chairman is not all-powerful.

The Republicans' future action in the Senate will no doubt be governed by the outcome of next week's encounter. They have, however, already been given an opportunity to display a will to reform by embracing proposals that have been introduced for safeguarding the rights of witnesses. One of these grants them the right of cross-examination which, now that the shoe is on the other foot, Senator McCarthy is so vociferously demanding for himself. Moreover, the dirty linen that will doubtless be washed in public may bring the Senate as a whole to realise that its negligence in failing to supervise its own committees has made it vulnerable to counter-attack by the executive branch.

It is at this point that a President who has retained his popularity can do a great deal to fortify the conscience of the Senate. As the party leader he can insist that his party officers give no aid and comfort to Senators who are abusing their positions. As chief executive he can give his subordinates confidence that he, and, just as important, all members of his White House staff, will stand by them if they resist unwarranted pressure. He can take the initiative by putting his full weight behind legislative proposals to relieve the situation—such as those advanced by a liberal Republican in the House of Representatives and by two Democrats in the Senate for transferring all investigations of subversive activities to a special Joint Committee of both Houses, with proper safeguards laid down. If the Senate continues to evade its responsibility he can call its bluff by ordering the departments not to co-operate with the offending subcommittee. If Senator McCarthy should want to cite any witness for contempt he would have to get approval on the floor of the Senate, against the express opposition of the President, and in the unlikely event of his succeeding he would then face a doubtful issue in the courts—and even the possibility of a presidential pardon in the event of conviction.

The American Constitution is written, but the exact relationship between Congress and Administration at any given time is unwritten. It depends on a combination of many temporary circumstances. One of the present circumstances is the immense national popularity of this President. If in a moment of crisis he does not choose to make use of it he does not leave things as they are. He shifts the contemporary balance of the Constitution—and in the wrong direction.

Rocky Road to Geneva

AMBASSADORS are queuing up to discover precisely what Mr Dulles had in mind when he spoke of the need for "united action" to save South-East Asia if it seemed likely to fall under Communist control. The Administration is evidently determined not to repeat the errors it considers were committed over China, when the stakes were never made clear to the American people, or over Korea, which Mr Acheson placed outside the range of America's strategic interests ; this, it is charged, was a virtual invitation to the Communist attack. Presumably Mr Dulles hopes to stabilise the situation, both in the Far East and France, until the American schemes for creating a more effective Vietnamese Army bear fruit. But if the Administration means what it seems to mean, that, if the worst comes to the worst, South-East Asia is worth a war, those Republicans who have been so fearful and so critical of a "soft" policy in the Far East have been given a harder answer than they expected.

The Republican leaders in Congress have been profoundly suspicious that at Geneva Mr Dulles would be led to trade recognition of Communist China and its admission into the United Nations for an end to the war in Indo-China, and much of his speech was devoted to denying that he contemplated either possibility. Indeed, Mr Dulles's icy welcome from Congress on his return from Berlin has led to a deliberate playing-down of the Geneva Conference. Finding that no congressional leader of any standing, particularly in his own party, is willing to accompany him to Geneva and risk being wrecked on the China problem, Mr Dulles is hinting that he himself may hardly put in an appearance ; the American brief, it seems, may be handled by a deputy. The Republican leaders, however, are hard to satisfy ; they consider the meeting ill-advised because, if the United States stands firm, it will be exposed in an embarrassing minority of one.

The possibility that the Administration might be forced to send soldiers, as well as aircraft, training missions and money to Indo-China is, however, much the sharper horn of the Republican dilemma. No American, least of all the President, wants another Korea ; the Republicans, recalling the use they made of that war in the last election, shudder at the prospect. It is one of the attractions of Mr Dulles's theory of the power to retaliate that it seems to rule out new Koreas. But Mr Acheson may be right when he said, breaking a long silence to criticise the theory of "instant retaliation," that minor wars like Korea are the only ones the United States can afford ; the deliberate precipitation of a third world war is unthinkable.

Wishful Thinking on Trade Expansion ?

THE President's Message to Congress on foreign economic policy follows almost exactly the cautious report of the Randall Commission on the same subject, which was presented over two months ago. As a result of this restraint, whether or not the recommendations will encourage as great an expansion of international trade as the interest of both the United States and it allies requires, they at least do not ask more legislation that it is feasible for Congress to undertake during the present session. Much of what the President proposes can be done by executive action, other suggestions are still being studied and several of the necessary Bills are already being considered by Congress. If the President insists, time can undoubtedly be made for the rest of them, even though they will be dealing with the really controversial part of the recommendations. It is important that time should be found for this legislation for, as Mr Eisenhower has pointed out, his modest programme is closely inter-related ; if any part of it is dropped, then those who criticise it as inadequate will certainly be justified, and the

United States will have failed to give the world the lead that is essential.

The programme falls into four parts: first, foreign aid which, says the President, "we wish to curtail." This is a wish in which Congress concurs most heartily, and which it will probably make come even more true than the President likes when it begins to consider the continuation of the Mutual Security Programme. The second part is investment abroad "which we wish to encourage." A start has already been made in the tax reform Bill which has passed the House of Representatives and which gives substantial tax concessions to those who invest abroad. Congress is also asked to consider the broadening of the existing guarantees under the Mutual Security Programme against losses on new overseas investment. The application of the anti-trust laws to foreign investment is to be clarified and other countries are to be told what they have to do to attract private American capital. The President also reaffirmed the good news which Mr Dulles brought to the Caracas conference, that the Export-Import Bank would once more be allowed to take an interest in applications for economically-sound development loans.

The third part of the programme is currency convertibility, "which we wish to facilitate" as an indispensable condition of healthier international trade. The President welcomed the initiative already shown by the British Commonwealth in this respect and promised to "support the use of the reserves of the International Monetary Fund" to strengthen the currencies of countries which are ready for convertibility. The possibility of stand-by credits from the American central bank, the Federal Reserve System, is being studied.

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Fourthly, there is trade "which we wish to expand." Most members of Congress share this wish until it comes to pinning it down with the hard political facts of tariff reduction. Then they think of the miners and watchmakers and dairy farmers whose votes they would like, and they decide that it may be safer to trust the figures of the protectionists, who contend that 15 million American workers would suffer if tariffs were lowered, rather than the calculations of the Randall Commission's experts, who claim that only 200,000 jobs would be lost if all American tariffs were removed.

These considerations are particularly strong at a time of economic recession and in the House of Representatives, where all the members face an election this autumn. There also the opposition to lower tariffs is led by the two members of the Randall Commission who were completely unreconciled to its report, Representatives Reed and Simpson. The Republican leaders in the House would like to extend the Reciprocal Trade Agreements Act for a year without amendment and postpone until 1955 the public exposure of the differences in their party on this issue. But this would also mean continuing for another year the basic uncertainties about American foreign economic policy which discourage the lowering of trade barriers by other countries. There have been a few indications recently that some of the protectionists in Congress are taking a more liberal view and there is at least a possibility that the President may get most of what he wants if he uses all his influence, and if public opinion is mobilised behind him by the various organisations which act as propaganda agencies for freer trade.

What he wants are a three-year extension of the Reciprocal Trade Agreements Act, with extra bargaining power added to it. He has asked for permission to reduce tariffs by 5 per cent a year even in cases where the full 50 per cent reduction allowed under the present Act has already been negotiated, as it has been for many of Europe's leading exports. In addition, the President would like, over the three-year period, to reduce by half tariffs on articles that are now being imported not, or hardly, at all, and to cut *ad valorem* duties that are in excess of 50 per cent to 50 per cent. The President agrees that the escape clause and peril point provisions should continue, but reasserts his right to ignore the Tariff Commission's recommendations if the national welfare requires it.

The **Reciprocal Trade Agreements Act** gives the President authority, without reference to Congress, to lower tariffs on specific imports in return for equivalent concessions granted to United States exports by other countries. The Act expires on June 12th.

The **escape clause** provision of the Act requires the Tariff Commission to report to the President whenever it finds that imports which have increased as a result of reductions in duty are injuring, or threatening to injure, domestic producers.

The **peril point** provision of the Act requires the Tariff Commission to warn the President when any proposed reduction in duty would injure domestic producers.

In both these cases the President can refuse to take the advice of the Commission, but must give Congress his reasons for doing so.

The **Buy American Act**, passed in 1933, requires government procurement agencies to give preference in awarding contracts to domestic suppliers, unless their prices are substantially higher than those offered by foreign bidders. In recent years "substantially" has usually been interpreted to mean 25 per cent or more.

The other important concession that he wants from Congress is authority to exempt from the restrictions of the Buy American legislation foreign bids for American government contracts which come from countries that in their turn treat American and domestic bids on the same footing. In the meantime the executive departments are to clarify and limit the applications of this Act—something which, from the evidence of recent practice in the letting of contracts, is very much needed. The President also wants further improvements in customs administration and procedure, some of which have already been passed by the House, and an increase in the value of purchases that returning tourists are allowed to bring in duty free. Foreign travel is also to be facilitated in other ways that do not require legislation.

In return for all this, Congress is to be rewarded by being given a chance, which it has long wanted, to consider the General Agreement on Tariffs and Trade if, after negotiation, the other signatories agree to changes in it which would confine the functions of the contracting parties to sponsoring trade negotiations, recommending trade policies and helping to settle trade disputes.

Congress Half-way Home

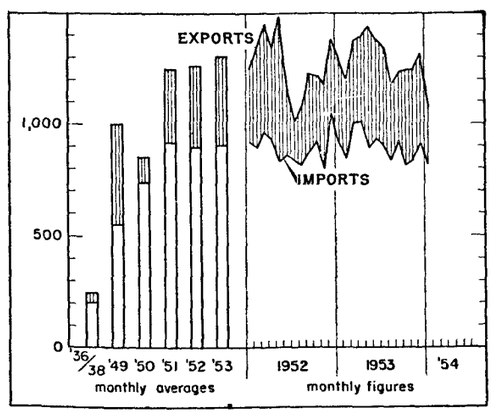
BY the calendar, the congressional session, which it is hoped to end on July 31st, is nearly half done, but in terms of what has been accomplished it has hardly started. This must be of profound concern to the President, who believes that his party needs a record of positive achievement if it is to win the autumn congressional elections. The hold-up is most pronounced, as usual, in the Senate, which does not limit debate. Here time has been spent, this year, in not doing things: in not passing the Bricker Amendment restricting the President's powers, and in not unseating the Democratic Senator Chavez. Senator Knowland, the majority leader, indignantly repudiates the suggestion, which is fairly widespread, that the Senate has been too busy watching the clash between Senator McCarthy and the Army to get down to work; he points out, quite rightly, that it is difficult to do business without a real majority. Nevertheless, even this handicap would not be so heavy if Republicans—including the majority leader—were not so fond of bolting the party line.

The moment is now at hand when delay is no longer possible unless Congress wants to face the voters with empty hands. A whole series of controversial measures in the President's programme must be tackled: the Administration's farm plan, statehood for Hawaii, housing, and tariffs, not to mention the essential, because vote-getting, extension of social security. The only major accomplishment is the passage of the excise tax Bill, which has been given priority because the tax rates it extends were due to expire this week—on April Fool's Day. There may be a certain symbolism in this: the Bill gives the President what he asked, the retention of just over $1 billion of revenue, but now that it has gone through the Senate it takes away, with the other hand, $999 million in excise cuts.

One of the President's few real successes so far has been the defeat, in the House, of the Democrats' attempt to write into the omnibus tax reform Bill an increase in the amount of income exempt from taxation. It was a narrow victory, and it may be overturned in the Senate, but it shows how effective a speech from the President can be. Mr Eisenhower has been somewhat chary of pressing Congress on; he apparently is personally reluctant to use either the carrot or the stick and, as far as patronage rewards go, he has little to offer, and a great many restless Congressmen to keep in line. But he may have no choice if the Republican party is to have a record to run on.

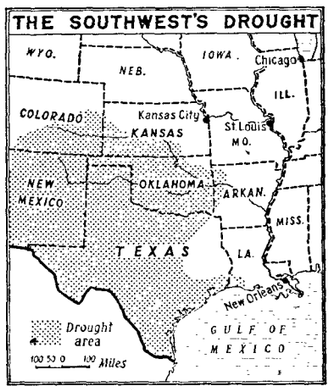
FOREIGN TRADE of the UNITED STATES

MILLION DOLLARS



Blowing Away

STORMS rather than showers are needed this April to avert from the southwest the threat of a new dust bowl that was whipped up by unusually high winds during March. They blew harder than they did in the nineteen-thirties, when the Great Plains last rose in the air; this is why the soil conservation methods—contour ploughing, windbreaks, cover crops and so on—which are much more widely practised and better understood today than they were then, have failed to prevent dust storms which have carried as far as northern Illinois and Wyoming. The sun has been hidden for days in Kansas and Oklahoma, and roads and fences are being obliterated and crops ruined by drifting sand all through the southwest. As early as February farmers from eastern Colorado, whose reserves and credit had been exhausted as a result of prolonged drought and poor crops, were appealing to Washington for emergency aid to help them "list" and "chisel" their fields. These are both methods of turning up clods of earth which will not blow away as the fertile topsoil has been doing throughout this abnormally dry winter.



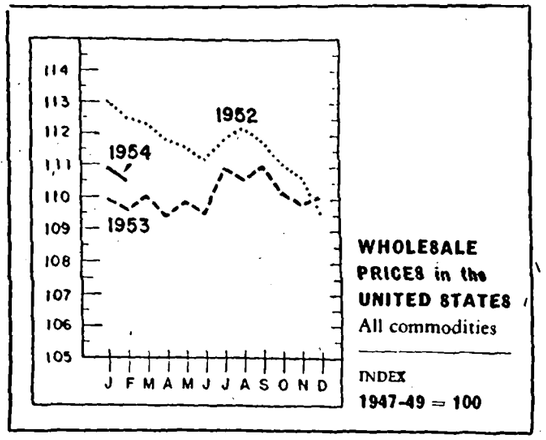
The drought has spread far beyond the area shown on the map, but it has been more sustained there than elsewhere. The rainfall in that area, which is usually very dry in any case, has been under fifty per cent of normal for four years. Reservoirs and rivers are almost empty and the level of underground water has fallen alarmingly. Special drought relief measures, particularly for cattle growers, were begun last autumn and will probably have to be extended. But the government may reap some benefit from the farmers' distress; the winter wheat crop may be severely damaged, which would help to solve one of the most troublesome surplus problems. Furthermore, farmers may be made to appreciate that the high price supports, which encouraged them to plough up unsuitable land during the rainy forties, are no help when that land is blowing away and crops will not grow on it. With dust in their eyes they may look more favourably on the President's unpopular agricultural programme, for this might make it more profitable to grow pasture than wheat on land that is not suited for grain.

New Look at the Stockpile

SINCE the passage, in 1946, of the Strategic and Critical Materials Act, which authorises the government to accumulate reserves of such materials in order to ensure that adequate supplies will be available in time of war, the actual amounts needed of the 75 or more materials that have been going into the stockpile have been constantly reassessed in the light of changing military requirements, but the basic assumptions of the policy have not apparently been reviewed. Now the President, recognising the change that has taken place in the strategic position of the United States since the Soviet Union acquired the air, and atomic, power to attack it directly, has ordered that, in planning for the stockpile, it should be assumed that in wartime no supplies will be available from abroad, except from neighbouring countries, and that even some domestic sources may have been put out of action.

This means that additional purchases of between thirty and forty metals and minerals are now considered necessary for the stockpile. This may save the Office of Defence Mobilisation from having to bear the full cost of some of the contracts which it made at the time of the Korean emergency in order to encourage production of critically short materials. It guaranteed minimum prices to producers who expanded their output and is now having to fulfil its guarantees. As a result ODM is expecting that before long it will have on its hands large surpluses of copper, lead, zinc, tin and other commodities which would not, under the old stockpile policy, have been needed for the strategic reserve and which ODM has promised will not be disposed of in such a way as to upset the market.

Moreover, coming at a time when buying for the stockpile under the original plan is about four-fifths complete—and has already stopped for a number of commodities—and when demand from other sources has been falling, the new policy makes a pleasant change for the American mining and smelting industry, something of which the President was certainly well aware. For the additional materials are to be bought almost entirely from domestic producers, the purchases are to be of considerable size and will be spread over a considerable period, and they are to be used to alleviate distressed conditions in the domestic mining industry. This will prevent mines that would be needed in wartime from closing down, but it will also have the immediate effect of relieving the government from some of the political pressure of the western mining interests which are already in distress. This pressure would undoubtedly have been felt even more severely when tariff policy is considered in Congress this year than it was last; then the demand for increased protection against imports of lead and zinc was overcome only with great difficulty. It is to be suspected that the special Minerals Policy Committee of the Cabinet was thinking as much of defending the Administration from this internal attack as it was of defending the country from future external attacks when it recommended the new policy; a long-range programme for strengthening the domestic mineral industry is expected to follow before long.



Conspiracy in New York

THE fourth week of the New York dock strike has seen federal and state authorities combining legal forces to end a situation which, they have decided, should be dealt with as a criminal conspiracy rather than as a labour dispute. Certainly crime is at the root of the strike, for it is the outcome of the attempt, begun last autumn, to rid the New York waterfront of the racketeering and corruption which permeated the dockworkers' trade union. After several attempts to induce the International Longshoremen's Association to clean itself up, the American Federation of Labour decided to establish a rival union. In December the National Labour Relations Board held an election to determine which union should represent the men in negotiations for a new contract. The new AFL union, most unexpectedly, came within 1,500 votes of winning and 4,000 votes were challenged. The NLRB was immediately asked to set aside the election on the ground that the old union had intimidated the dockers and the board is expected to rule in the course of this week that a fresh election must be held.

Meanwhile the new union has been gathering support at the expense of the old, which apparently decided that it had better make a show of strength by striking while it still had some strength to show. The walk-out, which began unofficially early in March and only later became an official strike, is in defiance of an injunction and the union leaders are now being accused of contempt of court. A grand jury investigating the dispute is also considering whether charges of conspiracy cannot be brought against both the union and certain shipping companies which have been making difficulties about employing members of the new union who were prepared to cross picket lines and brave threats of violence, and even actual attacks on their way home. Police protection has been provided and an increasing number of dockers, now amounting to over one-fifth of the normal labour force, have been gradually going back to work. Sympathetic strikes of tugboatmen and warehousemen have fallen through and in Baltimore the longshoremen's union, which decided not to strike, has been stopped by an injunction from refusing to handle cargoes diverted from New York. Some of this business will probably never return to New York even if the present strike does collapse. For over 5 million man-hours of work have been lost in the port since last October and more are likely to be before this union rivalry is finally settled.

Patching Up American Woolen

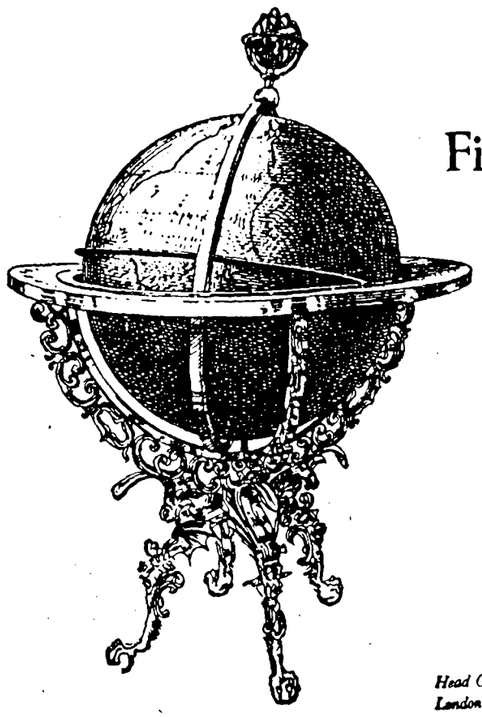
New York.

THE American shareholder can no longer be relied upon to stay at home and not mind his own business. The latest example of this is the battle now being fought for control of the American Woolen Company, in the course of which at one time as many as five distinct groups of shareholders were soliciting proxies; the composition of the board of directors has been changed several times and a few court injunctions have been tossed into the struggle for good measure.

The largest woollen and worsted cloth manufacturer in the United States, and once the leader of the industry, the American Woolen Company (the word is spelt in American with one l) has been losing heavily for the last two years. The management's proposed remedy was to retire all the preference shares, leaving only the ordinary shares outstanding, and to dispose of eleven of the company's least efficient New England mills, nine of which were already shut down, and concentrate operations in the remaining thirteen.

The shareholders counter-attacked with charges that the management had failed to spend enough money on new machinery to keep pace with technological changes, in spite of the high profits earned from the manufacture of military uniforms until 1952. They claimed that, if the preference shares were retired, virtually no money at all would be left for urgently needed re-equipment; that competitors had started before the war to build new mills and install new equipment in the southern states, to take advantage of lower costs there, but that the American Woolen Company did not join the "Drang nach Süden" until 1951 and then only by buying two out-of-date, inefficient properties; and finally that, unlike its competitors, the company had no adequate research facilities, and had neither the initiative nor the "know-how" to consider diversifying its products by weaving rayon or synthetic fibre blends.

A merger is now being proposed with the Bachmann Uxbridge Worsted Corporation. This firm is a leading manufacturer of woollens, worsteds and wool-synthetic blends, with well-diversified operations, and several new plants in the South; it has good research facilities and a management with an enviable reputation for foresight and efficiency. The corporation would surrender its identity in favour of the much larger American Woolen, but its enterprising management would remain in control of the merged company and it would acquire assets and considerable liquid funds at bargain basement prices, as well as the important tax benefits of American Woolen's recent heavy losses, part of which may be charged for tax purposes against the future profits of the merged company. This attempt to patch up the American Woolen Company provides a clear example of the dilemma of many textile firms: should they continue to operate old New England mills at a loss or build new ones in the South? Whatever cost advantages there are in operating in the South, and they have sometimes been exaggerated, they clearly can be realised only in new plants with new equipment.



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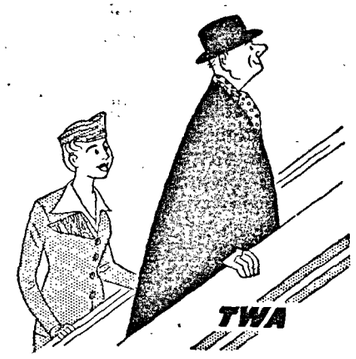

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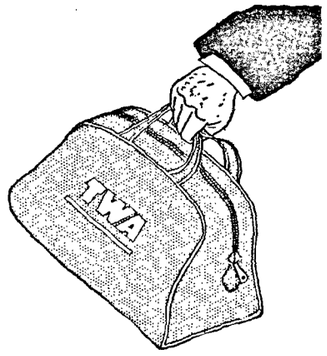

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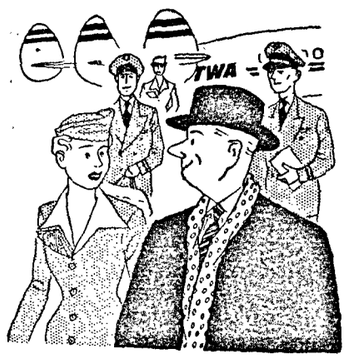

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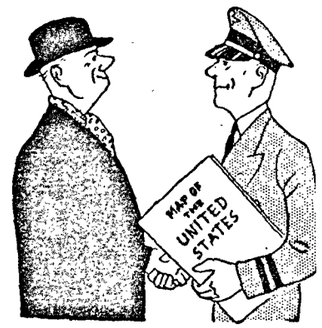

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The World Overseas

From Churchill Street to Cyprus Street

FROM A CORRESPONDENT IN GREECE

TO say that the Greeks like the British only when they bring gifts would be unkind and unfair. It is, after all, *some time since British policy brought gifts to Greece*; and it took one of the curtest snubs the Foreign Secretary has ever allowed himself to bring the barometer of Anglo-Greek relations from unsettled to stormy during the last three weeks. Even now one has the impression from Athens that the barometer in London needs tapping, and Greeks are heard commenting on the fact—if it is a fact—that the BBC carries no news of how Greece feels. How, they ask, can it be pretended that there is no problem about *Enosis* when their Prime Minister, General Papagos, has refused an invitation to visit London, and when it is thought inadvisable that the King and Queen should pay the state visit that Britain would like to offer? Whose fault was it, they ask, that the weekend before last saw Dr Adenauer being feted and Mr Eden baited by the Athens press? The picture of an eternal triangle that is painted has an element of the ludicrous in it: the passionate Mediterranean maiden, scorned by the arrogant Anglo-Saxon, turns to the up-and-coming Teuton; but it also has an element of truth.

Yet one cannot take without a pinch of salt the claim that all that has happened in the way of demonstrations was "spontaneous popular indignation." Youth may have flared up; but someone applied the match, and there are priests (they have their own guerrilla tradition in this country), Communists, and circulation-seeking journalists to dribble fuel on the flames. It is easy to dismiss student and schoolboy demonstrations with a shrug of the shoulders. For example, in the first stage of the disorder in Patras last weekend there was an element of ragging. It was the morrow of the Independence Day holiday, and the fifth and sixth formers returned to school only to be ordered on to the streets by their teachers. The official school banners were ready; the slogans were in immaculate English; the cheerleaders had got rhythm into their E-NO-SIS. As one child said afterwards: "It was such fun shouting and pushing." But another youngster was heard saying to a policeman who had boxed his ears: "Why do you knock us about for doing what we were told to do?"

An hour later a very different procession had appeared and was fighting to get to the British Consulate from the opposite end of the street. The young intelligentsia struggled with the police at one end; at the other end the police and a fire engine battled with the professional demonstrators, among whom a few Communists were observed making a comeback. Months of careful work on Anglo-Greek relations were lost in those four hours of ragging and rioting. And it is no small thing, in that sphere of emotions where *relations between nations are shaped, that the town which* had been liberated from the Communists by Colonel John Hunt's troops refused to tolerate a lecture on the Everest expedition, and that the Englishman who was one of the first into the islands to organise relief after the recent earthquake should have needed police protection.

The Everest lecture that could not be given in Patras was given without incident in Athens; the King and Queen of Greece attended and contributed to that small but significant total of gestures by which Greeks at the head of affairs have signified their desire that Anglo-Greek relations should not deteriorate any further. The latest of these gestures was Marshal Papagos's order last Saturday that meetings and demonstrations should stop. This, presumably, made it clear to *noumarchs*, bishops and school authorities that Athens did not want any further "spontaneous manifestations of national feeling." And it relieved the police of a responsibility that they had carried out with much patience and skill. (Someone who watched them using linked arms instead of truncheons remarked that British training methods were good.)

Why Not Even Talk?

Experts on Greece and the Greek political temperament are divided about what will now happen. Some say this is a spring fever that will pass; others maintain that this year's fever was different. If there are no more demonstrations, that will not mean that Anglo-Greek relations have been restored to normal; for there are many subtle ways of showing resentment and practising boycott. One thing seems certain: it is that even responsible Greeks who regret disorder and press extravagances will discuss the Cyprus problem in a manner more emphatic and impatient than before. They genuinely fail to understand why a government that will negotiate with Mau Mau, allow Egyptian interference in the Sudan, and proclaim Dominion status as the goal of Africans, refuses even to talk with old and still affectionate allies. And, what is more significant, it becomes every day more difficult for the bourgeoisie in the towns where anti-British demonstrations have taken place to protest against abuse and violence. They regret the tearing down of plaques indicating "Churchill Street"; but they do not remove the "Cyprus Street" signs that take their place. Nationalist feeling is being exploited by Communists, by clergy and by those who would like to see

Greece—under the strongest government it has had since the war—feeling the lash of discipline and direction.

It is not easy to be certain what Greeks expect of the British. Clearly they ask for a more skilful and courteous touch from Whitehall ; ointment is needed on sore places. Probably some of the demonstrators hope, without really expecting, that Cyprus will somehow become Greek by dint of shouting. Few of them, one is told, know or care about the economic and administrative consequences to the Cypriots of substituting Greek for British (or eventually Cypriot) rule. Few people would really like Marshal Papagos to visit General Franco as a gesture of Mediterranean fellowship. At the top the desire seems to be that London should talk with Athens and cease protesting that there is no problem. Those who understand the world of 1954 realise that bad Anglo-Greek relations over *Enosis* do not alter the fact that both governments have to work together in Nato, in the European economic institutions, even in economic reconstruction.

It is unlikely that the Greek government will place the Cyprus question on the agenda of the United Nations until the last possible moment, which is about the middle of July. And few here would enjoy the spectacle of Greece being supported by the Soviet Union in the Assembly.

There is, perhaps, the possibility of a breathing space of some three months during which moderate counsels will prevail in the Greek government. But it will not be easy to keep tempers calm in a cabinet that has no rallying point save Marshal Papagos himself, and in a political situation where *kudos* can be won by baiting the British. From London's point of view the crisis in relations—for it is a *crisis*—could not have come at a more embarrassing time. But, say the Greeks, they did not choose the moment, and a government of national unity cannot take snubs. It is a complex situation in which the Greeks—especially the church—are not blameless ; but there is still scope for diplomacy, and the old tradition of friendship still shows up strongly beneath the froth of national feeling and journalistic exuberance.

Recipe for Revolution

FROM OUR ROME CORRESPONDENT

THERE is a widespread impression outside Italy that the Montesi case is merely another Communist attempt to smear innocent democratic politicians. Such an interpretation is, to put it no higher, dangerously misleading. For the Communists are on to a good thing, a better one than even their most astute propaganda chief could have expected. And, although they shout loudest and hit furthest below the belt, they are by no means alone. The whole right-wing press, including such polemical writers as Signor Guareschi, of " Don Camillo " fame, have joined in the fray.

Even more important, such papers as the independent right-wing *Tempo*, and the two most reputable Italian dailies, the Milan *Corriere della Sera* and the Turin *Stampa* have been extremely critical of the government's handling of the affair. " After the events of the last few weeks," says the *Stampa*, " the relations of trust between the citizen and the state have been badly shaken. . . . These events reveal the uncertainties, the contradictions, the piteous lies, the lack of courage, the injustice, the precarious legal basis on which our life rests, and indeed our relations with the state and vice versa." And the paper goes on to list a few of the more shattering scandals which have recently darkened public life in this country. It is a list which could easily be added to. And it explains why the Italian man in the street, who starts with a prejudice *a priori* against the honesty of any government, has very little faith left in the integrity of the present administration.

It can hardly be said that the government has been very skilful in rolling back this tide of mistrust. Ever since last April, when the half-clad body of a young Roman girl was found on the beach near Ostia (the Roman seaside resort), the authorities have given the impression of wishing to hush the matter up. The first police verdict, of death by misadventure while going for a midnight bathe, was greeted by widespread scepticism. And it was only when the press took the matter up that the version current in high Roman circles from the start was brought to the public's attention. Even then one journalist was induced by the magistrates to retract his version. When, subsequently, he went back on his recantation, he was denounced for having spread false news. A fresh inquiry was opened simultaneously, but, the day before his trial was due to open, the law found that there were no grounds for revising the previous verdict. And this in spite of the accumulation of a great deal of fresh evidence, mostly sought out by the press, with justice slowly limping after.

Asylums and Dubious Deals

Other irregularities have come to light which would cause a raising of eyebrows even in a Balkan country. A witness for the defence was arbitrarily arrested on a charge of dangerous lunacy and locked up in an asylum for a few days. Signor Piccioni junior, the present Foreign Minister's son, who is widely regarded as being involved in the mystery (although armed with three different alibis), apparently consulted the head of police—who has since resigned—on means of suing papers who had mentioned his name, much as if the apparatus of justice was a private appendage of ministers and their families. His friend, Ugo Montagna, an unsavoury character according to the police report compiled on his activities, made a tax return to the municipality of just over the monthly allowance made to his mistress, and no action appears as yet to have been taken in the matter. Worse still, the chain of dubious building deals by which Montagna made his millions leads back to certain semi-public bodies (which flourish in Italy with mushroom-like vitality). These bodies in turn are controlled largely by the main party in power. Montagna shared an office with the son of a prominent Christian Democrat politician, whose name, by an unfortunate coincidence, cropped up in an earlier scandal. The member of parliament who made the accusations in that case was never sued for slander.

Many of the government's supporters privately admit that a large number of mistakes have been made, but they still seem to cherish the illusion that the existence of a scandal can be concealed by not talking about it, and conversely, regarding public discussion of it as an offence. Others, more subtly, contend that suspicions should only be voiced if proofs can be forthcoming—thereby confusing grounds for an inquiry and proofs of guilt. It has yet to dawn on the authorities that, if their regime and with it democratic values in Italy are to be saved, it is not sufficient to take drastic anti-Communist measures, however desirable. The most effective step to combat Communism is to deprive it of its propaganda weapons by ruthlessly purging the main government party of its rotten elements, by conducting a judicial inquiry into the Montesi death, and into the extent of the political pressure brought to bear since last April.

This is stiff medicine, but the only one likely to be effective. The ministerial inquiry now contemplated is hampered both by its restrictive terms of reference, and by the fact that it is regarded as being judge and jury at the same time.

Last of the Tigris Floods?

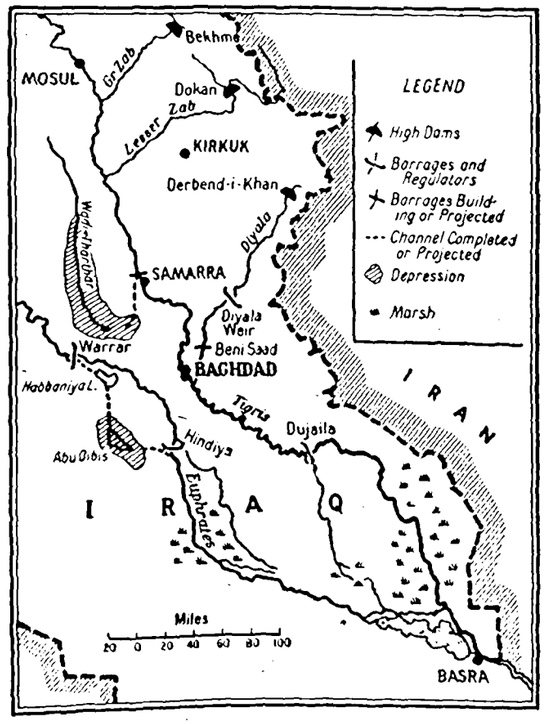
THE half of Baghdad that is on the east bank of the great and beautiful river Tigris is almost completely surrounded by water. The river itself, which is wider than the London Thames at high tide, and very much deeper, rose last Sunday to a height never before recorded in modern times—117 feet. It was saved from overwhelming the city only by the breaching of embankments to the north, as a result of which an ever growing lake spread to the north and east of the town and threatened it from its eastward side. This menace added itself to an existing one—the simultaneous flooding from the Diyala river, which had broken its banks on March 25th.

The peak of danger passed when the Diyala subsided, permitting a start with the draining off of the temporary lake into the Diyala channel. But a trail of damage remains. Losses in crops and property have been heavy in four provinces. The most poignant element in this scene of devastation is the thought that, two years from now, such a cataclysm will no longer be possible. The wealth from oil now being spent on flood control by the Iraq Development Board has already mastered the Euphrates flood and will, by the spring of 1956, have conquered that of the Tigris also.

Even in the immediate vicinity of the capital the damage done is immense. Of the main roads out of Baghdad, only that to the west, which starts on the river's right bank, remains unbroken. The wilful breach made in the left-bank bund to the north of the town entailed destroying the embankment that carries the railway line up the Diyala and on to Kirkuk. Factories that have been badly damaged include, besides about 100 brickworks, a new cement works, a big tannery and four cotton mills—plant valued in all at about I.D. 9 million (1 Iraq dinar = £1 sterling). The Iraq Development Board has often been blamed, not entirely without reason, for going ahead too slowly with its expenditure upon new enterprises, but this disaster supplies a large part of the explanation why there has been a slow start but will yet be a sudden blossoming. Flood control is the precondition of all major developments in Iraq's river regions ; not until it is complete are roads, railways, factories and irrigation works worth building in certain areas.

The flood-control system built and building is illustrated on the adjoining map. On the Euphrates, a channel permitting diversion of the spring flood waters into Habbaniya lake by means of a regulator at Warrar was completed over a year ago, and, when the 1953 flood was diverted into the lake, the volume of water in the river downstream was reduced by half. A barrage downstream of the channel into the lake will complete the project and will be finished by the end of 1955. Yet a further development will be storage in the Abu Dibis depression of waters in excess of the expanded capacity of the lake.

On the Tigris, the control scheme now being constructed involves the excavation of a 65 kilometre channel, and the parallel erection of a protective dyke, from a point opposite Samarra into the Wadi Tharthar depression. This work was begun in 1952 and will be completed in 1955. The second part of the scheme involves the construction of a barrage across the Tigris, work on which has just begun and which should be finished by March 1, 1956—that is, in



time to allow of diversion of the flood water of two years hence into the Tharthar depression.

One main difference between the Habbaniya and the Tharthar diversions as at present planned is that, whereas the former will have an outlet channel and serve as a reservoir for storage till the low water period in summer, the latter probably will not do so. Some geologists believe that the loss of water by seepage as well as evaporation in the Tharthar depression will leave none for irrigation. The projected high dams at Dokan and Bekhme on the two Zab rivers, though primarily serving irrigation, will, when constructed, also help to regulate the Tigris flow.

The Diyala dam project lags far behind the other two because the site at Derbend-i-Khan has not been thought by everybody concerned to be the best available. Wherever in the Diyala gorge it is finally built, a barrage complementary to it will be built lower downstream at Khan Beni Saad, both for irrigation and for flood control purposes.

But for the oil revenue and the Habbaniya scheme, the Euphrates flood would have been severe in 1953. The provinces now afflicted by the Tigris disaster will also have the Development Board to thank by 1956. But this thought can hardly comfort those now beset with food, housing, flood relief, and land recovery problems to the tune of perhaps 45 million Iraq dinars.

Danish Jet Crashes

FROM A CORRESPONDENT IN COPENHAGEN

LAST week the commander-in-chief of the Danish air force, General Foerslev, authorised the resumption of flying by jet aircraft after it had been prohibited for six days. The grounding had closely followed the publication of a letter from Hr Rasmus Hansen, the Defence Minister, to General Foerslev, in which he called for stricter discipline. The disappearance of a Shooting Star jet fighter over the sea near Aarhus on March 16th, in circumstances that suggested disregard of fight discipline, was the immediate occasion of the directive. The letter was interpreted in some quarters as a rebuke, foreshadowing General Foerslev's dismissal, but the commander-in-chief himself stated publicly that he welcomed this expression of government backing for his policy.

The loss of the Shooting Star came at the moment when a Nato team of specialists, expressly invited to Denmark by Hr Hansen, had just completed its report on the series of jet crashes, which have profoundly agitated Danish public opinion. Hr Hansen has been strongly pressed in the *Folketing* to make public the Nato mission's findings; but so far he has resisted these demands. Although the report remains secret, it is widely believed to contain strong criticism of the organisation and operation of the air force. The brief ban on jet flying will presumably have allowed some of the mission's recommendations to be translated into action.

Altogether 13 jet fighters of various types have crashed since May, 1953, with the loss of 16 young pilots. These figures appear alarmingly high to a small country for long wedded to neutrality and with a deep-rooted suspicion of militarism. Recently published statistics of low Norwegian air force losses in 1953—1.84 killed per 10,000 flying hours—have been indignantly quoted in the Danish press.

Behind the current agitation, and complicating the issue of air force organisation, lies a clash of personalities. Last autumn, for reasons never officially divulged, the young and able chief of the air staff, Colonel Birksted, resigned. His resignation was not accepted, and he remains technically on sick leave. It seems that Colonel Birksted, a gallant and much-decorated pilot who served with the RAF, disagreed with General Foerslev on fundamental questions of organisation. Between the commander-in-chief, representing the "old guard"—few of whom have combatant experience—and the young blood of the Birksted type, there is a "missing generation" in the air force. Hr Rasmus Hansen—who fortunately is not new to the game, having served at the Defence Ministry in the previous Social Democratic government as well as in this one—faces the difficult task of filling the higher posts with the best men, and of convincing a now wary public that there is nothing rotten in the state of Denmark's fledgling service.

Puzzle for Soviet Youth

THIS is a year of conferences in the Soviet Union. It opened with numerous meetings in the Kremlin of delegates from the countryside. Soon the trade unions are to hold their congress, to be followed in the autumn by the first congress of Soviet writers held in the last twenty years. Last week it was the turn of the Communist youth, the *Komsomol*, to hold its assizes in the Kremlin.

Numerically, the *Komsomol* is a very powerful organisation. Its membership, limited to young people between the age of 15 and 26, has grown from 22,000 on the morrow of the revolution to about 19 million. The bulk of the students in universities and technical colleges belong to it. Though the proportion is smaller in the countryside, nine out of ten collective farms have their Communist youth organisation. Most young men in the armed services are members of a cell. Indirectly the *Komsomol* controls yet another 20 million, through its "Pioneer" subs-rates which covers the younger schoolchildren.

Quantity, however, does not replace quality, and the congress was preceded and accompanied by a wave of "criticism and self-criticism." It was admitted that young men enter the movement automatically and receive no ideological training. "Survivals from the past" often guide their actions; cases were reported of young Communists marrying in the church rather than in the registrar's office, because "the ceremony is more attractive." Russia's gilded youth has also found its way into the *Komsomol*. Above all, the organisation and its leadership are apparently riddled with bureaucracy, and the movement has lost its romantic appeal.

Malenkov Knows Why

Premier Malenkov himself should know well the cause of this decline. In the early days of the Soviet regime, young Communists distinguished themselves not only in the heat of battle, but in the heat of debate as well. During Stalin's struggle for power the opposition found some of its most devoted and selfless supporters among young Communists, particularly among the students. Leningrad was the centre of the young opposition, but in Moscow the nut was not easy to crack either. Malenkov was then one of the chief purgers among Moscow's student youth.

The resistance was finally broken; recalcitrant *Komsomol* leaders were shot or deported. Many young Communists sought an outlet for their enthusiasm, or tried to forget their disillusionment, in pioneer part work in the far east or the distant north. They were joined by others who ran away from the purges. But a movement cannot live for ever on reserves of past enthusiasm. Progressively the *Komsomol* was transformed into a stratified obedient tool, a branch of party bureaucracy. Lively debates and the exchange of ideas were replaced by Stalinist indoctrination.

Now the new regime would apparently like to revive the old glamour and enthusiasm. Undoubtedly there is now scope for action: young Communists are expected to form the pioneering vanguard in the drive to conquer new land in distant Siberia or Kazakhstan. But can the old ardour be regained after years of Stalinist bureaucratic rule? Can heated discussions now be revived and the bureaucratic fist lifted? The congress has not revealed how the new regime is going to set about its task.

NOTES FROM SOUTH AFRICA

With the exception of the first two, these notes were contributed by our correspondent in South Africa

Mr Havenga's Optimism

THE budget which Mr Havenga opened on March 24th is the envy of taxpayers the world over. A sweeping range of tax concessions, affecting practically all classes of taxpayers, was announced; in a full year the cost to the exchequer is estimated at £22 million. Certain welfare payments such as old age, disability, and war pensions have also been increased. Mr Havenga's own description of it as "an optimistic budget" might err on the side of understatement.

The most expensive relief is the withdrawal of the compulsory savings levy, a thoroughly bad device which was introduced only last year; this will cost £7,600,000 of revenue in the full year. Industry will benefit also by the new initial allowance of 10 per cent on new plant and buildings. The ordinary taxpayer finds his primary tax rebate increased from £21 to £23, if he is single, or from £26 to £31 if he is married. At the top of the scale of incomes, a cut in the surcharge together with some smoothing of the rates ensures that the maximum tax rate paid by any taxpayer (including normal, super, and provincial taxes) is 10s. in the pound instead of 15s. 1d. Estate duty will be levied only on estates worth more than £15,000.

The tax reliefs have become possible mainly on account of a steadying of public expenditure on revenue account, and an estimated fall in loan account expenditure of £17 million compared with last year. In addition, revenue has been extremely buoyant. Mr Havenga proposes that in future the bulk of loan expenditure should be met out of public loans, instead of out of revenue as in the past. Presumably he is now confident that there is greater scope for public borrowing. Thus he has budgeted this year for only a small surplus of £200,000.

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A Guess and a Gamble?

THE present economic situation of the Union does not warrant Mr Havenga's mood, but his optimism is based, no doubt, on a cheerful estimate of future trends. For instance, the balance of payments problem is expected to improve materially during the year, and the Finance Minister expects reserves of gold and foreign exchange to total £100 million at the year's end compared with a little over £90 million at present. But in the next few months seasonal factors are certain to deplete the reserves unless there is a sharp revival of confidence in South Africa to buck up the inflow of capital. The longer term prospects are certainly bright, since in a year or two the new Free State gold mines will be in full production, and uranium output will be increased. It may be over hopeful, however, to expect the balance of payments difficulties to disappear this year.

Another optimistic assumption is that inflationary dangers have receded. On many previous occasions Mr Havenga's expectations on this score have been proved wrong. And, indeed, a four per cent increase in the price level over the past year hardly justifies his assumption. But the minister is probably relying on a fall in the price level of imported goods to keep the general price level down. Moreover, if his estimate of the tailing off of public spending on basic services is realised, then it is more likely that the days of persistent inflation in South Africa are numbered.

Mr Havenga's windfall was the unexpectedly big increase in revenue—more than £15 million above expectations. This is a reflection of the increase in the national income of 8.6 per cent in the year ending June 30, 1953—partly accounted for by price increases, but also due to record levels of output in many sectors. Farmers enjoyed exceptional crops, and the Union is once more able to export maize and sugar. But welcome as Mr Havenga's enterprise is, one hopes that his judgment is based on more than a guess and a gamble.

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Malan's Geography

WITH the possible exception of Dr Verwoerd, Nationalists provide different definitions of *apartheid* every time they speak about it, which is frequently. Thus, Dr Dönges has now admitted there is something in the "integratio 1" argument as used by Professor Fourie, a rising United Party economist; but that "integration" itself demands a special interpretation. Dr Dönges said: "We acknowledge 'integration' only as meaning the use of non-Europeans as labour." On the other hand, the FAK (Federation of Afrikaans Cultural Associations, with which body Dr Dönges is closely connected) has come up with the admission that so long as Natives are retained in industry at all, it would be unjust to keep them perpetually in subordinate positions. The FAK solution of the dilemma is a surprising one; some industries (unspecified) should be handed over to the Natives to be manned exclusively by them, while others should be reserved exclusively for white workers. This is called "vertical" (as opposed to "horizontal") *apartheid*.

All apostles of *apartheid*, however, sooner or later fall back on the reserves, referred to as the Natives' "true homeland." At Malmesbury this month, Dr Malan himself attempted to justify everything the Nationalists might do to Natives in "white areas" by referring to the Natives' great opportunities in the reserves. He said:

TRENDS OVERSEAS

Among the quarterly economic reviews released this week are:

CONTINENTAL SOUTH EAST ASIA
Many plans for development.
How realistic are they?

EGYPT AND THE SUDAN
Growing foreign interest.
Will business confidence revive?

BRITISH CARIBBEAN
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We have the same right to remain here as the Natives. The Native did not come here before us; he came from outside at the same time as we did. Large parts of the Union were never in possession of the Natives. The land which they owned when the whites came, they still have, as reserves. These Native areas are seven times the size of England and Scotland together, twice the size of France, larger than practically any country in Europe. These were set aside for the Natives. We want it to remain thus so that the Natives can develop. But if the Native is being protected in this way, the white also has the right to protection, in his area. We need the Native and he needs us, but he cannot get the same rights as the Europeans in the European areas.

Senator Heaton Nicholls was prompt to scrutinise the Prime Minister's geography. He had, he said, examined Dr Malan's comparisons with some care. They presented something of a puzzle, but a little calculation showed how the puzzle could be explained. Dr Malan had carelessly included in South Africa's "Native Reserves" the whole of Bechuanaland (275,000 square miles).

* * *

The Race for the Job

In pursuit of *apartheid*, the Minister of Labour, Mr Ben Schoeman, proposes (in his Industrial Conciliation Bill) to replace the rate for the job by the race for the job. The Bill will give the Minister the power to determine the specific sort of work that may be performed by a particular racial group. The Bill contains other startling provisions. The Minister may at his unfettered discretion declare any industry "essential"; if he does, strikes in that industry become illegal. (Strikes by Natives are already illegal.)

Mr Schoeman will not, of course, recognise Native trade unions; he said on a former occasion that he hoped they would "bleed to death." However, some trade unions, with white leadership, have non-European members (Coloureds, or Natives, or both). In terms of Mr Schoeman's new Bill, a trade union or an employers' organisation which is open to more than one race may be refused registration. Trade unions will not be allowed to affiliate themselves to any political party; and no trade union (or employers' organisation) will be permitted to give financial aid to a political party, except from a special fund specifically established for that declared purpose. There are to be industrial tribunals for compulsory arbitration in disputes. Appeals by trade unions to the Supreme Court (hitherto allowed on points of fact) will in future be restricted to points of law.

The application of still more drastic *apartheid* to industries may prove difficult: 82 per cent of all South Africa's 4 million workers are non-Europeans, and 16 per cent of the skilled as well as 67 per cent of the semi-skilled work in industry is today performed by non-Europeans.

* * *

Bantu Education

The Bantu Education Act is now due to come into force. At present 900,000 Native children attend school; the education of this 40 per cent costs £8 million annually. Under the Act, which transfers Native education from provincial authorities to the Department of Native Affairs, it is proposed to give all Native children at least two years at school, by dividing the existing six-hour daily session into two daily three-hour sessions. The Department has declared it is not interested in educating an *élite* but wants to get down among the masses.

The other side of the picture has been best described by the Minister of Native Affairs himself. Dr Verwoerd has declared: "Natives will be taught from childhood that equality is not for them. They must not think of themselves as members of a broader, South African community, but as members of their own Bantu community." For 150 years, most Native children who got any education at all have got it thanks to church mission schools. These schools' curricula are laid down by the provincial education departments and the schools are compelled to conform to them. Nevertheless, under the Act, Dr Verwoerd has taken the power to close down any school catering for Natives if in his opinion the school is teaching Natives the wrong things. "I will," he said, "close down any school which preaches inadmissible doctrines . . . . Education will be taken from those who instil false expectations. People who believe in equality are not desirable teachers." After that, the Minister's assurance that he will use his powers "moderately," and has no animus against church mission schools has failed to convey much real comfort.

* * *

The Red Rose

Wearing a red rose in his buttonhole, the Minister of Justice, Mr Swart, proceeded in Parliament last week to close loopholes in the Suppression of Communism Act. He "named" a number of persons as Communists and banned them from attending all functions, including going to cinema and going to church. The Appeal Court invalidated the bannings on the ground that those "named" were denied access to the courts. Mr Swart also banned an MP, Mr Sam Kahn, from Parliament, on the ground that he was a "Communist." But Mr Swart's powers did not extend to preventing persons being elected to Parliament, so Mr Kahn (a Natives' representative) was replaced by Mr Brian Bunting, whom Mr Swart also had "named." Mr Bunting was ejected from Parliament in turn; but Miss Ray Alexander is now hoping to win the seat.

By further amendments of the already much amended Act, Mr Swart hopes to revalidate all his banning orders. In addition, though he apparently cannot order the electoral officer to refuse Miss Alexander's candidature, Mr Swart hopes to intimidate her with a possible three-year prison sentence if, having been elected, she tries to take her seat. Another power which the Minister now proposes to confer on himself is that of deporting any South African citizen, who is not a South African "by birth or descent," whom he deems a Communist. The fact that this violates a pledge given when the Citizenship Act was passed does not seem to worry him.

The United Party and the Labour Party are opposing this further tightening-up of the Act, not because they have a tender regard for Communists, but because they feel that real Communists can be suppressed without upsetting established legal processes, such as access to the courts, and also because they suspect that Mr Swart's definition of a Communist may be peculiarly his own. (Mr Swart "named" the building workers' secretary, Mr Huyser, for "fomenting strikes"; the last strike Mr Huyser "fomented" was in 1947, and it resulted in substantial gains for the building workers). Mr Swart's only answer to this is that he will use his increased powers "with discretion."

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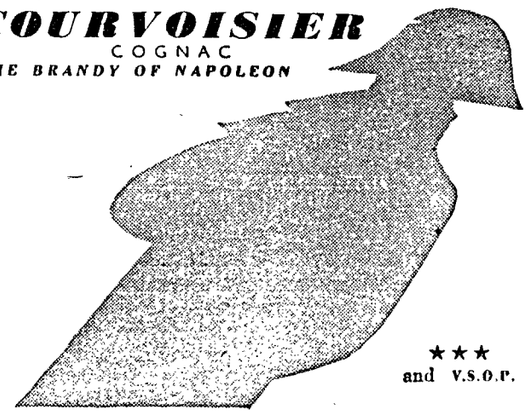

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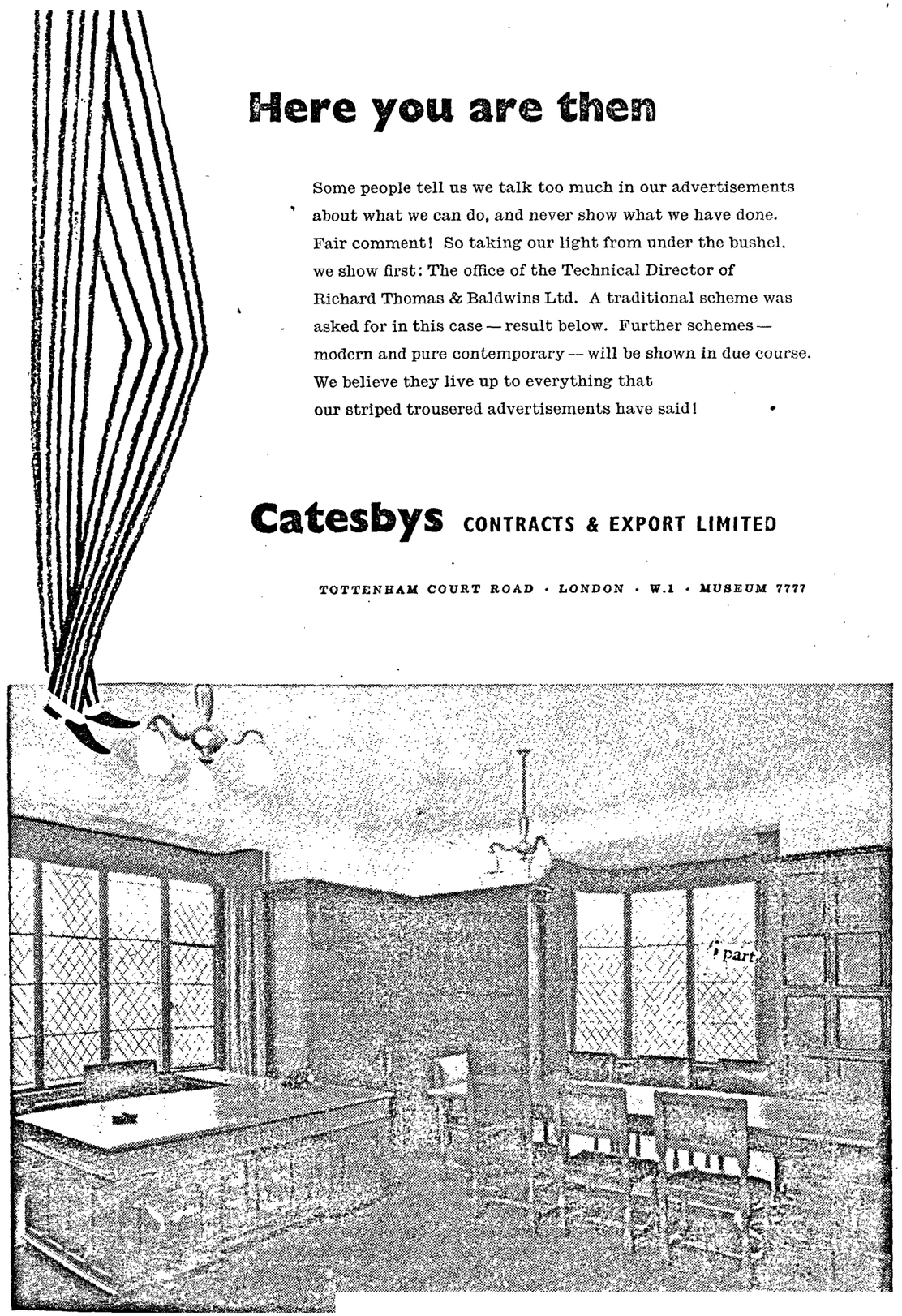

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THE BUSINESS WORLD

Economic Stocktaking

Except at one point, the picture drawn by this year's Economic Survey of the present state of Britain's economy contains no major surprises; nor does its sketch of the likely trends of the current year. Industrial production in 1953 more than made good the previous year's setback; the gross domestic product rose by 4 per cent; and the economy enjoyed the benefit of a further large gain on the terms of external trade. But more than 40 per cent of these additional resources went to supply the rising appetites of consumers, and most of the remainder was absorbed by the increases in housing, defence outlays and stocks. There was little, if any, increase in fixed investment by manufacturing industry, while the surplus on the external balance of payments declined slightly—the good recovery in the gold reserves being matched by an increase in external liabilities. . . . The Survey expects the total demands on the economy to rise further this year, but production is likely to rise too. Its unexpected feature is an assumption that sufficient "slack" will exist in the capital goods industries to provide both for an expansion of exports and for a higher rate of industrial investment to raise productivity. Such a twofold expansion, and an effort to keep down costs and prices, are regarded as the paramount needs of the economy now.

THE value of the gross domestic product, the Economic Survey reports (quoting in advance from the preliminary White Paper on the national income) rose last year from £13,509 million to £14,563 million. This increase of £1,054 million was actually £25 million smaller than the 1952 increment, but prices of domestic output rose much more slowly than in that year—actually by about 4 per cent, while prices of all goods and services rose on average by only 1 per cent. In consequence, only about half the rise in gross domestic output was represented by higher prices, and real output expanded by about £500 million, whereas in 1952 it had contracted by £100 million.

Thanks to a fall of 12 per cent in import prices, Britain was able to bring in 9 per cent more imports for a payment of 4 per cent less; while export prices dropped by only 3 per cent. The gain from this swing in the terms of trade is estimated at £200-250 million. Moreover, contrary to the estimates based upon the trade returns, the volume of exports as computed for the balance of payments actually declined. Hence, although the total external surplus contracted only slightly, Britain's net intake of goods and services from overseas was no less than £345 million more than in 1952—adding to the resources available for use at home fully two-thirds as much as came from the increase in domestic output.

Sources of Demand

The biggest slice of the additional demand that both called forth and absorbed these new resources came from consumers. As a table on page 41 shows, their expenditure expanded, in real terms, by £350 million or 4 per cent, surpassing the peak that had been attained in 1950, before the encroachments of the defence programme. In money terms, the expansion was of course a good deal larger, from £10,403 million to £11,029 million. The second biggest slice of demand was that from gross fixed investment, which expanded by £215 million, of which two-thirds was attributable to new housing. Most of the remainder comprised additional investment by basic industries, notably power, fuel and transport. The growth of defence outlays lagged substantially behind last year's expectations, so that total demands for goods and services by the central government and the local authorities rose by only £110 million, despite the continued rise in

municipal expenditures. Necessarily, the recovery in production involved a substantial increase in total stocks and work-in-progress, the growth of which had been checked in 1952. A new inquiry into the experience of large firms in manufacturing industry suggests that the volume of manufacturers' stocks rose only slightly, but the authors of the survey suggest that total stocks—including those abroad and in transit—rose by £170 million at 1952 prices. Of this, some £90 million comprised the rise in recorded stocks of (mainly) imported primary commodities, and especially of food and feeding stuffs; stocks of raw materials rose only slightly. In sum, therefore, personal consumption accounted for two-fifths of the rise in aggregate home demand, fixed investment for one-quarter, investment in stocks for one-fifth, and defence outlays for most of the rest.

The External Surplus

The trend of the external balance of payments proved to be rather better than most recent estimates had suggested, and the actual out-turn of the year reaches the most sanguine of unofficial forecasts. Britain's total surplus for the first half of the year is now put at £13 million before crediting defence aid, or only half the estimate published in the White Paper issued last autumn. In spite of this downward revision the surplus for the full year is put at £123 million before aid, or only £11 million less than the revised estimate for 1952—a considerably smaller deterioration than was generally expected some months ago. The amount of defence aid declined from £121 million to £102 million, so that the gross surplus, including aid, was £225 million, compared with £255 million in 1952.

As the decline in the surplus demonstrates, the year's rise of £240 million in the gold and dollar reserves was more than balanced by a rise in Britain's external liabilities and a fall in official holdings of non-dollar currencies. The sterling balances, violently reversing their 1952 movement (they then fell by £373 million), rose by £213 million, despite a reduction of £40 million in the balances held by non-sterling countries, and despite an increase in the net outflow of investment funds from Britain to the rest of the sterling area.

As these figure imply, Britain's surplus with the overseas sterling area declined sharply, from £367 million to £179 million, but its 1952 deficit of £112 million with non-sterling countries was converted into a surplus of £46 million—after crediting aid receipts in both years. On that basis, Britain's current account with the dollar area was approximately in balance, for the first year since the war. The improvement in the overseas sterling area's balance in non-sterling payments was rather less marked, but it carried its non-sterling surplus to the substantial total of £274 million. Hence the sterling area as a whole earned a surplus of £320 million on its current transactions with the rest of the world. This compares with a surplus of only £50 million in 1952 and a deficit of over £500 million in the crisis year, 1951.

Over the year as a whole, Britain's exports to non-sterling countries were better maintained than those to the sterling area; the former dropped from £1,503 million to £1,465 million, while sterling exports dropped from £1,323 million to £1,210 million. Moreover, Britain's imports from non-sterling countries dropped much more sharply than its sterling imports rose. In addition, the "invisible" account with non-sterling countries showed a net credit of £37 million, in contrast with the 1952 net deficit of £35 million; the large net credit from sterling invisibles declined fractionally, despite a fall in net governmental payments.

Personal Incomes and Savings

Total personal income rose last year by £765 million to £13,537 million, more than three-fifths of this increase (or roughly the same proportion of the total) representing increases in wages and salaries, which together rose by £475 million to £8,630 million. The survey estimates that about two-thirds of this addition to the wage and salary bill was attributable to higher rates of pay and one-third to the general expansion of activity and employment. Personal income from rents, dividends and interest is estimated at £1,489 million, an increase of £83 million; receipts from national insurance benefits and other grants rose by £90 million to £1,000 million.

Thanks partly to the reliefs granted in last year's budget, net "disposable" income of individuals, after deduction of tax and national insurance contributions, rose by nearly 7 per cent, or £778 million. Since retail prices were only about 3 per cent higher than in 1952, there was a notable rise in real income. But the rise in the estimated money value of consumers' expenditure was £152 million less than the estimated rise in disposable money income. The excess of disposable income over traceable expenditures necessarily includes personal savings; it appears in the 1953 estimates at £928 million, compared with £776 million in 1952 and only £285 million in 1951. This residual is not seriously put forward by the statisticians as an adequate estimate of personal savings; but the fact that the big rise of 1952 has been confirmed in 1953 raises a presumption that personal savings in part have substantially improved, despite the rise in consumption.

Where Higher Output Went

In 1953, the country still needed more coal and steel than it could produce. But for all other industries, demand set the pace. The growth of demand within the economy, and the slight increase achieved in exports of goods made in Britain, thus stimulated greater activity in a wide selection of industries, which together brought about a rise of 6 per cent in industrial production. This took up much of the slack that had developed in industry in the setback of 1952. It was achieved without a proportionate rise in employment, by putting

ECONOMIC POINTERS

TOTAL EXPENDITURE AND INCOME
£ million

Expenditure	1951	1952	1953	Payments for Production	1951	1952	1953
Consumers' expenditure	9,935	10,403	11,029	Income of employees and the Forces	8,339	8,903	9,442
Public authorities' current expenditure	2,442	2,895	3,098	Income of self-employed persons	1,503	1,553	1,606
Gross fixed investment	1,863	2,060	2,312	Gross trading profits of companies	2,540	2,260	2,430
Value of physical increase in stocks and work in progress	610	—	170	Other property income (gross)	837	835	939
Exports of goods and services	3,412	3,522	3,351	Residual error	11	−42	66
Total expenditure at market prices	18,262	18,880	19,960	Total income, including depreciation and stock appreciation	13,230	13,509	14,483
less Taxes on expenditure	−2,272	−2,286	−2,369	*less* Stock appreciation	−800	—	80
plus Subsidies	468	419	358	Gross domestic product	12,430	13,509	14,563
				Imports of goods and services	4,028	3,504	3,386
Total expenditure at factor cost	16,458	17,013	17,949	Value of supplies at factor cost	16,458	17,013	17,949

CHANGES IN REAL DEMAND AND SUPPLIES, BETWEEN 1952 AND 1953
£ million at 1952 factor cost

Change in:	
Consumers' expenditure	+350
Public authorities' current expenditure, including defence	+110
Gross fixed investment	+215
Exports of goods and services	− 60
Total	+615
Investment in stocks and work in progress	+170
Total change in demand	+785
Change in:	
Gross domestic product	+500
Imports of goods and services	+285
Total change in supplies	+785

BALANCE OF PAYMENTS OF THE STERLING AREA
£ million

	1952	1953		
		1st half	2nd half (provisional)	Year (provisional)
United Kingdom current balance with:				
Non-sterling countries (*a*)	− 112	+ 46	—	+ 46
Rest of sterling area	+ 367	+ 22	+ 157	+ 179
	+ 255	+ 68	+ 157	+ 225
Rest of sterling area balance (*b*) with:				
Non-sterling countries	+ 162	+ 173	+ 101	+ 274
United Kingdom	− 367	− 22	− 157	− 179
	− 205	+ 151	− 56	+ 95
Total sterling area balance with non-sterling countries	+ 50	+ 219	+ 101	+ 320

(*a*) Includes defence aid of £121 million in 1952 and £102 million in 1953. Figures exclude US share of counterpart funds. (*b*) UK estimate, including capital transactions with non-sterling countries.

COMPANY FINANCE AND INVESTMENT
£ million

	1950	1951	1952	1953
Receipts:				
Gross trading profits (including provision for depreciation)	2,159	2,540	2,260	2,430
Other receipts	742	728	659	700
Total	2,901	3,268	2,919	3,130
Payments:				
Tax payments	777	715	915	950
Interest and dividend payments, etc.	729	844	919	951
Gross fixed investment at home	612	637	620	646
Value of change in stocks	462	942	—70	60
Total	2,580	3,138	2,384	2,607
Funds available for other purposes,	321	130	535	523
of which:				
Additions to tax and dividend reserves	128	451	62	−5
Other, including net overseas investment	193	−321	473	528

GROSS FIXED INVESTMENT BY INDUSTRIES
EARNINGS AND ASSETS
£ million at current prices

	1948	1949	1950	1951	1952	1953
Expenditure on equipment and buildings:						
Agriculture, forestry and fishing	90	87	84	89	84	87
Mining	30	36	34	36	49	61
Manufacturing industry	335	383	446	523	545	545
Electricity, gas and water	138	173	197	221	242	270
Transport and communications (*a*)	207	229	241	236	227	275
Other industry and trade (*a*)	129	149	175	207	231	245
New housing	344	334	332	366	485	630
Social and public services	74	94	114	131	152	160
Total	1,347	1,485	1,623	1,809	2,015	2,273
Legal fees, stamp duties, etc.	46	49	51	54	45	39
Total gross fixed investment	1,393	1,534	1,674	1,863	2,060	2,312
of which:						
Vehicles, ships and aircraft	238	267	267	273	267	312
Plant and machinery	489	547	630	742	790	815
New housing	344	334	332	366	485	630
Other new buildings and works (*a*)	322	386	445	482	518	555

(*a*) The road goods transport industry and Ministry of Supply research and development appear under "Other industry and trade".

SUPPLIES OF METAL GOODS
(£ million at 1952 factory prices)

	1951	1952	1953
Supplies:—			
Production	3,720	3,700	3,800
Imports	85	120	105
Total	3,805	3,820	3,905
Used for:—			
Defence	310	460	515
Investment	1,080	1,030	1,050
Passenger cars for home market	70	100	160
Consumer goods for home market	285	260	285
Other industrial goods, repair work, etc.	865	820	785
Exports	1,195	1,150	1,110
Total	3,805	3,820	3,905

men and machines more fully to work ; so productivity rose, sufficiently to offset rises in pay and keep labour costs steady in most industries. But the recovery was uneven.

About a quarter of the year's additional industrial output consisted of new cars, television sets, and other purchases by the home consumer, and perhaps another sixth went to rebuild stocks of manufactured and semi-manufactured goods. The rise of 60 per cent in deliveries of private cars to home buyers far outweighed a 2½ per cent fall in exports ; output was a record. There were smaller increases in production of other metal consumer goods, in the chemical trades (including petroleum refining), and in paper and printing. Textiles and clothing had been the largest factor in the 1951-1952 decline, and last year contributed most to the increase in total output. Exports and home demand both rose ; but special inquiries conducted for the survey suggest that two-thirds of the 15 per cent rise in output of soft goods went to replenish stocks.

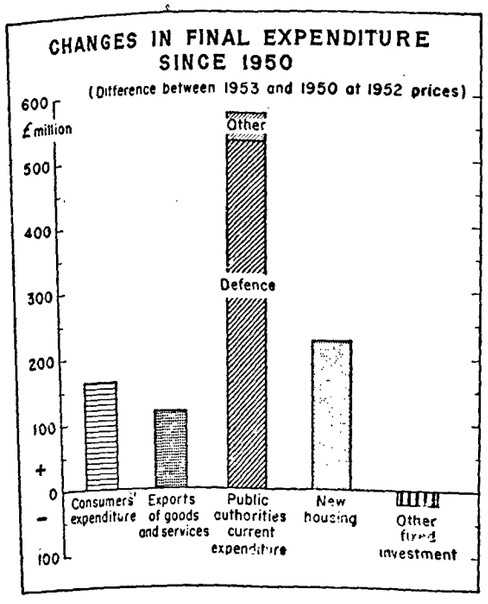
Another quarter of the increase in industrial output went into higher fixed investment—primarily in houses. The output of the building industry went up by 6 per cent last year, with an average labour force no higher than in 1952 ; so there was a marked increase in output per man, supported by larger supplies of materials. There was a slight increase in home supplies of plant and equipment—which went mainly, it would appear, into the basic industries. Part of this came from a rise of about 10 per cent in home deliveries of commercial vehicles, though output of these actually declined, because of a continued fall in exports.

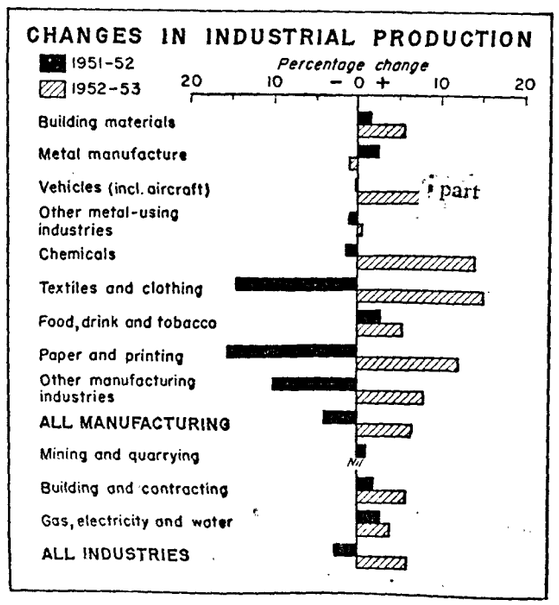
The final third of 1953's extra domestic output was devoted about equally to defence and to exports of home-produced goods. The rise of £50 million in production of metal goods for defence occurred mainly in the aircraft industry, in arms and ammunition, and in electronics ; at the same time there was a marked increase in exports of aircraft and armaments (largely to other Nato countries). The output of refined petroleum, which rose about 10 per cent to 23 million tons last year with the virtual completion of the British refinery programme, allowed an increase of 35 per cent in exports of petroleum products.

Resources for Further Progress

Some major sections of the engineering and metal goods industries, therefore, felt the stimulus of higher home demand and overseas orders, and the total output of metal goods last year was some 3 per cent higher than in 1952. It rose during the year, indeed, by about 5 per cent, taking up much of the spare capacity in the industry. Yet exports of metal goods, in total, fell by 3½ per cent ; the volume of orders on hand in engineering fell steadily until the autumn ; and despite some improvement since, orders are still not being obtained as fast as they are being worked off.

Few of these industries, except shipbuilding, were significantly affected by lack of materials ; but demand for some of them fell off just as the shortages or maldistributions of materials were coming to an end. Not only motor cars, but some capital goods such as mining equipment and railway wagons, had the advantage of bottled-up demand at home, and the machine tool industry, emerging from defence preoccupations, filled arrears of civilian orders for British industry and increased its exports slightly. Output of heavy electrical equipment rose steadily, while the demands on engineering for defence, which had risen early in 1953, thereafter remained about level, and took just over one-eighth of the output of these industries. It was in those





sections that make capital equipment for the consumer goods industries, in prime movers, and in the telephone and cable industries, that demand fell off most ; and there was a decline in output of semi-manufactures and in repair work.

In the capital goods industries, speaking broadly, deliveries today can be made within the time required for manufacture, while standard items are becoming increasingly available from stock. In some of these industries spare capacity certainly exists that could serve to increase exports or home investment or perhaps both—though any rapid revival of world demand for capital goods might call for some further growth in capacity in certain sectors. One impressive feature of the British industrial economy since rearmament began after Korea is the extent to which these engineering industries have fulfilled almost all the extra demands upon them (except for certain imports of defence tools and a limited amount of American military equipment) without any very marked expansion of total capacity or total manpower. But if capital goods continue to make up an increasing proportion of world trade, as seems likely, Britain may need to devote a yet larger share of its resources to engineering, as do its main competitors.

Last year's recovery in output, then, was most marked in the consumer goods industries, as the decline in 1952 had been equally marked. These industries are, in general, the heaviest users of imports ; but the resulting fluctuations in the volume of imports were damped down by the special imports of steel and manufactured goods for defence, which were very high in 1952 ; these slackened last year and thus reduced the volume of imports necessary to sustain last year's increase in production. Without these economies the rise in output would have required perhaps £200 million of extra industrial materials (at 1952 c.i.f. prices), in addition to the £160 million of food, drink and tobacco that went into home consumption and to rebuild stocks. In fact, last year's imports of raw materials and manufactures rose in volume by only about £115 million, reckoned at 1952 prices. Special imports of steel and defence machinery will decline even further this year ; so a further rise in industrial production—which the official statisticians now calculate would require perhaps £15-20 million of extra imports for every one per cent increase—should be possible without any major rise in total supplies from abroad.

Demand in 1954

In fact, however, the Economic Survey does not envisage any considerable rise in imports as a whole during 1954, though it emphasises that the total is strongly influenced not only by the trend in industrial production but also by the strength of consumer demand—especially for food, which is likely to rise further.

It is emphasised that demand for exports and the prospect for the national economy generally must depend, to a significant extent, upon the course of business activity in the United States. But it is pointed out that the repercussions of the American recession upon world trade and upon Britain have so far been relatively slight ; and although it emphasises that the American trend "must continue to be watched very closely on both sides of the Atlantic," the survey leans towards optimism. It also reiterates the conclusion reached at the Commonwealth conference last January that combined efforts by the non-dollar countries could prevent a moderate fall in US activity from having serious repercussions. In the absence of dislocation from overseas, it is thought that the volume of British exports should be maintainable at about its present level, despite the sharpening of competition ; and exports are now running at some 5 per cent above their 1953 average.

On the optimistic view, therefore, net demands on the domestic economy from the external balance of payments would be more likely to rise than to fall. And nearly all sectors of domestic demand are rising. Government and local expenditure on goods and services is expected to expand by £75 million (at 1952 prices), chiefly on account of defence outlays. Consumers' demand at the end of 1953 was running significantly above the 1953 average and there is no reason to expect any "marked fall" from this higher level. The real outlay on new housing is expected to become stabilised but there will be a larger expenditure on repairs and maintenance. Fixed investment in the basic industries is "on a rising trend," and there will be an increase in road works, building of shops and commercial premises, and in reconstruction of blitzed cities. The one sector, it seems, where expansion is not definitely in sight is fixed investment in manufacturing industry—though it is admitted that the incentives given in last year's budget have not yet had time to exert their full effects.

The survey's references to this sluggishness of industrial investment leave no doubt that, if the Chancellor sees scope for giving any further stimulus to the expanding economy, this is the point at which the injection should be made. But the discussion of the general balance of the economy carefully refrains from indicating whether, in the official view, there is any such scope—apart from the specific physical capacity that is regarded as available in certain capital goods industries. It is emphasised, on the one hand, that the level of demand must not be allowed to rise so high as to "impede the flexibility of industry" or to discourage exporters from pressing their goods in difficult markets ; nor, on the other hand, must it fall so low as to discourage investment and waste resources. The reader is left to guess which of these virtuous truisms is now uppermost in the official mind. The only pointer is the argument that in 1953 the expansion of domestic demand has only exceptionally reacted adversely upon the drive for exports. But this is not a very reliable pointer to 1954, because demand is rising further.

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So far as any electoral mathematician can judge, the party gains and losses in the present redistribution are in fact so far fairly evenly balanced, and to that extent Mr Morrison's complaint is nonsense. What may well have appalled him is the degree to which, irrespective of party, the machine he created holds the power of electoral life and death. Even in the present relatively limited changes some MPs are seeing their seats wiped out, while others are finding their constituencies virtually handed over to the opposing party. It is possible to appeal against the proposals, and the Home Secretary has the last word. In 1948 the Labour Government overruled the Commissions and ordered the creation of 17 additional seats. This, however, proved morally dubious, electorally unsuccessful (several of the seats swung Conservative in 1950 and 1951), and statistically bad practice; some of the extra 17 could not be justified and are now having to be removed with inconvenience all round. The parties would be well advised to accept the proposals—this time—with what grace they can muster.

This is not to say that the machinery should not be improved after the present reorganisation. It has at least two major defects—the seven-year period between revisions is in normal times too short, and the principles on which changes are made are equivocal. While local geography dictates wide discrepancies in rural areas and one-seat boroughs, cities with more than one member are continually threatened with disruption to meet the movement of a small percentage of voters out into the suburbs. Although it is right that major changes in population should be examined by impartial bodies of the present kind—and although it is not necessarily a bad thing that MPs should be made to feel less secure in the tenure of their jobs—there is a case for saying that the Commoners should not be induced to work so hard over their statistical quibbles.

Boring into Rent Control

WHEN the Housing Repairs and Rents Bill reached the report stage on Wednesday, the Minister of Housing quietly slipped into it a very important clause. Houses or flats completed after the Act is passed, as they are built without the aid of a subsidy, are to be exempt from control under the Rent Acts, and so too are dwellings provided by the conversion of existing houses if the final touches are added after that date. The object of this, as Mr Macmillan explained, is to encourage the building and conversion of homes to let, thus increasing the total stock of dwellings without increasing the call on public money.

Labour members quickly protested that this was the beginning of the end of rent restriction. For the long term—the very long term—there is reason to hope they may be right. The Government itself has a nice limited objective. It knows that people who might build or convert dwellings for letting are now frightened off by the risk that tenants, having agreed to the rent they ask might drag them before a tribunal, and have it knocked down to a figure that would not yield an adequate return; and also by the prospect of being unable to get rid of bad tenants at the end of their lease. The simple removal of these deterrents, however, will eventually sharpen the unfairness as between one landlord and another. By doing so, it may gradually weaken the whole structure of rent control; and make it easier for some Government, some day, to pluck up the courage to sweep away the biggest remaining obstruction in the British economy, which started as a proper attempt to alleviate the consequences of the housing shortage but has now become the chief cause of its continuance.

Parleys in Kenya

ON Tuesday, six leading Mau Mau terrorists were driven down to the small township of Nyeri for surrender talks with high government officials. The Kenya government is anxious not to raise or express extravagant hopes; but there are sober indications that General China, the captured Mau Mau leader, may be able to give some value for his reprieve from the death sentence by bringing in many of the terrorists who were formerly under his command in the Mount Kenya district. There is less hope of success in the Aberdares, where the self-styled Field-Marshal Dedan Kimathi—whose addiction to writing letters to the authorities prompted General Erskine's original surrender offer of last year—presumably still holds sway.

There is, of course, no other way of ending the emergency except by accepting the surrender of the terrorists; the European settlers' initial protest at the use being made of General China was induced by a mild hysteria. But the problem is by no means a simple one. Mau Mau has never been declared a rebellion; consequently there can be no question of negotiating the end of a civil war or of offering terms. The hard core terrorists will have to face any trial that is coming to them. But there is rarely sufficient evidence to prosecute them for the bestial crimes which everybody knows they have committed. General China, for example, was originally condemned to death for the comparatively mild-sounding misdemeanour of consorting with gangsters and being in possession of two rounds of ammunition.

For this reason, legal complications may arise from a recently announced decision of the Appeal Court. The Court quashed a sentence that had been passed on a surrendered Kikuyu, convicted of being in possession of a round of ammunition without lawful excuse. It felt that the man had a lawful excuse, because he had stolen the round from his Mau Mau gang to corroborate the story of his escape. In other words, possession of weapons is not in itself a crime; indeed, last year's surrender offer expressly invited terrorists to come in with their arms. If it is to keep faith with the loyal Kikuyu, the Government must not let this decision divert it from its declared policy of banishing hard core terrorists from the reserves and alienating their land; but in its anxiety not to discourage terrorists from surrendering it must not make the loopholes in the law too large. The success of attempts to bring the emergency to an end through parleys with the gang leaders largely depends on the government's ability to reconcile these twin objectives; further thoughtless outbursts of protest from the settlers would only postpone this desirable result.

Two Views on No Par Value

THE bulk of the evidence submitted to Mr Montagu Gedge QC and his colleagues on the Committee on Shares of No Par Value supported the proposal to allow such shares to be issued. The majority report of the Committee has reached this same conclusion, and puts the case for what is, in truth, a sensible administrative reform, in straightforward and sensible terms. It should be made possible, says the majority report, to issue ordinary shares of no par value and to convert existing ordinary shares with a nominal value into no par shares—or vice versa. The Gedge Committee has found that such fears as the Cohen Committee entertained in 1945 that no par shares might generate abuse or lead to extreme accounting complications need no longer be apprehended. The introduction of no par shares on a permissive basis, declares the majority report, would entail no elaborate amendments to existing company law. As for safeguards, provided that the whole proceeds of an issue of no par shares were carried to a stated capital account and not distributable in dividends and provided also that conversions of shares with a nominal value into no par shares were approved by extraordinary resolution of each class of shareholder, the majority report holds that no par shares would be neither more nor less open to abuse than shares having a nominal value.

So the once recondite mystery of no par turns out to be as clear as crystal. Whereas a couple of years ago scarcely a voice in the City could be heard in support of Sir John Barlow's Bill to permit the issue of no par shares, now accountants, industrialists, the insurance offices and investment trusts, the Stock Exchange and the lawyers give their general support to the identical principle. This at least, is a change towards enlightenment. But there is one quarter where darkness still prevails. To read the minority report of Mr W. B. Beard, or the evidence submitted by his colleagues at the Trades Union Congress, Mr George Woodcock and Mr Lionel Murray, is to be plunged into economic mediaevalism. The reason is with the majority, but the vehemence is with the minority; it is, perhaps, not surprising that the President of the Board of Trade has declared that time will be needed to study the report, but it will be a most dangerous conclusion if a modest reform based on sense and logic is to be destroyed because the TUC's grey mare runs wild in its impenetrable blinkers.

The argument, indeed, is no longer about the merits of making no par shares legal for those companies that would like to adopt them. That issue is conclusively settled by the majority report. The new argument—and it has been coming to a head for some time past—is about the rights of the unions to intervene in matters that by law and practice are the concern of the owners of companies—that is, of the shareholders. Although the TUC's evidence purported, in part, to raise technical objections to the issue of no par shares, it was not long before the real character of their objection appeared, as the following interchanges show:

> *Q.*—Your feeling is that the no par value shares would permit the payment of excessive dividends and would camouflage what the shares were worth. Is that putting it fairly?
>
> *A.*—I think you could put it more strongly; we should think that that would be the main purpose behind it.
>
> *Q.*—Now, what do you mean by an excessive dividend?
>
> *A.*—You do not expect me to put a figure to that, obviously?
>
> *Q.*—No, in whatever terms you please; what do you mean by an excessive dividend?
>
> *A.*—I could not say what I mean in terms of a figure, but it is something which, for our purpose, would strike an average trade unionist as being excessive in relation to the wage he is receiving and the general level of remuneration in occupations of all kinds.

Here indeed is a new principle of economic calculus. No par shares may be formally logical, but if the union rank and file mistrusts them, and their representatives find them too difficult to explain, they should not be permitted, on the ground that they would exacerbate industrial relations. Let us therefore live, the argument runs, with our familiar illusions and define "excessive" as suits our book.

But the argument does not stop at this *trahison des clercs*. It reaches out into wider claims on the part of "the workers" to a voice in affairs that concern the shareholders and to a claim for some, as yet unspecified, share of their equity. It is no longer a question of misconceptions about no par value; it is rather the emergence of a doctrine that the unions are entitled to a new status as part-owners and controllers of companies. First comes the assertion that "excessive dividends" (as defined by the trade union spokesmen themselves) are objectionable; then there follows the argument that "the workers" are morally entitled to part of the reserves of companies, on the ground that profits ploughed back represent potential wage increases that have been forgone as a result of their patience and restraint. This pincer attack has been employed by Mr Gaitskell, who was ready as Labour Chancellor to introduce a bill for the limitation of dividends, and in opposition has recently argued for "some system whereby the workers are given a fair share of the reserves accumulated thanks to their moderation." Gaitskell's Fork is being brandished to secure a more or less fixed-dividend ordinary share (fixed in the upward direction, that is, not in the downward) and to make it even harder than it already is to retain a surplus of earnings to plough back into industrial investment. "By capitalising the reserves," said Mr Murray in evidence, "the directors themselves make quite sure that the workers will never be able to tackle any of these reserves."

The dangers of this sloppy moralising, and even worse law and accounting, ought to be evident. The reserves do not belong to "the workers"; they are not the product of their forbearance and restraint; they do not exist in general as free cash, and they cannot be slipped to the shareholders by some deceitful magic. The bonus share is a means of keeping resources within the company, not of handing them out to shareholders. These are all misconceptions, and too easily exploited by mischief makers. The reserves belong to the company, and in the overwhelming majority of cases have long since been permanently re-invested in the business. The company is owned by its shareholders who are entitled to an aliquot share of distributed dividends and, in the rare event of liquidation, to an aliquot share of realised assets. "The workers" are concerned with none of this, save as they themselves can be shareholders. They are concerned with wage negotiations and working conditions and they are quite entitled to exploit high profits or high dividends in putting forward their claims. The success of some American labour unions in acting as a stimulus to more efficient and profitable management is an object lesson in what the unions can do as competitive partners in industrial progress. But self-interest needs to be enlightened. The dismaying thing about the TUC's opposition to the no par share is that, at bottom, it is based on a sentimental syndicalist view of the structure of industry as Transport House thinks it should be, and on an unqualified suspicion of industrial institutions as they are. In this atmosphere of negation, the chances of a relative minor reform such as the no par share may not be high; that is regrettable, but it is a small matter compared with the approaching dangers of economic stalemate and industrial retrogression.

Business Notes

Budget Bulls-eye—by Accident

THE budget surplus recorded for the fiscal year just ended has fallen within the inner ring of the target set up last April and the yield of revenue has actually reached the bulls-eye—but it cannot be said that this impressive performance has been due to good marksmanship. Heavy supplementary estimates had obscured the expenditure target altogether, and only some chance gusts of wind carried revenue to its mark. The original estimate for ordinary revenue, including a small net receipt from the Post Office, was £4,368.2 million; the actual revenue was £4,368.1 million. The original estimate for expenditure was £4,259 million and the revised estimate (including £5 million of supplementaries for the Post Office) was £4,488 million; but despite these large revisions the actual expenditure, at £4,274 million, came within £15 million of the original forecast. The ordinary surplus on the conventional budget account thus proved to be just under £94 million, compared with the first estimate of £109 million and with a realised surplus of £88 million in 1952-53. It should be noted, however, that the figures for both years are struck after abating the actual expenditure on defence by the sterling "counterpart" equivalent of the dollars received as defence aid. The increase in these special credits was much greater than that in the conventional budget surplus; and if defence aid had been excluded the out-turn for 1953-54 would have shown a deficit of £46 million, compared with a surplus of £3 million in the previous year.

Net expenditure "below-line" has been wildly short of the target; it was expected to rise by £25 million, but has actually fallen by £133 million, to £391 million. In consequence, the net deficit on the Exchequer account as a whole was £297 million (or £437 million before defence aid)

THE DEFICIT ANALYSED
(£ million)

	Expectation		Out-turn		
	Original Estimates	Expected Change from 1952-53 Out-turn*	1952-53	1953-54	Actual Change*
Ordinary Revenue	4,368†	−71	4,439	4,368	− 71
Ordinary Expenditure:					
Debt Service (including sinking fund)	615	+ 3	612	615	+ 3
Other Cons. Fund	58	+ 3	55	59	+ 4
Total Supply Services‡	3,586	− 98	3,684	3,600	− 84
Total	4,259	− 92	4,351	4,274	− 77
Above-line Surplus	*109*	+ *21*	*88*	*94*	+ *6*
Below-line Expenditure (net)§	*549*	+ *25*	*524*	*391*	− *133*
Overall Deficit§	440	+ 4	436	297	− 139

* Increased revenue, expenditure or surplus shown *plus*, decreased revenue, expenditure or deficit shown *minus*. † Later revised to £4,365 m. to take account of supplementary estimates for post office (*eliminating* the projected net receipt). ‡ After crediting sterling "counterpart" receipts of defence aid—£85 million in 1952-53 and £140 million in 1953-54. § Before taking account of net receipts of £10 million from Civil Contingencies Fund at March 31st.

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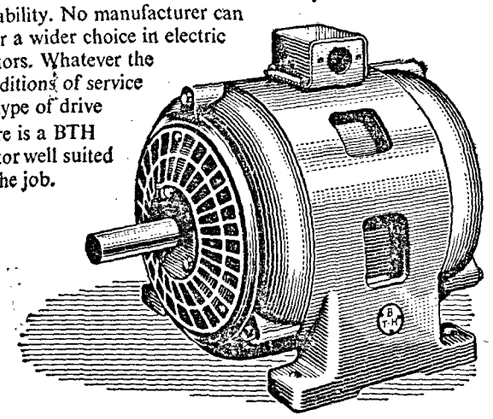

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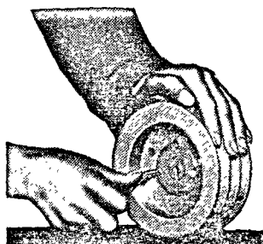

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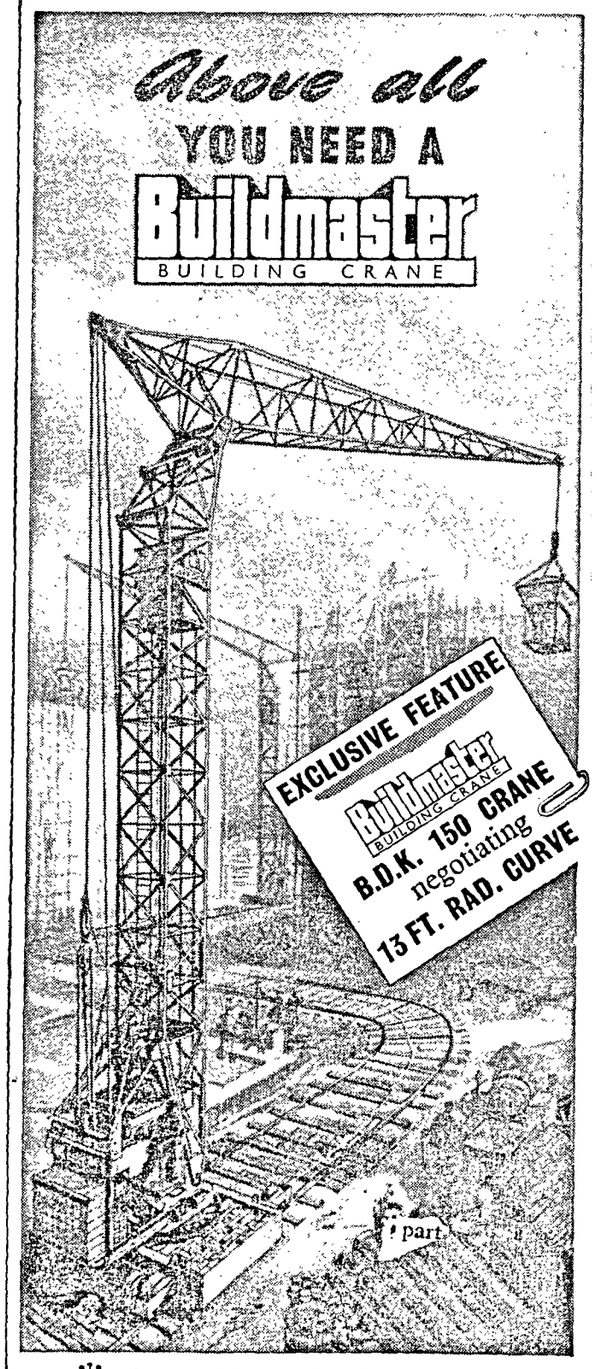

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sequence of operations. One of the results of these gold operations has been to increase the demand for transferable sterling.

The new arrangements for sterling have been followed by administrative relaxations for the commodity markets. For coffee and cocoa where the markets already have the liberty to resell produce of dollar area origin within the EPU area that liberty is extended to cover the whole of the transferable sterling area. But where that liberty does not exist as with sugar and grains, no new right to sell dollar commodities against sterling is created.

The turn-over in the London gold market has been substantial ; well-informed estimates put it at several tons of gold a day, though the business last week failed to attain the exceptional dimensions reached in the first week of freedom. The Bank of England has intervened actively in the market both at and after fixing. It has been a seller of South African gold ; but the evidence of the past fortnight suggests that the Bank, acting for the Exchange Equalisation Account, has on balance been an appreciable buyer of the metal.

Steel and Schumania

THE British Iron and Steel Federation has ventured to break the charged silence upon Britain's attitude to the European Coal-Steel Community with a forthright essay upon the theme "Either-Or." It fears that beneath the blanket of diplomatic prudence, while this country officially considers its reply to M. Monnet's request for negotiations over "closer association," the idea is taking root that Britain can take up some position halfway into Schumania and halfway out. This view, in its current Statistical Bulletin, the federation is to some pains to rebut.

Britain decided not to join the Coal-Steel Community at the outset, in 1950, when it might have had a voice in settling the terms of the treaty that binds—or purports to bind—the Community members. Today, the federation argues, the "common rules" established in that treaty form a corpus of policy that must be accepted as a whole or not at all. Those common rules, in reality, abrogate the sovereignty of the nations that join, or even, the federation argues, enter into "close association with" the Community. It leaves to the politicians the question whether Britain should relinquish some sovereignty and join the Community, while not disguising its own view that Britain should not. If not, it suggests, the most that can be achieved will be some form of treaty between a sovereign nation and a slightly supra-national Community—which could perhaps cover such matters as some relaxations of tariffs (Gatt willing), perhaps some agreements on exports, and the exchange of information—which already exists—upon investment policies. But what Britain cannot do, the federation argues, is to pick and choose which of the common rules it shall follow and which not, under the cover of some formula drafted in Doublethink.

The federation is to be congratulated for bringing this argument into the open—and the National Coal Board, which leans over backwards to preserve protocol and conceal its own views on the matter, may well be cheering discreetly on the sidelines. The political overtones to this argument are not negligible, and deserve wider discussion. But the federation may well be right in thinking that some complimentary and equivocal form of words from the Foreign Office on this issue would merely irritate Schumania, now or when it came to the test ; and that the two industries concerned should not be used in a manoeuvre to blur the fact that this is a major political decision, not an essay in international public relations.

Headaches for OEEC

THE meeting of the Ministerial Council of the Organisation for European Economic Co-operation, which was due to take place before the end of March, has now been postponed until the end of this month or the beginning of May. The two main items on the agenda of the meeting are the extension of the European Payments Union after June 30 and the progress report on the liberalisation of trade within the OEEC community. On neither issue have officials been able to secure agreement ready for sanction by the council.

The outstanding problem on the liberalisation issue is that of the French laggard. France stiffened its import restrictions early in 1952 and since then has made only small relaxations. The proportion of imports (1948 basis) to be quota free is still only 20 per cent—against the OEEC minimum requirement of 75 per cent. Despite the pressure from France's partners in the OEEC—especially the worst hit such as Italy—the prospects of any radical liberalisation by France appear less promising today than at the meeting last October.

The difference between France and her neighbours is essentially an issue of expediency. Unfortunately that cannot be said of the differences separating the two schools of thought on the changes that should take place in EPU after June 30. The Managing Board has issued a report setting out those differences. So wide and difficult to bridge do they appear that the report can do no more than note the existence of fundamental disagreements.

The creditors have brought matters to a head by two proposals: the first is to harden EPU by increasing the ratio of gold to credits in the monthly settlements ; the second is that debtors should start repaying debts outstanding for more than eighteen months. The Germans lead the creditors and have mobilised the Dutch, Belgians and Swiss behind them. The British have spoken for the debtors and have argued that the extent of Britain's liberalisation—which has now reached 80 per cent—was based on the assumption that it would involve no losses of gold. This assumption would clearly be wholly falsified if Britain were called upon to take on large additional obligations to repay in gold part of its $550 million overdraft with EPU—all of which has been outstanding for over eighteen months.

The British opposition to funding and automatic repayment of these long-outstanding debts might be softened, given assurances of good creditor behaviour. The opposition to any hardening of the gold-credit settlement in EPU is likely to prove much more intractable. This is an issue on which the British representatives will battle to the end. They regard the adequacy of EPU credits as part of the formula for the great collective approach to freer world

trade and payments to which Britain and the rest of the Commonwealth pledged itself at the Sydney conference. The British attitude has, moreover, been considerably reinforced as a result of the recent meeting of Uniscan in London, at which the representatives of the Scandinavian countries declared themselves wholly in agreement with the British attitude on both these issues.

ICI Shows the Way

NORMALLY a quiet investment market is expected in the days immediately before the budget. This year there has been no period of stagnation, scarcely even a pause. Any doubts that investors felt seemed to be dispelled by the Economic Survey which fired a fresh rise in gilt-edged. So the new Stock Exchange account opened brightly on Wednesday with small investors as well as the big in pushing a wide range of prices upwards. *The Financial Times* industrial share index on Wednesday rose 1.5 points to 138.9 which is only 1.3 below its February peak. Gilt-edged and a wide range of industrial shares equally shared in the movement. Foreign bonds did likewise as investors revised their views on the credit-worthiness of Germany and Japan.

Unlike other pre-budget periods there has been no pause in the flow of new issues. The big event of the week was the heavy oversubscription of the £30 million ICI Loan stock and the start of dealings at 2⅝ premium over the issue price of par. The stock which was obviously attractive to institutions provided the greatest new issue success within memory. No less than £304,582,800 stock was applied for and the company did well in finding an allotment for all applicants. Applicants up to £1 million receive 10 per cent of their applications with a minimum of £50 stock, the larger applicants receiving about 8½ per cent of their requirements.

The ICI stock was not the only refinancing operation in the market. It has been flanked by other industrial borrowing and even in the gilt-edged market one small loan was allowed to come forward in the pre-budget week. The East Africa High Commission issued £2,045,000 of 4 per cent stock 1972/74 of which £445,000 was taken up by colonial government funds and £1,600,000 was offered to the public at £97 15s. per cent. Although this was a small issue in which a regular free market can hardly be expected, the terms were well received and the lists were promptly oversubscribed on Thursday. Applicants up to £400 received full allotment; from £500 to £5,000 the allotment was £400; and over £4,000, 10 per cent of the amount applied for.

Boost for Commodities

THE new American policy for the purchase of materials for the strategic stock (which is described on page 27), will be a favourable short-term influence on world commodity prices. Although purchases will be mainly of domestic products, foreign prices of the affected materials will benefit indirectly, and higher import duties on such metals as lead and zinc should at least be postponed. The strategic stock of these two metals was completed last year, but the additional purchases do not represent a change of official policy. The American government's contracts with domestic producers of lead and zinc oblige it to take up metal if prices fall to given levels, which vary with individual mines. Following the fall in prices earlier this year, the government was preparing to absorb further quantities of these and other metals, and it announced only last month that supplies in excess of stockpile requirements could be added to the stock, if the President deemed it to be in the public interest.

In copper, of which the strategic stock may still be short despite the purchase of 100,000 tons from Chile, the contractual floor price is generally about 24 cents a lb (£192 a ton). Allowing for the tariff of 2 cents a lb that would automatically come into force if the American price fell below 24 cents, the world price should tend to be maintained at about 20 to 22 cents (£160 to £176 a ton). The new policy also helps to explain the recent American purchase of another 20,000 tons of Indonesian tin, though the intended level of the strategic stock has already been exceeded by about 40,000 tons. This purchase will greatly ease the initial buffer stock operations of the International Tin Agreement, if it comes into effect.

The new policy may also help to stabilise commodity prices because the United States should be able to avoid paying scarcity prices in times of emergency, but in the long-term it may endanger prices, particularly of those commodities produced mainly outside America. Barring another war, the day will come when the strategic stock will be disposed of, at least in part. However carefully this is arranged, some prices are bound to suffer, and Congress may be less considerate to the interests of foreign producers than of domestic industries. Meanwhile American industrialists may carry smaller working stocks because their government is in effect standing behind them with ample supplies. Moreover, the new policy strengthens the already predominant influence of the United States on world commodity prices, and marks a further interference with the free markets.

Ford Looks Forward

THE full report of the Ford Motor Company is an account of success, admirably filling in the background to the trading results discussed in these columns last week. The statement by Sir Rowland Smith, the chairman, also shows how Ford intends to build on its achievements. The only fault in the report is the failure to make clear how much Briggs Motor Bodies contributed to last year's results.

Last year the group earned a profit, after depreciation but before taxation, of £15.8 million from the sale of 234,379 vehicles, involving a money turnover of nearly £106 million. The consolidated balance sheet shows that these record achievements were accompanied by the expenditure of £4.7 million on capital account (excluding the £5.6 million cost of acquiring Briggs) and an increase of about £2 million in stocks and work in progress. The group's portfolio of British government securities was also

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it is reported that retail expenditures have not fallen even as much as might have been expected from the primary loss of incomes. The life insurance companies report the strange phenomenon of new business and surrenders of existing policies both rising together—which can only mean that while some people are having to draw on their savings, others are unperturbed. If a small reduction in acceptance rates in New York City can produce this effect throughout the country, then there is much more magic in money than anyone has ever supposed.

*

What, then, is the cause? Again it is important to form a view, if only to be able to guess whether it will happen on another occasion. But unfortunately, it is very difficult to know, since the answer lies somewhere in the dark unexplored recesses of mass psychology—the most neglected of the social sciences. It may be partly due, by paradox, to the widespread slump talk itself. There is an old saying on the Stock Exchange that expected bad news, when it comes, puts the market up. Possibly this reflects a general trait of human psychology. (In which case, economic forecasters will after all turn out to have some social value; they can help the community by always being proved wrong.) In part, the present mood of confidence in the American people may be merely the fruit of the long period of astonishingly good trade. In that mobile and sanguine society, the collective memory is short, and just as the British people are accused of acting as if the Great Depression had never ended, the American people may have convinced themselves that it can never start again. It would be wrong wholly to exclude the possibility that the advent, after twenty years of New and Fair Deals, of a Business Administration may have had a more profound effect on the ordinary man's attitude than is apparent in the more sophisticated atmosphere of Washington.

All this is speculation, and nobody can be sure that he has caught hold of a piece of the truth. The phenomenon is undoubtedly there, and one cannot do more than guess whether or not it is a permanent change in the climate of opinion. The judgment may perhaps be ventured—without evidence, for there is none—that it is more of an occurrence than a reformation, more adventitious to the present circumstances than reliable for the future. When, in riding a bicycle, there is a small wobble, the weight of the body will help to restore balance. But if the wobble goes beyond a certain point, the weight of the body will bring the rider down. Clearly, the crucial point in the American economy is (at least for the moment) further over than anybody supposed. But it still exists, and if ever a trade fluctuation reaches it, then all the familiar snowballing effects will come into play. Indeed, they may have all the greater effect for having been suspended in the early stages.

If this explanation is correct (and this is one more bet that ought to be hedged), then it follows that the problem of preventing depressions is still with us. Certainly it would be wise to assume so. After all, it defies common sense to believe that a seriously impending depression can be headed off with nothing more than the few gestures that have been made in Washington. It cannot be as easy as all that to bring to an end a natural phenomenon that has lasted for as long as there are commercial records. It would be prudent to wait until there is much better proof than yet exists, if only because the penalty for being over-cautious is so infinitely smaller than the penalty for being over-credulous.

As a provisional conclusion, then, it can be said that if the American recession does not happen (the hedge is still there), it will be mainly because it does not happen and not because anybody has stopped it. From this it follows, of course, that it may happen another time. That is an uncomfortable thought, but it still seems a realistic one. And some solace can be drawn from the fact that every year granted to the world, especially to the Old World, to work its way out of the hazards that now surround it is a year of the purest gain.

England at War

We have to commence our paper this week with the announcement—that the nation is at war. Numerous rumours and alarms that such a condition might arise have prevailed at different times since 1815; but since that epoch, for the long period of thirty-eight years, England has been at peace with all the Powers of Europe. . . . It must now be clear to all that war could not have been averted by anything short of submission to or connivance at the ulterior designs of Russia; that those designs were of a nature which would have rendered any compliance on our part at once foolish and wicked; and that, even if yielded to at present for the sake of peace, they must soon have involved us in a war at least as inevitable and far more disadvantageous than that into which we are now about to enter. . . . All the zeal for peace, all the hatred of war, therefore, which distinguishes so many of our countrymen . . . must now be turned against the Potentate who has made peace impossible; who, with all Europe crying out against him . . . has yet spurned all reasonable compromise. . . . All that is valuable in intellectual advance; all that is noble and dignified in mental conquest; all that is cherished and essential in religious liberty; all true enlightenment, all civil rights, all worthy and secure enjoyment—are bound up with our triumph in the coming struggle. The extension, or even the consolidation, of Russian dominion over Europe is, we are solemnly convinced, synonymous with a surrender of nearly all that we have won by the efforts and the sacrifices of ages . . . with the retirement of the high and dear-bought civilisation of the West before the mediæval and benighted semi-barbarism of the East. We are fighting, therefore, in the noblest cause in which weapons can be wielded, or armour girded on, or treasure lavished, or willing blood poured out like water; and while ostensibly engaged only in defeating Russian troops and destroying Russian navies, we are, in sober unexaggerated truth, occupied in baffling, driving back, and crippling the enemy of all the highest interests and most sacred hopes of the human race.

The Economist

April 1, 1854

Notes of the Week

China is Warned

MR DULLES'S speech on Monday night must be judged by its results. In effect, he issued an ultimatum to the Communist powers that, unless they call off their offensive against South-East Asia, the United States will go in as a combatant ally of the French in Indo-China. The Secretary of State was almost certainly induced to make this announcement by the crucial doubt which hangs over the fate of Dien Bien Phu, and by the presumption that the Communists will seek to exploit their position in Indo-China to the utmost when it comes to bargaining at Geneva. Taken at its face value, the statement marks an historic shift in American policy towards Asia. It is a specific elaboration and extension of the new look in American foreign policy which Mr Dulles announced in January.

There are, however, several questions which spring to mind, and it is on the way they come to be answered that the full extent of Washington's mood and purpose must ultimately be assessed. Will the Chinese—and, to a lesser extent, the Russians—take Mr Dulles sufficiently seriously not to persist in seeing whether and how far he may be bluffing? And if they do not change their present tactics, at what point would America act—if and when Dien Bien Phu falls? How will direct American intervention be undertaken? Will an effort be made to act through the United Nations, as in Korea? If through Uno, how is aggression to be defined? If not, to what extent is this essentially American ultimatum to be concerted with America's allies, and in particular Britain? And—by no means the least important aspect of the problem—assuming that the American public is willing to take up another military burden on the Korean scale, how is that to be turned to full political advantage in South-East Asia itself?

Although these are all vital questions to which no one may yet know the answers, that they should be posed at all is a welcome step forward. Compared with the uncertainty about the American attitude which led up to the Korean war, Peking and Moscow have now been fully warned. Compared with the American indifference to the fate of the South-East Asian mainland which existed only five years ago, the wheel has turned full circle and this is now declared to be an area of direct interest to the United States.

The international background to Mr Dulles's speech was as important as its tone. Speaking with the forthcoming Geneva conference directly in mind, he emphasised that China can be accepted there only for the purpose of negotiating about Korea and Indo-China; that this constitutes no formal recognition of the Peking regime by the United States; and that America will continue to oppose Chinese admission to Uno. "It is now American policy," Mr Dulles said, "not to exchange United States performance for Communist promises." And again: "we dare not forget that during the period when we accepted Communist promises at their face value . . . the danger steadily grew." No one who sees the present danger growing in Indo-China, and so to the rest of South-East Asia as well, can fail to sympathise with the agonising dilemma in which the Americans are placed. The doubt must lie in the effectiveness of the decisions they have reached.

Hydrogen and Hot Air

THE Labour Party is never happier than when it has an excuse for being solemn, and the American miscalculation in the recent hydrogen bomb tests has given it an uneasy but obvious thrill. Opposition members came down to the House at question time on Tuesday ticking loudly and excitedly, and there was genuine surprise when the Prime Minister failed to explode. Ever since his May 11th speech Sir Winston has entranced the Left with a series of speeches which in idiom and sometimes even in doctrine have been Bevanist, but better expressed. Labour's questions on the H-Bomb were expected to usher in another instalment, and there was genuine irritation when he mumbled instead through a prepared and reticent brief. One theory advanced by Sir Winston's fans on the Left is that he was really provoking the Opposition to do its anti-American worst and so strengthen him in his dealings with the White House; they point out that within 24 hours more information had emerged from Washington and Sir Winston had cheerfully agreed to a debate he would not concede the previous day. The alternative (and correct) explanation, that Sir Winston was really being responsible, is dismissed as too unexciting to be true.

Meanwhile the stream of emotionalism on the Labour benches, which Sir Winston has so lavishly fed in recent months, has grown into a torrent engulfing not only the Left but the simpler-minded moderates. As this issue goes to press Labour's line for Monday's debate is still not settled, but it is clear that the party leaders are having to allow not only for reasonable anxieties about the details of the Pacific tests but for a recrudescence of all the familiar panaceas for every international problem—meetings of heads of states, disarmament conferences and the rest. More than 100 Labour MPs have signed a motion calling for the "outlawing" of the hydrogen bomb through a disarmament conference. The wiser heads recognise the dangerous irrelevance of advancing such theories at this time, but there is a rather huffy feeling on the Opposition front bench that the party moderates are under no obligation to pull

extended, rising from £6.2 million to £21.5 million. In all, the group's investments and other liquid assets rose from £22.5 million to nearly £39.2 million. But Sir Rowland explains that part of this high figure is offset by £18.5 million for company taxation and £5.3 million for PAYE and purchase tax, so that the net balance of liquid assets is £15.3 million. He adds that the company has "plans in view for development during the next few years which will require all this, and more from future earnings."

EARNINGS AND ASSETS
(£ '000s)

Years to December 31st	1951	1952	1953
Sales	70,224	84,062	105,937
Profits, before tax	9,446	8,781	15,825
Taxation	5,160	5,451	10,297
Net profit	4,286	3,330	5,527
Ordinary dividends	681	709	1,322
Ordinary dividends (per cent)	15	15	12*
Retained profits	3,535	2,551	4,133
Fixed assets, *less* depreciation	16,457	16,521	23,028
Net current assets	22,409	25,350	29,791
Stocks	13,123	13,756	15,804
"Quick" assets	17,969	22,544	39,160
Reserves	22,602	25,570	22,535
Ordinary capital	9,000	9,000	19,512
Number of vehicles sold	*165,672*	*164,760*	*231,379*

* On increased capital.

Sir Rowland does not lack the courage to take a decisive view of the future. He does not expect any "sudden evaporation of export markets" unless inflationary tendencies at home get out of hand, and he is confident that the company will this year at least maintain the 1953 level of exports (about £45 million) if no grave economic or political disturbances occur. He takes an equally confident view of prospects at home. Hopes of higher dividends in the future gained strength from this forthright review and the £1 ordinary shares put on another 2s. 9d. to 52s. 1d. They have been helped also by the announcement that the company is to adopt the policy of declaring interim dividends.

Vauxhall in Top Gear

In September Vauxhall Motors celebrated the fiftieth anniversary of the production of its first car. Fittingly, the half centenary was a year of records, in which the American parent company, General Motors, received at long last a worthwhile return on its investment. The stronger flow of raw and semi-finished materials enabled Vauxhall to reap a full return from the £14 million it has spent on re-tooling and re-equipment in the last five years. Vauxhall sold 110,141 cars and trucks last year, an increase of 38 per cent over the 79,162 vehicles produced in 1952, which was well above the average increase shown by motor manufacturers in this country. Of this number 66,435 vehicles were sold abroad, or 17 per cent more than in 1952. Like the other motor manufacturers Vauxhall is fighting to keep its place in overseas markets, but at home its customers are still willing to wait some time for delivery.

Following an increase of 32 per cent in the value of its sales, from £44½ to £58½ million, Vauxhall's net profits jumped from £1,652,000 to £3,427,000. This increase gave the company its chance to reward General Motors, which owns the whole of the equity, for its patience while the British subsidiary was being built up to full strength out of retained profits. Last December Vauxhall paid General Motors an interim dividend of £1,800,000 but this sum was immediately reinvested by General Motors in a new issue of Vauxhall's ordinary stock. General Motors is now to receive a final dividend of £1,637,500.

EARNINGS AND ASSETS
(£ '000s)

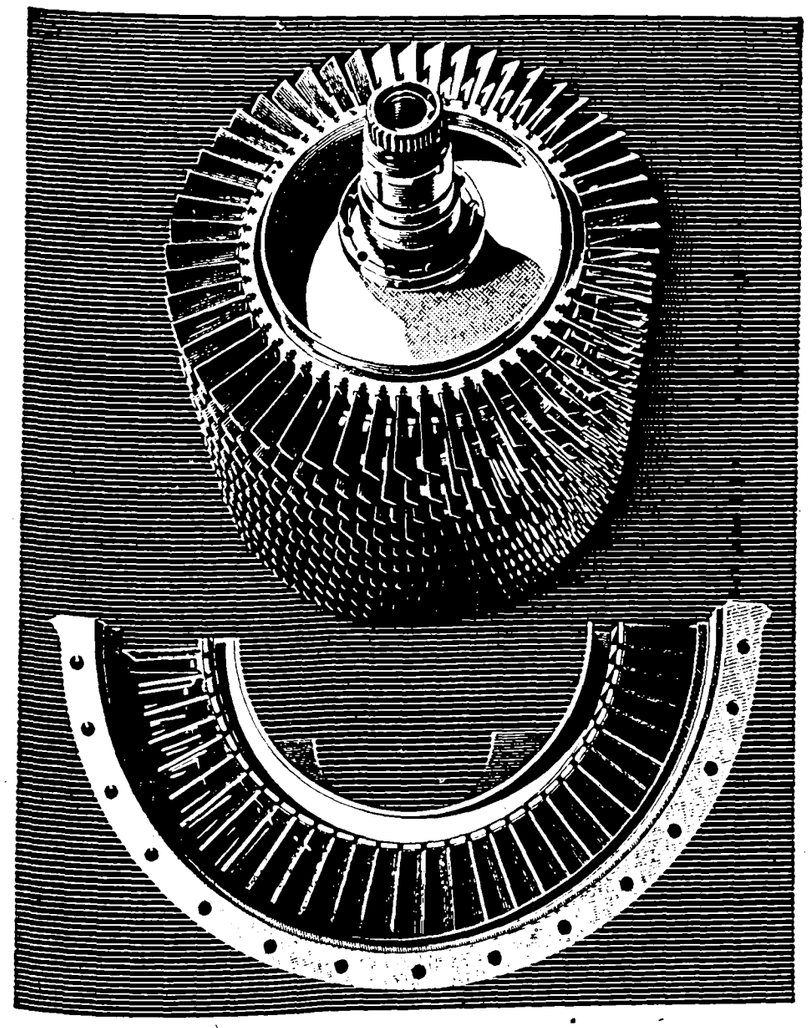
Years to December 31st	1951	1952	1953
Net sales	35,907	44,533	58,621
Operating costs	29,790	35,039	43,977
Selling expenses	1,021	1,390	1,725
Trading profit	5,096	8,104	12,919
Depreciation, etc.	1,756	2,054	1,992
Taxation	1,782	3,639	6,457
Net profit	943	1,652	3,427
Ordinary dividends	158	158	3,438
Retained profits	776	1,459	*Dr. 28*
Fixed assets, *less* depreciation	8,382	7,788	6,988
Net current assets	7,668	11,531	14,013
Stocks	7,439	9,277	7,818
Cash & Tax Reserve Certs.	762	2,850	9,674
Reserves	6,499	7,925	7,805
Ordinary capital	5,000	5,000	5,000

Vauxhall now has ample cash resources to pay this, or indeed a bigger, dividend. Cash balances and tax reserve certificates stand at over £9½ million—in part, the corollary of the decline in stock commitments—and the company is taking the opportunity to pay off the £3 million unsecured loan stock issued in 1949. Like its much bigger rival, Ford Motor Company, Vauxhall is well braced for the test of competitive markets.

Steel Profits and Premiums

In the prospectus offering United Steel ordinary shares to the public, the directors commented that the profit of £9 million in 1952-53 was "exceptionally high." Lowering their sights, they based their dividend forecast of 9 per cent on a profit of about £6 million in the current year. At the general meeting of the company the chairman, Sir Walter Benton Jones, raised the sights and investors' hopes once more, by saying that profits would be "appreciably higher" than the £6 million mentioned in the prospectus. That statement was enough to add 1s. 1½d. to the market price of United Steel's ordinary shares, which now stand at only 3d. discount on their issue price of 25s.

Amplifying this statement, Sir Walter remarked that at home the demand for steel has remained strong and, though export prices have fallen, the group's rate of production and revenue have been well maintained. The trading results so far this year have been better than the directors had expected. The single shareholder in Dorman Long, the Realisation Agency, heard more cautious views from its chairman, Sir Ellis Hunter. Having pointed out that "forward orders both for heavy steel products and constructional and engineering work remain strong," Sir Ellis drew attention to the contraction in the demand for re-rolled products. He seemed far more concerned with the fall in export premiums than Sir Walter, as well he might, seeing that £1.8 million of Dorman Long's profit of £7.8 million in 1952-53 came from these premiums. Sir Ellis was so concerned with the



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appear to have figured in the Exchequer returns ; moreover the difference of three days between the dates of the bank statements and the Exchequer returns causes a distortion that could in the final weeks of the financial year easily account for the apparent discrepancy.

Aluminium's Ups and Downs

LAST year aluminium experienced an expanding demand in America, where new uses are growing, and a shrinking demand in Britain, where a larger supply of other metals, particularly steel, brought increased competition. The two trends are shown in the results of two of the big producers, Aluminium Limited and British Aluminium. British Aluminium is the only producer of ingots in this country, and is also one of the largest fabricators ; its results reflect mainly conditions in the home market and earnings have taken the full shock of the probably temporary decline in demand. Trading profits fell from £2,460,991 in 1952 to £882,117 in 1953. The two per cent bonus has been dropped. So the effective distribution is cut from 12 to 10 per cent and even the reduced rate is not fully covered by earnings. The £1 units fell 4s. to 35s. 9d.

Aluminium Limited is a Canadian company, controlling Aluminum Company of Canada and Northern Aluminium in this country, but though it has the largest share of the British market the group's results are not dominated by British conditions. Its three principal customers are the United States, Britain and Canada. The president, Mr Nathanael V. Davis, reports that those three last year took 87 per cent of the group's output, the United States taking no less than 44 per cent of the total. Deliveries to the United States were double the 1952 volume, and the effect on the group's results was such as might be expected from an expanding business in a period of more competitive markets. In quantity deliveries were a record ; the net profit showed a moderate decline.

ALUMINIUM LIMITED
($ Mn. Canadian)

	1953	1952
Income from sales	335·7	333·0
Trading profit	111·7	110·0
Capital cost allowances	50·7	37·6
Income taxes	25·7	35·3
Net profit (after preferred dividend)	19·5	22·4
Earnings per common share $	*2·16*	*2·48*

Roads Below the Line

THE idea that expenditure on the roads should be financed by loan, which has now attracted the enthusiasm of the British Roads Federation, has little to commend it beyond the best of intentions, particularly in the form that the federation proposed this week. Holding, rightly, that a proportion of the annual expenditure on the road system will normally consist of new capital investment, the federation goes on to argue that the whole of road expenditure might be brought "below the line" in the budget. If this proposal were limited to new capital, there would be some logic in it. But the further proposal of a National Highways Authority to be set up with the duty of "national supervision over road needs and road expenditure" is dubious indeed. The authority would have power to cover expenditure on the roads by temporary borrowing and the issue of "British Road Stock," upon which the Treasury would be responsible for paying interest out of current taxation. The federation suggests that such an authority, which would decide how much money should be raised for the roads and how it should be spent, would be "analogous to" the nationalised fuel and transport industries.

This analogy fails at the outset: a highways authority, having nothing to sell, would have no revenue. There would be no vestige of any commercial criterion by which the wisdom and economy of its decisions to spend public money could be judged ; and hence no reason for removing this responsibility for public policy from the Treasury and the Ministry of Transport. An authority raising guaranteed loans to build toll roads designed eventually to pay for themselves would be understandable. But British industry frowns upon toll roads, holding that it has paid already for road development ; this attitude is fair, but it poses the question whether the economies in industrial costs that are put forward as possible from trunk roads would not be worth buying, even accepting the present road levies as part of the general tax burden.

The federation buttressed its proposal for a road loan with a survey of the physical resources required for a reasonable-sized road programme, arguing that these would be readily available—presumably to meet the inevitable argument that any proposal for large-scale road expenditure would be inflationary. This would in fact depend entirely upon economic circumstances. But the proposal to alter the machinery of spending on the roads in order to persuade a government to spend an adequate amount upon this inadequate national asset does not face the main issue. Nationalising the roads to get them out of the control of the Government is full of fascinating topsy turvydom, hardly a promising idea if one considers the experience of other nationalised industries. It is not machinery and method but determination and policy that will bring more and better roads.

SHORTER NOTE

The most significant statement that Sir Ernest Bailey made at the annual general meeting of Associated Electrical Industries was that total orders received during 1953 were smaller than in 1952. Even so, orders still amount to the "comforting total of £124 million with deliveries extending into 1957." In relation to an order book of that size his statement that invoiced shipments at home and abroad last year totalled £86.1 million, an increase of 13 per cent over the 1952 total of £76 million, provides a standard for comparison. Sir George closed his statement with a stern warning about the dangers of foreign competition, but softened its implications by pointing out that AEI is to embark on a long term expansion plan for the manufacture of heavy electrical plant, steam turbines and television and switchgear components.

Company Notes

DE HAVILLAND. The de Havilland Aircraft Company reached a new altitude of prosperity last year. Its profits, which in the year to September 30th soared from £1,678,043 to £2,639,193, include the profits made on the sale of the Comet I's but they have yet to benefit from the sale of the latest Comets now in production. Moreover, the absorption of about £6 million from last year's preference and equity issues into the business still has to have its full effect on earnings. At this stage, then, the directors could hardly be expected to do anything more than to live up to the forecasts made when the new shares were offered.

As forecast in last year's prospectus, the group's profits are substantially in excess of those earned in 1951-52. But as the tax bill, which must contain a considerable provision for EPL, has risen from £1,053,175 to £1,799,112 net profits have increased by no more than £223,560 to £820,768. The directors have also stuck to their promise to pay the same dividend as before—that is 7½ per cent on the original ordinary capital of £4,385,459, and a quarter of this rate, 1⅞ per cent, on the now £4,385,459 ordinary stock issued last June.

	Years to Sept. 30, 1952	1953
Consolidated earnings:—	£	£
Profit, before tax	1,678,043	2,639,193
Taxation	1,053,175	1,799,112
Net profit	*597,108*	*820,768*
Ordinary dividends	172,677	226,125
Ordinary dividends (per cent)	7½	7½
Retained by subsidiaries	282,179	321,156
General reserve	250,000	450,000
Added to carry forward	93,228	20,241

£1 ordinary stock at 27s. 9d. yields £5 8s. per cent.

With EPL out of the way and with the prospect of satisfactory profits, the company should have little difficulty in at least maintaining a rate of 7½ per cent on the enlarged equity capital of £8,770,918. But it would be foolishly optimistic to assume that the company will necessarily make payments greatly above this rate, for the recent issues of new shares cover only about a half of de Havilland's prospective capital requirements. And as the balance will be found from future profit retentions and bank loans, the curbing rein on dividends may be tight.

LEWIS'S INVESTMENT TRUST. Through Lewis's Ltd., Lewis's Investment Trust controls the activities of a chain of department stores in the Midlands and the north of England. Through Selfridge (Holdings) it controls the activities of one of London's largest department stores. Through these subsidiaries it has interests in the grocery and food trades. Hence, its report (for the year to January 31st) might be expected to throw light on the experience of department stores last year. Unfortunately, though the chairman, Mr. S. H. Leake, provides a running commentary on the financial results he gives only a few scanty details about the course of trade. All that is certain is that the group's turnover went up again last year ; this increase, however, was "not spectacular" but represented "a process of consistent growth." Mr Leake makes it equally clear that wages are still rising and when he compares these increases with the trend in selling prices (which seem to be no more than stable) he hints at a drop in net margins.

Total profits, however, advanced last year. The consolidated trading profits of Lewis's Investment Trust (which are an aggregation of all the profits earned by the group) increased from £4,216,306 to £4,346,769. Like the parent the two principal subsidiaries have reported increases in both gross and net profits. Similarly, their balance sheets show slight but significant increases in stocks. Mr Leake explains that the directors have deliberately adopted "a policy of moderate stock expansion to stimulate trade by increasing both the range and variety of merchandise." It is in this policy and the allied one of spending money on capital improvements and extensions that the department stores' answer to the growing success of the multiple stores may have to be found. Lewis's group is preserving its cash resources so as to cover its building commitments, of which the biggest is for the building of a store in Bristol. The 10,500 ordinary stockholders in the company will follow these plans with the closest interest, for they may contain the seeds of higher dividends. After the full report was published the 4s. ordinary stock units were marked up, so that at the current price of 32s. 6d. they offer the meagre yield of 4 per cent.

EARNINGS AND ASSETS
£ '000's

Years to January 31	Lewis's Investment Trust 1953	1954	Lewis's Ltd. 1953	1945	Selfridge (Holdings) 1953	1954
Trading profit	4,216	4,347	2,460	2,501	1,045	1,130
Total income	4,460	4,581	2,605	2,735	1,102	1,190
Depreciation and amortisation	249	356	153	185	97	129
Taxation	2,047	2,121	1,313	1,286	389	513
Net profit	*1,464*	*1,606*	*1,062*	*1,175*	*340*	*471*
Ordinary dividends	269	333	201	210	110	144
Ordinary dividends (per cent)	27½	32½	...	...	20	25
Retained profits	867	1,202	609	704	238	225
Fixed assets, *less* depreciation	15,197	15,368	7,760	7,708	4,986	5,298
Net current assets	4,536	5,360	2,623	3,219	1,119	1,088
Stocks	3,088	3,245	1,740	1,797	698	787
Cash and TRC's	3,369	3,884	1,917	2,336	923	755
Reserves	8,224	9,412	4,731	5,438	1,438	1,679
Ordinary capital	1,864	1,864	118	118	1,050	1,050

THE BRUSH GROUP. The impression given by the preliminary report of the Brush group is that the company is beginning slowly to pull clear of its troubles. Yet that is hardly more than an impression, for the report gives very few hard facts to prove that the reorganisation of the group (which effectively took place only a year ago) has had any startlingly beneficial effects. Two facts do point that way. First, the directors have raised the ordinary dividend from 4 to 6 per cent—an attempt, perhaps, to pass on a return of confidence within the organisation to the shareholders. Secondly, Brush has finally cut its losses on the disastrous Indian tube well contracts.

In 1952 the net loss on these contracts of £308,970 (after allowing for tax relief) was written off the year's profits. Last year's further net loss of £159,877 was covered by the sum of £180,000 transferred from general reserves in 1952 to meet just that contingency. A further provision of £250,000, presumably balanced in the profit and loss account by the appropriation of £250,000 to general reserves, has been made to cover any further operational losses on these contracts and the losses which will be incurred in closing down this operation.

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Sales	23,341,883	20,845,701
Operating costs	21,034,773	18,776,241
Trading profit	2,307,110	2,069,460
Depreciation	719,549	779,269
Profit, before tax	1,174,767	884,231
Taxation	748,853	562,001
Loss on tube-well contracts	308,970	159,877
Net profit	*136,990*	*404,078*
Ordinary dividends	50,400	79,200
Ordinary dividends (per cent)	4	6
General reserve	...	250,000
Added to carry forward	33,893	16,962

5s. ordinary stock at 6s. yields £5 per cent.

Either directly or indirectly, the Brush group sells about 75 per cent of its products abroad. Although the emphasis since the reorganisation has been on the manufacture of equipment other than diesel engines, the diesel side of the group's activities is still the backbone of the business. Judging by the fall in group turnover from £23,341,883 to £20,845,701, overseas markets must have been more difficult to penetrate last year. The drop in sales by £2½ million has been followed by a fall in trading profits of only £237,650, to £2,069,460. And after the complicated shifts in the accounts relating to the losses on the tube-well contracts and the release of taxation provisions, net profits have risen from £136,990 to £404,078, providing a much more substantial cover for the dividend.

★

CANADIAN PACIFIC. British shareholders hold just over a quarter of the equity and over 95 per cent of the preference stock in Canadian Pacific. Unlike investors in the United States they were not net sellers of CPR's equity last year. But the company's full report should drive home to them the lesson which once again was to be learned from

the preliminary report, discussed in these columns on March 13th. It is that "Canpacs" are not simply railway stocks; earnings from other sources, on which the true worth of the equity depends, can and do fluctuate alarmingly.

Last year the ratio of net railway earnings to gross earnings fell from 6.3 to 6.1 per cent, which with the two exceptions of 1948 and 1949 was the poorest ratio in the history of the company. Freight traffic fell by about 5 per cent, but thanks to the increase in freight rates, gross earnings advanced. This increase was matched, however, by a rise in operating costs, especially in wages and the cost of materials needed for maintenance. Net earnings from the railways remained

	Years to Dec. 31 1952	1953
Balance sheet:—	$	$
Property investment	1,532,182,785	1,610,001,777
Other Investments	175,579,208	179,766,333
Working capital.	116,925,631	90,593,778
Debenture stock.	292,557,697	292,548,888
Funded debt	112,516,000	126,114,000
Reserves	552,004,485	571,675,089
Preference capital	137,256,921	137,256,921
Ordinary capital.	345,025,375	345,174,925

$25 ordinary stock at $44 yields £6 4s. per cent.

practically unchanged; and ominously, though the company spent $86 million on additions and improvements to the railways, it had to defer part of its maintenance programme.

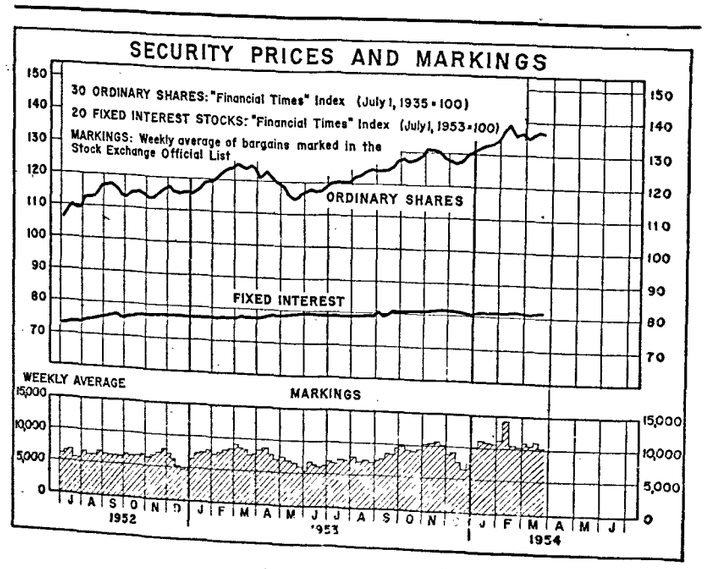
With railway earnings almost unchanged and the company fighting a losing battle to secure freight increases as fast as costs rise, the fate of the Canpac dividend (which was maintained at 6 per cent) turns on the receipt of income from the company's other interests. Last year the total income from these sources fell from $22.6 million to $16.8 million. A profit of $3.7 million from shipping was turned into a loss of $500,000 and dividend income fell by $3.7 million to $11.3 million, following the reduction in the dividends paid by the Consolidated Mining and Smelting Company of Canada. The only really promising feature was the rise in the receipts from petroleum rents, royalties and reservation fees by $3.7 million to $7.3 million; this improvement is shown in the land surplus account and not in the earnings statement. In all, 1953 must be regarded as a disappointing year for this trans-continental giant.

★

JOSEPH LUCAS. Towards the end of last year the directors of Joseph Lucas (Industries) decided to discontinue the payment of interim ordinary dividends. But their decision was so strongly criticised that it was quickly withdrawn. The directors seem to have taken the criticisms to heart, for now they have actually increased the interim payment, from 4d. to 6d. on each £1 share. This announcement was not accompanied by a warning that the higher dividend was an attempt to even out the interim and final payments. By raising this payment, therefore, the directors have implicitly endorsed their critics' case.

The new dividend will be paid on the redeemable preference shares (which are all owned by the Lucas Workers Bank) as well as on the ordinary shares. The directors have asked for Treasury permission to capitalise reserves and issue one new share for every redeemable preference and ordinary share in issue. If this consent is granted the company intends also to issue for cash at par 150,000 new £1 redeemable preference shares to the Workers Bank; these shares will participate in the scrip issue.

Following the news of the bigger interim payment, the £1 ordinary shares were marked up by 5s. 3d. to 64s., on the assumption—for assumption it is—that the final dividend will be raised exactly in line with the 50 per cent increase in the interim payment. This would make the full year's distribution for the year to July 31st next 3s. 3d. a share. Even on that basis the £1 ordinary shares at the current price of 62s. 6d. xd would yield only 5.2 per cent.



LONDON STOCK EXCHANGE

Next Account begins: April 21st.
Next Contango Day: April 21st.
Next Settlement Day: April 6th.

THE stock market, which had been reasonably firm at the end of the old account, began the long Budget and Easter account in good fettle. Reading into the Economic Survey the possibility of some tax reliefs to help investment, investors bought equity stocks, producing a gain on Wednesday of 1.5 points in the *Financial Times* ordinary share index to 138.9. British government securities were also firm, with buyers going longer.

An outstanding feature of the market was the surge forward in German issues in advance of the *ex gratia* payments and the publication of the formal settlement offer. Heavy buying was again reported from Switzerland and dealers in the foreign market became more convinced that much of this demand represented buying by the German authorities. In the two days before the price of the loans were adjusted downwards to the *ex gratia* payments the Young loan gained 7⅝ to 141 and the Dawes loan 4¼ to 94¼. Some profit-taking was reported on Wednesday and, after allowing for the *ex gratia* adjustments, the Young loan made a net loss of 2¼ and the Dawes loan of 3. The *ex gratia* adjustment in the case of the Dawes loan was 8¼, and 7¼ in the case of the Young loan. Japanese issues were buoyant on President Eisenhower's statement about special tariff considerations for Japan.

The most prominent feature in the generally firm equity market was a fresh bout of buying of "Gussies" which within three days, after some favourable comment over the week-end, gained 10s. 1½d. to 78s. 1½d. Other store issues were supported, as were textile shares; Horrockses rising on suggestions of a possible bid. The firm denial of the directors of the Ritz Hotel of take-over reports brought the shares 2s. 6d. down to 32s. 6d.

Oil shares were also firm with Royal Dutch leading the advance after suggestions of a share distribution had been renewed. Having remained quiet at the end of the account, Kaffirs turned a little firmer on Wednesday.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Part 2½% Cons.	Part Ord.
			%	%
Mar. 24	136·5	112·30	3·87	5·36
„ 25	136·6	112·26	3·87	5·35
„ 26	136·8	112·36	3·87	5·35
„ 29	137·1	112·46	3·88	5·33
„ 30	137·4	112·46	3·88	5·32
„ 31	138·9	112·58	3·87	5·27
1954, High	140·2 (Feb. 9)	112·58 (Mar. 31)	Total bargains 1954 Mar. 24	9,437
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 25	9,240
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 26	9,404
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 29	12,174
			„ 30	11,455
			„ 31	11,049

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Mar. 31 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 24, 1954	Price, Mar. 31, 1954	Net Yield, Mar. 31, 1954 §	Gross Yield, Mar. 31, 1954
					£ s. d.	£ s. d.
100⅛	99⅞	Exchequer 2½% 1955	100 1/16	100	1 1 10	2 4 11
102⅛	101⅛	Exchequer 3% 1960	101 1/16	101 1/16	1 6 10	2 14 0
100 7/16	99 15/16	Exchequer 3% '62-63	100 3/16	100 7/16	1 13 2	3 1 2
99 15/16	99⅜	Serial Funding 1¾% 1954	99⅜	99 3/16	0 18 8	2 4 2
99 15/16	99 3/16	Serial Funding 2½% 1957	99⅜	99⅜	1 4 9	2 7 3
101¼	101	Serial Funding 3% 1955	101 1/16	101	0 14 2	2 7 5
100 3/16	100	War Bonds 2½% '54-56	100 1/16	100 1/16	1 3 11	2 7 7
100 1/16	100 1/16	Funding 2½% '52-57	100 3/16	100 3/16	1 2 11	2 9 11
101 1/16	100 1/16	Nat. Def. 3% '54-58	101 1/16	101¼	1 4 5	2 12 7
102⅛	101⅛	War Loan 3% '55-59	101 1/16	101⅛	1 6 8	2 13 3
97⅛	95 15/16	Savings Bonds 3% '55-65	96⅞	96⅞	1 19 7	3 7 6
98½	97⅜	Funding 2½% '56-61	97⅛	97⅛	1 14 11	2 17 7
94	92 1/16	Funding 3% '59-69	93 1/16	93⅛	2 3 8	3 11 9
95 3/16	93 13/16	Funding 3% '66-68	95	95	2 1 7	3 9 10
102 1/16	100 1/16	Funding 4% '60-90	101 3/16	101 3/16	1 19 2	3 14 5
92 1/16	90⅜	Savings Bonds 3% '60-70	92⅛	92 3/16	2 4 7	3 13 2
91 1/16	90⅛	Savings Bonds 2½% '64-67	90 1/16	90⅛	2 4 1	3 7 9
103 1/16	101 3/16	Victory 4% '20-76	102⅛	102 1/16	2 0 3	3 16 0
89 3/16	87⅜	Savings Bonds 3% '65-75	89⅛	89 1/16	2 6 0	3 15 2
95 1/16	93⅛	Consols 4% aft. Feb. '57	95 1/16	95 1/16	2 6 3	4 4 5
86 1/16	84⅛	Conv. 3½% aft. April '61	86⅛	86 1/16	2 4 8	4 1 3
99⅜	99 1/16	Conv. 3½% 1969	99 3/16	99 1/16	1 19 10	3 11 8
64 1/16	63 3/16	Treas. 2½% aft. April '75	64⅛	64 1/16	2 2 10	3 17 11
75⅞	74 1/16	Treas. 3% aft. April '66	75⅛	75⅛	2 3 7	3 19 2
95⅛	92 1/16	Treas. 3½% '77-80	94 15/16	94 15/16	2 4 2	3 17 5
94⅞	92 1/16	Treas. 3½% '79-81	94 15/16	94 15/16	2 3 11	3 16 9
85⅞	83	Redemption 3% '86-96	85⅞	85⅞	2 3 4	3 13 4
87⅛	84 1/16	War L'n 3½% aft. Dec. '52	86 1/16	86 1/16	2 4 7	4 1 7
64 3/16	63 1/16	Consols 2½%	64 1/16	64⅛	2 2 8	3 17 6
90 1/16	88⅞	Br. Elec. 3% '68-73	90⅛	90 1/16	2 6 0	3 14 9
89 1/16	87 1/16	Br. Elec. 3% '74-77	89 1/16	89 1/16	2 5 3	3 14 3
105⅛	103 1/16	Br. Elec. 4½% '74-79	104 1/16	104⅛	2 1 5	3 18 8
96 3/16	93 1/16	Br. Elec. 3½% '76-79	95 1/16	96 3/16	2 3 2	3 16 4
86 1/16	83 1/16	Br. Trans. 3% '78-88	86	85⅞	2 5 3	3 15 7
90⅛	88 1/16	Br. Trans. 3% '68-73	90 1/16	90	2 6 1	3 14 10
102⅜	100⅛	Br. Trans. 4% '72-77	102⅛	102 3/16	2 2 2	3 18 6
86 1/16	84⅛	Br. Gas 3% '90-95	85⅜	85⅜	2 3 9	3 13 8
98⅛	96⅜	Br. Gas 3½% '69-71	97⅜	97⅜	2 2 3	3 14 5
102⅜	99⅞	Br. Gas 4% '69-72	102⅛	102⅜	2 1 4	3 17 3

Prices, 1954 Jan. 1 to Mar. 31 High	Low		Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, Mar. 24, 1954	Price, Mar. 31, 1954	Yield, Mar. 31, 1954
			%	%					£ s. d.
46/-	42/3		¼	a	9	BANKS & DISCOUNT b Barclays £1	43/6	43/6	4 11 11
62/6	58/9		6	a	8	b Lloyds "A" £5, £1 pd.	60/6	60/6	4 12 7
81/6	74/9		8	a	8	b Midland £1 fully pd.	77/-	76/-	4 4 3
81/-	72/7½		8½	a	8½	b N. Prov. "B" £5, £1 pd.	74/6	74/6	4 11 3
80/-	79/6		9	a	9	b Westminster, £4, £1 pd.	80/6	80/6	4 9 5
100/-	92/-		7½	a	17½	b Alexanders £2, £1 pd	95/6	96/6	5 3 10
45/-	40/10½		5	a	5	b Nat. Disc. "B" £1	43/-	43/-	3 9 9
51/6	44/6		5	a	5	b Union Disc. £1	46/-	46/-	4 6 11
41/-	37/9		4	a	4	b Barc. (D.C. & O.) "A" £1	38/6	38/6	4 3 1
45/7½	40/3		7	a	7	b Chart. Bk. of India £1	42/6*	42/6	6 11 9
10 13/16	9⅛		50	a	85	INSURANCE b Leg. & Gen. £1, 5/- pd.	10⅜	10⅜	3 5 1
22¼	20⅜		20†	a	40†	b Pearl £1, fully pd.	21½	22	4 19 3
40⅛	35 1/16		105†	c	112½†	c Prudential "A" £1	38½	39½	5 2 11
128/6	126/-		10	a	33	BREWERIES, ETC. b Bass £1	127/6	127/6	6 14 11
19/9½	17/4½		15	b	7½	a Distillers 4/-	19/-	19/-	4 14 9
33/6	31/-		7	a	11	b Guinness 10/-	31/6	31/6	5 14 3
8/9½	8/2½		4	a	8	b Ind Coope 5/-	8/4½	8/4½	7 3 3

Prices, 1954 Jan. 1 to Mar. 31 High	Low		Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, Mar. 24, 1954	Price, Mar. 31, 1954	Yield, Mar. 31, 1954
			%	%					£ s. d.
39/6	32/6		35	c	5	a	Decca Record 5/-	34/6	36/6	4 15 11
21/-	18/5		17½	c	17½	c	Dunlop Rubber 10/-	20/-	19/6	5 19 8
58/9	53/-		8	b	6	a	Imp. Chemical £1	56/6	57/9	5 3 11
58/7½	49/9		8¼	a	11½	b	Imp. Tobacco £1	51/-	52/-	7 13 10
$71¼	$63½		$2·60	c	$2·35	c	Inter. Nickel n.p.v.	$68¼	$68	6 3 5
57/-	51/6		7½	a	9	b	London Brick £1	55/-	55/-	5 1 10
67/9	63/6		3¾	a	12½	b	Tate & Lyle £1	66/3	66/3	4 16 10
68/9	60/6		7½	a	7½	b	Tube Investments £1	61/3	63/3	4 14 10
76/3	69/-		2¾	a	15	b	Turner & Newall £1	73/9	74/9	4 13 8
64/6	57/6		8½	b	6	a	Unilever £1	62/6	64/3	4 18 1
6/3	5/6		5	c	7½	c	TEA & RUBBER Allied Sumatra £1	6/-	6/-	25 0 0
24/-	20/3		4	c	2½	a	Jhanzie Tea £1	22/-	21/6	3 14 5
45/-	37/9		12½	b	5	a	United Sua Betong £1	43/1½	45/-	7 15 7
6 5/8	5 3/4		20	a	40	b	MINES Anglo-Amer. 10/-	6¾	6 5/16 *	4 16 11
37/-	32/6		53⅛	b	53⅛	a	Blyvoor 2/6	36/3	36/3	7 7 2
76/6¾	70/-		60	a	60	b	Daggafontein 5/-	71/10½	72/9	8 4 11
83/-	68/3		80	a	120	b	De Beers 5/- Bearer	80/6	80/6	12 8 5
52/-	42/-		17½	c	17½	c	Johannesburg Con. £1	44 4½	43/9	8 0 0
20¾	16⅛		175	b	50	a	Rhokana £1	19¾	20¼ *	11 2 3

* Ex dividend.

Prices, 1953 High	Low	Prices, 1954 Jan. 1 to Mar. 31 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Mar. 24, 1954	Price, Mar. 31, 1954	Yield, Mar. 31, 1954
							£ s. d.
92	84⅞	92⅜	90⅛	Aust. 3½% '65-69	91½	91⅝	4 0 0
95⅜	91	95⅝	94⅛	N. Zealand 3½% '62-65	95½	95⅝	3 15 0
99⅛	93⅜	99 3/16	97⅛	S. Africa 3½% '54-59	98⅛	98⅛	3 16 9
73⅜	66⅛	74	71⅜	L.C.C. 3% aft. 1920	73⅛	74	4 1 1
95⅜	90⅜	96⅜	95⅛	Liverpool 3% '54-64	96	96	3 9 8
94⅜	88⅞	95⅛	93⅛	P.L.A. 3½% '66-71	93½	93⅜	4 0 10
104⅛	101⅛	103⅛	101⅛	Agric. Mort. 5% '59-89	103	103	4 6 5
77⅛	66⅛	80⅛	75⅜	Austria 4½% '34-59	80	80	4 4 5
21⅛	8	19⅛	11⅛	Chinese 5% 1913	18⅛	17⅛	Nil
74⅛	49⅞	95⅜	71⅞	German 5%	87⅛	86⅛	...
102⅞	65	142	102	German 4½%	131⅛	134	...
139⅞	119	151⅛	152⅜	Japan 5% 1907	148⅛	151	...

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield at 75½% of face value. (*e*) To earliest date. (*f*) Flat yield. (*h*) Also 2% tax free cash bonus; yield basis 18·6%. (*i*) 12% paid for 9 months; yield basis 16%. (*l*) Also 5% Coronation bonus, not included in yield. (*k*) Yield basis 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution, not included in yield. (*q*) Yield basis 15% as forecast by Company. (*r*) Yield basis 15% after capital bonus. (*s*) Yield basis 15¾%, as forecast by Company. (*v*) Yield basis 7½%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11¾% (*z*) Yield basis 11¼%.

New York Closing Prices

	Mar. 24	Mar. 31		Mar. 24	Mar. 31		Mar. 24	Mar. 31
	$	$		$	$		$	$
Balt. & Ohio	19½	20½	Am. Smelting	31⅛	33½	Inter. Paper	61	62
Can. Pac.	23⅞	24⅝	Am. Viscose	35½	34⅜	Nat. Distill.	17⅞	17⅜
N.Y. Cent.	23⅜	23½	Cel. of Amer.	19⅞	20¼	Sears Roebuck	59½	60½
Pennsyl.	16½	16⅜	Chrysler	61⅞	63½	Shell	90⅛	91
Amer. Tel.	162⅞	165½	Gen. Elec.	100⅝	105⅛	Std. Oil of N.J.	79⅞	80⅜
Stand. Gas	13⅛	12⅜	Gen. Motor	64⅛	65⅞	U.S. Steel	41	42⅜
United Corp.	5⅜	5½	Goodyear	60½	61½	Westinghouse	58⅜	61¼
W. Union Tel.	39⅜	39½	Inter. Nickel	37⅝	38½	Woolworth	42⅞	43½

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 Consumption	Mar. 13th	Production and Trade	This week
Manpower	Mar. 20th	British Commonwealth	Mar. 13th
External Trade	Mar 27th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Mar. 20th
Industrial Profits	Jan. 23rd	United States	Mar. 27th
		World Trade	Jan. 23rd

Prices and Wages

	Unit	1951	1952	1953	1953			1954			
		mid-June			Mar. 17	Mar. 24	Mar. 31	Mar. 9	Mar. 16	Mar. 23	Mar. 30
WORLD PRICES											
Commodity Price Indicator: (1)											
All items	1952 = 100	126	99	89	96	95	94	96	96	96	97
Food	,,	114	100	93	99	96	94	118	118	118	121
Fibres	,,	167	99	87	83	84	84	85	85	86	86
Metals	,,	99	100	80	90	91	90	78	78	80	81
Other items	,,	131	96	96	116	111	111	92	89	87	87
		Monthly averages			1952	1953				1954	
BRITISH WHOLESALE PRICES		1951	1952	1953	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
Old series:											
All articles	1938 = 100	315·0	323·3	323·5	323·1	323·2	319·0	322·9	321·3	320·2	319·4
Food and tobacco	,,	253·9	292·0	314·6	303·9	304·0	306·7	312·0	308·7	308·8	312·0
Materials used in:	June 30										
Non-food manufacturing	1949 = 100	193·3	162·1	145·8	153·4	151·9	150·5	142·4	141·7	140·8	140·3
Mechanical engineering	,,	134·3	149·9	145·7	148·9	148·6	148·1	147·3	147·6	147·1	146·3
Electrical machinery	,,	151·9	165·4	155·2	162·7	162·2	161·3	157·0	157·3	156·3	155·1
Building and civil engineering	,,	125·6	133·6	130·4	130·0	131·2	131·0	130·1	130·0	130·0	129·7
House building	,,	123·0	130·6	128·7	128·3	129·0	129·0	128·4	128·4	128·6	128·5
Commodities:											
Cotton, raw	,,	223·2	171·9	140·6	144·9	142·1	142·1	142·1	143·3	144·7	149·1
Wool, raw	,,	252·3	147·9	171·1	160·9	161·1	161·6	173·0	167·0	163·6	159·3
Rubber, No. 1 RSS, one month future	,,	499·1	282·8	199·1	264·4	245·2	227·0	167·3	173·1	167·5	163·6
Softwood, imported	,,	143·5	158·0	144·1	151·5	151·7	151·3	138·7	138·9	140·5	142·0
Copper, ex-warehouse (2)	,,	187·5	220·7	217·6	242·6	242·6	242·6	203·6	199·8	195·1	197·3
UK RETAIL PRICES											
Interim index:	June 17,										
All items	1947 = 100	125	136	140	138	138	139	140	140	140	140
	Jan. 15,										
All items	1952 = 100	...	102·6	105·8	104·5	104·4	104·7	106·0	105·6	105·8	105·6
Food	,,	...	105·4	111·3	109·3	109·2	109·6	110·9	109·6	110·2	109·5
All items	1938 = 100*	202	221	228	225	225	225	228	227	228	227
Food	,,	191	221	233	229	229	230	232	230	231	229
Rent and rates	,,	119	122	129	124	124	125	131	131	132	132
Clothing	,,	249	259	253	252	251	252	255	255	254	255
Fuel and light	,,	177	197	207	203	203	203	213	214	215	216
Household durable goods	,,	288	294	286	289	291	290	285	286	285	285
Drink	,,	318	255	256	256	256	256	257	257	257	257
Tobacco	,,		386	387	386	386	387	387	387	387	387
Purchasing power of £ (based on all consumer spending)	1938 = 100	48	45	44	44	44	44	44	44	44	44
UK TERMS OF TRADE (3)											
Import prices:											
All items	1953 = 100	117	113	100	103	103	102	98	98	98	97
Food, drink and tobacco	,,	100	104	100	99	99	99	99	99	99	99
Basic materials	,,	140	123	100	104	102	101	99	100	98	97
Export prices:											
All items	,,	98	103	100	102	101	101	99	99	99	99
All manufactures	,,	98	103	100	102	101	101	99	99	99	99
Metals	,,	89	99	100	...	104	103	96	97	100	100
Engineering products	,,			100	...	101	100	100	99	96	97
Textiles and clothing	,,	119	109	100	100	100	100	100	99	100	100
Terms of trade:										101	102
Ratio of import to export prices	,,	118	109	100	101	102	101	99	99	99	98
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	,,	...	100·0	77·5	83·7	79·3	80·0	73·8	71·5	71·9	77·6
UK WAGES											
Weekly wage rates:	June 30,										
All workers	1947 = 100	120	130	136	134	134	135	137	138	139	139
Men	,,	119	129	134	132	132	134	136	136	137	137
Women	,,	123	133	140	138	138	138	143	143	143	143
Weekly earnings: (4)											
All workers	s. d.	141 1	151 11	160 1	...	...	...	...	...	...	...
Men	,,	166 0	178 6	189 2	...	...	...	...	...	...	...
Women	,,	90 1	96 4	102 5	...	...	...	...	...	...	...
	Oct.,										
All workers	1938 = 100	265	285	301	...	...	...	...	...	...	...
Men	,,	241	259	274	...	...	...	...	...	...	...
Women	,,	277	296	315	...	...	...	...	...	...	...

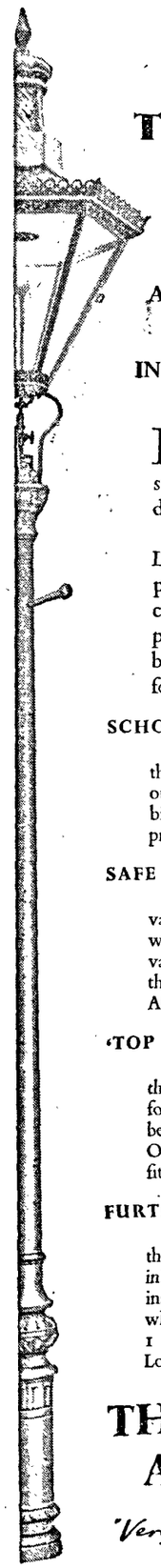
(1) From August, 1953, the index has been revised to show a more representative wheat price. (2) Figures up to July, 1953, relate to delivery prices and subsequently to ex-warehouse prices of H.C. electrolytic copper. (3) The index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (4) Annual figures are based on unit values and are therefore influenced by changes in the composition of trade as well as price movements. (5) Surveys made twice a year; annual figures relate to October survey.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether-lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) **(1948 = 100)**												
1938	118	82	77	90	193	132	76	101	89	81	67	63
1952	181	114	117	131	231	171	124	147	130	133	110	133
1953	...	114	119	126	252	193	...	161	144	139	110	...
1953, August	178	113	121	93	244	195	139*	136	142	137	109	...
,, September	197	117	130	124	265	207	...	167	153	149	115	...
,, October	205	117	128	128	271	223	...	180	161	148	121	...
,, November	207	120	128	131	282	229	...	173	151	152	120	...
,, December	...	117	119	135	266	229	...	172	152	137	119	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
IMPORTS (c. i. f.)												
1938	50	1,922	135	3·84	605	1·2	3·45	0·94	118	99	174	12·5
1952	1,163	10,252	550	132·64	1,350	432·9	14·35	120·48	694	520	746	129·7
1953	1,106	10,094	573	121·52	1,334	...	15·28	124·75	738	543	680	124·3
1953, September	993	10,312	618	117·98	1,359	577·5	13·40	119·56	770	623	668	124·9
,, October	1,092	10,642	635	110·80	1,432	676·8	18·44	120·95	803	541	730	134·7
,, November	1,263	10,407	610	122·37	1,475	862·2	16·22	122·47	806	559	738	130·9
,, December	1,361	10,585	606	118·79	1,581	...	17·04	130·30	833	679	777	159·5
1954, January	1,207	9,898	576	135·20	1,313	...	15·70	132·30	840	640	709	94·9
EXPORTS (f. o. b.)												
1938	30	1,806	128	2·55	468	0·9	2·02	0·88	87	65	154	12·1
1952	900	10,212	483	118·04	1,409	149·9	8·41	72·02	660	337	674	84·7
1953	1,099	9,414	508	117·24	1,542	...	9·50	77·50	717	303	637	92·4
1953, September	1,252	9,527	514	102·24	1,508	318·2	11·53	74·96	768	304	707	74·1
,, October	1,249	10,308	574	123·95	1,725	635·6	10·68	86·03	806	344	740	91·5
,, November	1,267	9,664	599	135·38	1,645	604·7	9·11	84·45	737	307	737	111·0
,, December	1,367	9,874	521	125·06	2,095	...	10·00	94·79	681	321	709	139·6
1954, January	1,040	9,596	477	120·17	1,502	...	8·10	75·40	758	303	585	73·8
BALANCE												
1938	− 20	− 116	− 7	− 1·29	− 37	− 0·4	− 1·43	− 0·06	− 31	− 33	− 20	− 0·4
1952	− 263	− 39	− 67	− 14·60	+ 59	− 283·0	− 5·94	− 48·46	− 34	− 183	− 72	− 45·0
1953	− 7	− 680	− 65	− 4·28	+ 208	...	− 5·78	− 47·25	− 21	− 240	− 43	− 31·9
1953, September	+ 259	− 785	− 103	− 15·74	+ 149	− 259·4	− 1·87	− 44·60	− 2	− 219	+ 39	− 50·8
,, October	+ 157	− 334	− 61	+ 13·15	+ 293	− 41·2	− 7·76	− 34·92	+ 3	− 197	+ 10	− 43·4
,, November	+ 4	− 743	− 12	+ 13·01	+ 170	− 357·5	− 7·11	− 38·02	− 69	− 252	+ 1	− 19·9
,, December	+ 6	− 711	− 85	+ 6·27	+ 514	...	− 7·04	− 35·51	− 152	− 358	− 68	− 19·9
1954, January	− 167	− 302	− 99	− 15·03	+ 189	...	− 7·60	− 56·90	− 82	− 237	− 124	− 21·1
VOLUME OF EXTERNAL TRADE (3) **(1948 = 100)**												
IMPORTS												
1938	266	93	118	102	249	...	79	92	118	100	94	91
1952	217	121	147	129	241	...	98	158	132	128	118	220
1953	210	...	...	130	271	...	110	176	...	141	117	...
1953, August	198	117	169*	105	257	...	92	145	150	119	112*	215
,, September	185	126	...	125	284	...	96	170	167	138	...	213
,, October	202	131	...	122	306	...	130	161	171	144		234
,, November	224	130	...	131	310	...	113	180	175	151	133	253
,, December	256	...	...	133	335	...	144	182	...	169	...	...
EXPORTS												
1938	147	110	139	125	630	...	136	125	156	123	111	107
1952	202	138	186	209	670	...	164	140	256	140	134	150
1953	270	144	...	221	783	...	185	171	...	144	142	...
1953, August	287	137	200*	176	765	...	191	141	287	145	149*	88
,, September	296	148	...	193	783	...	229	148	349	149	...	143
,, October	302	150	...	235	900	...	199	170	366	170		186
,, November	309	153	...	260	849	...	175	169	341	151	164	209
,, December	339	154	...	246	1,079	...	152	209	...	151	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade; Belgium includes Luxemburg. (3) Average of third quarter.

THE LONDON OMNIBUS



A VEHICLE OF INFORMATION

LATE IN THE 90's this double-decker steam omnibus served the public up and down the Thames Valley.

Buses come and buses go. But one London Omnibus has been serving the public for over 200 years—the "omnibus" collection of all kinds of insurance policies for all kinds of people offered by the London Assurance. Here are a few of them:

SCHOOL SUMS

When fathers start adding up school fees they are sometimes nonplussed. By taking out an Educational Policy long before school bills get really formidable, they find this problem greatly simplified.

SAFE GUARD

You may be very cautious about your valuables. Your safe may be sound, your watchdogs may bite. But even so, valuables vanish and furs fly. Sentimental value apart, the loss won't hurt so much if you have an All-Risks policy to safeguard you.

'TOP HAT' EVENINGS

Directors and senior executives, unlike those they employ, are often left to provide for the evening of their much-taxed days as best they can out of savings. The London Omnibus carries a 'Top Hat' scheme; which fits almost anyone who wants a 'Top Hat'.

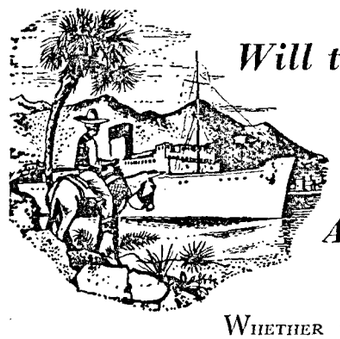
FURTHERMORE . . . .

If you would know more about any of the policies outlined here, if we can provide information about any other policies or about insurance problems generally—pray make what use of us you wish. Our address is 1 King William Street, Department V, London, E.C.4.

THE LONDON ASSURANCE

"Very good people to deal with"

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.

HUDDERSFIELD BUILDING SOCIETY

BALANCE SHEET

(abridged)

As at 31st December, 1953

Liabilities	£	Assets	£
Shareholders .	18,164,479	Mortgages (part secured by Trustee Investments) . . .	18,702,620
Depositors . .	3,291,458		3,622,935
Taxation, etc.	350,556	Cash	580,837
Reserves	1,294,139	Premises etc.	194,240
	£23,100,632		£23,100,632

Write for Investment Booklet to :

BRITANNIA BUILDINGS, HUDDERSFIELD

LONDON OFFICE

BRITANNIA HOUSE, 203, STRAND, W.C.2.

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

SEVENTY-THIRD ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1953

TO THE SHAREHOLDERS :

The volume of freight traffic was second only to that of the previous year, while gross earnings of your railway operations were higher than ever before as a result of increases in freight rates which became effective early in the year. Although the reduction in traffic volume was fairly general and was particularly marked towards the end of the year, there were important increases in certain commodities. The carryings of grain and grain products, while at a high level, declined somewhat despite the harvesting of one of the largest grain crops in Canadian history. Stocks of grain remaining available for rail shipment were the highest on record.

Mounting wage costs and the failure to achieve the traffic volume which had been hoped for at the beginning of the year made it necessary, by mid-year, to curtail maintenance expenditures and so to defer part of the work which it had been planned to undertake to maintain your railway property. Despite this step, working expenses increased by an amount sufficient to overtake the increase in gross revenues. Net earnings from railway operations were, therefore, at the same level as in the previous year, and thus, once again, were far from sufficient to provide a fair return on your railway investment.

The Income, Profit and Loss, and Land Surplus Accounts of your Company show the following results for the year ended December 31, 1953.

INCOME ACCOUNT

Gross Earnings		$470,571,371
Working Expenses		441,686,799
Net Earnings		$ 28,884,572
Other Income		16,802,051
		$ 45,686,623
Fixed Charges		14,236,161
Net Income		$ 31,450,462
Dividends :		
Preference Stock	$ 3,130,586	
Ordinary Stock	20,710,474	
		23,841,060
Balance transferred to Profit and Loss Account		$ 7,609,402

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance, December 31, 1952		$270,456,446
Balance of Income Account for the year ended December 31, 1953	$ 7,609,402	
Portion of steamship insurance recoveries representing excess over net book value, S.S. *Empress of Canada*, and compensation for increased cost of tonnage replacement	3,471,477	
Excess of considerations received for sales of properties over book values, and miscellaneous items	1,756,924	
		12,837,803
Profit and Loss Balance, December 31, 1953, as per Balance Sheet		$283,294,249

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1952		$ 77,225,695
ADD :		
Receipts from Petroleum Rents, Royalties and Reservation Fees	$ 7,305,961	
Land and Townsite Sales	2,707,160	
Miscellaneous Receipts	1,357,541	
	$ 11,370,662	
DEDUCT :		
Administrative and Other Expenses	$ 620,672	
Taxes (Incl. $2,900,000 income taxes)	3,284,146	
Inventory Value of Lands Sold	86,065	
Miscellaneous	4,087	
	3,994,970	
		7,375,692
Land Surplus December 31, 1953, as per Balance Sheet		$ 84,601,387

GENERAL BALANCE SHEET, DECEMBER 31, 1953

ASSETS

Property Investment :		
Railway, Rolling Stock and Inland Steamships	$1,166,086,931	
Improvements on Leased Property	136,259,059	
Stocks and Bonds—Leased Railway Companies	133,908,438	
Ocean and Coastal Steamships	64,053,331	
Hotel, Communication and Miscellaneous Properties	109,694,018	
		$1,610,001,777
Other Investments :		
Stocks and Bonds—Controlled Companies	$ 74,100,434	
Miscellaneous Investments	46,108,411	
Advances to Controlled and Other Companies	12,576,018	
Mortgages Collectible and Advances to Settlers	1,020,458	
Deferred Payments on Lands and Townsites	5,192,014	
Unsold Lands and Other Properties	8,182,599	
Insurance Fund	13,188,540	
Steamship Replacement Fund	19,397,859	
		179,766,333
Current Assets :		
Material and Supplies	$ 54,882,198	
Agents' and Conductors' Balances	16,951,632	
Miscellaneous Accounts Receivable	22,701,565	
Government of Canada Securities	32,610,975	
Cash	39,298,153	
		166,444,523
Unadjusted Debits :		
Insurance Prepaid	$ 120,958	
Unamortized Discount on Bonds	3,289,262	
Other Unadjusted Debits	3,173,511	
		6,583,731
		$1,962,796,364

LIABILITIES

Capital Stock :		
Ordinary Stock	$ 345,174,925	
Preference Stock—4% Non-cumulative	137,256,921	
		$ 482,431,846
Perpetual 4% Consolidated Debenture Stock	$ 390,073,188	
Less : Pledged as collateral to bonds	97,524,300	
		292,548,888
Funded Debt :		126,114,000
Current Liabilities :		
Pay Rolls	$ 9,248,974	
Audited Vouchers	14,576,903	
Net Traffic Balances	2,961,351	
Miscellaneous Accounts Payable	9,588,544	
Accrued Fixed Charges	1,048,738	
Unmatured Dividends Declared	11,906,439	
Other Current Liabilities	26,519,796	
		75,850,745
Deferred Liabilities :		4,023,308
Reserves and Unadjusted Credits :		
Depreciation Reserves	$ 553,186,400	
Investment Reserves	1,181,330	
Insurance Reserve	13,188,540	
Contingent Reserves	4,118,819	
Unadjusted Credits	4,982,514	
		576,657,603
Premium on Capital and Debenture Stock		37,274,338
Land Surplus		84,601,387
Profit and Loss Balance		283,294,249
		$1,962,796,364

ERIC A. LESLIE,
Vice-President and Comptroller.

THE STANDARD LIFE ASSURANCE COMPANY

announces the **MINIMUM PREMIUM PLAN**

and the best of everything in Life Assurance. Small premiums, large sums assured—and with all that

A share in the profits of the Company.

Write for the leaflet which will give you the details.

THE STANDARD LIFE ASSURANCE COMPANY

Est. 1825

'Yours for Life'

Head Office : 3 George Street, Edinburgh

London Office : 3 Abchurch Yard, Cannon Street, E.C.4

THE MITSUBISHI BANK, LIMITED

Known as THE CHIYODA BANK, LIMITED from October 1, 1948 to June 30, 1953

Capital paid-up: ¥2,750,000,000

Head Office: Marunouchi, Tokyo, **Japan**

Branches: 155 throughout Japan

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

London Representative Office: 82, King William Street, London, E.C.4.

Cable Address: "CHYODABANK"

TIME INCORPORATED

(NEW YORK)

An Eventful Year

International Appeal of Company's Magazines

Strong Circulation Positions Maintained

Life en Español Wins Immediate Popular Acceptance

ANNUAL REPORT TO STOCKHOLDERS

THE annual report of Time Incorporated, New York (chairman of the board, Mr. Maurice T. Moore; President, Mr. Roy E. Larsen), covering the year 1953, has been circulated to stockholders. Time Incorporated publishes *Time*, *Life* and *Fortune* magazines, *House & Home* and the *Architectural Forum*. *Time* and *Life* also appear in various international editions.

Net profit for the year was $8,144,000, or $4.18 per share of common stock outstanding at the end of the year. This compares with a net profit for 1952 of $7,750,000, or $3.97 per share.

Dividends have now been paid by the company without interruption for the past twenty-four years. The 1953 dividends amounted to $2.50 per share, a total of $4,887,000, as compared with $2.37½ per share in 1951 and 1952.

Revenues from operations totalled $170,449,000 the highest in the company's history. This compares with $156,786,000 for 1952. The increase of $13,663,000 is attributable primarily to increases in advertising revenue.

Net profit before taxes of $16,259,000 for 1953 was the highest in the company's history, but the net after taxes was less than was reported for the years 1948 and 1950.

While circulation and advertising revenues during 1954 will depend to some extent on the course of the economy, they are presently running slightly ahead of the similar period last year. We expect to see them well maintained for the year as a whole. Costs and expenses will be at a somewhat higher level in certain areas, but operating efficiencies in many departments of the company are expected to offset any material increase in the over-all level.

THE YEAR IN REVIEW

The past year was one of expansion in many varied fields of activity.

At the beginning of the year, the company published its first foreign language magazine, *Life en Español*, which met with immediate popular acceptance in Spanish-speaking countries in Latin America.

During the year the company continued development work on another new magazine, a sport weekly. While final decision is reserved, we are proceeding on the basis that the magazine will come out this year. Currently we have a staff working on its editorial and publishing plans, under the direction of H. H. S. Phillips, Jr., as publisher, and Sidney L. James as managing editor.

In July *March of Time* production activities were suspended, although its inventory of programs continued to be sold to television stations.

Construction of the $27,500,000 pulp mill in south-east Texas, in which the company has a one-half equity interest, is proceeding on schedule and it is believed that this mill, when completed later in the year, will be one of the most modern mills of its kind in the world.

In June, 1953, the company purchased a controlling interest in the Intermountain Broadcasting and Television Corporation in Salt Lake City, the licensee of stations KDYL, KDYL-FM and KDYL-TV, and in March, 1954, contracted to purchase 100 per cent of the stock of Aladdin Radio and Television, Inc., in Denver, the licensee of stations KLZ, KLZ-FM and KLZ-TV.

CIRCULATION OF MAGAZINES

The average net paid circulations of the various editions of our magazines as compared with 1952 were as follows:

	1953	1952
Life	5,473,000	5,326,000
Time	1,769,000	1,710,000
Fortune	245,000	249,000
Time International (combined)	377,000	351,000
Life International	285,000	302,000
Life en Español	210,000	—
Architectural Forum	47,000	46,000
House & Home	97,000	106,000

As indicated by these figures, all the magazines continued to show strong circulation demand and reader acceptance.

Life passed the 5,400,000 mark and maintained its leadership among weekly magazines. Effective February 1, 1954, *Life* increased its circulation base for computing advertising rates by 200,000 to 5,400,000.

Time again showed an increase and as of January 4, 1954, it raised its circulation rate base from 1,700,000 to 1,800,000.

Fortune, *Architectural Forum* and *House & Home* continued their circulations at substantially previous levels. *House & Home's* slight loss reflected the dropping out of some initial non-professional subscribers.

The combined circulations of the four international editions of *Time* were 377,000 compared to 351,000 in 1952, with each edition showing an increase over 1952.

The circulation of *Life* International's world-wide English language edition declined from 302,000 to 285,000, reflecting in part the transfer of readers in Latin America from the English to the Spanish edition. *Life en Español*, starting at 149,000 circulation, averaged 210,000 for the year and at year-end, with 232,000 circulation, had the third largest circulation among all newspapers and general magazines in the Spanish-speaking world.

ADVERTISING REVENUES

Net advertising revenues for the company's publications totalled $127,512,000 in 1953, as compared with $113,310,000 in 1952.*

In a year of very aggressive competition in the magazine, newspaper, radio and television fields, advertisers placed the greatest dollar volume in *Life* in its history, an increase of approximately $9,700,000 over 1952. For the seventh consecutive year, advertisers invested more dollars of national advertising in *Life* than in any other magazine, radio or television network. On February 1, 1954, with an increase in *Life's* circulation rate base from 5,200,000 to 5,400,000, its advertising rates were increased approximately 6 per cent.

Time's 1953 advertising revenues were up more than $2,000,000 over 1952. As of January 4, 1954, with an increase of 100,000 in its circulation rate base, advertising rates were increased approximately 8 per cent.

Advertising pages in *Fortune* were 1,769 in 1953 as against 1,586 in 1952 and advertising revenue was up 12 per cent.

Advertising pages in *Time* International's four editions totalled 4,991 in 1953, compared to 4,519 in 1952, and revenue increased by more than 20 per cent. The advertising rates on all four editions are being increased in 1954 to reflect increased circulation and higher costs.

It is particularly noteworthy that the number of advertising pages carried by *Time's* Canadian edition in 1953 exceeded that of the next highest Canadian general magazine by more than 1,000.

Life International's English edition ran 658 pages, compared to the previous year's 695. *Life en Español* carried 626 pages of advertising, a record volume for an international magazine in its first year of publication.

The advertising in these foreign editions is becoming increasingly international in character with advertisers from more than 30 countries represented in their pages. Last year more than 1,400 pages in the six international editions were placed through our offices in Europe, Japan and Latin America. An additional 1,880 pages were placed through our offices in Toronto and Montreal.

House & Home's number of advertising pages increased 18 per cent in 1953 over 1952 and its net advertising revenue was up 50 per cent over 1952 because of increased volume and higher advertising rates put into effect in January, 1953. *Architectural Forum's* advertising volume remained substantially unchanged from the levels of 1952.

* Net advertising revenues are after deducting advertising agency commissions and cash discounts.

EDITORIAL OPERATIONS

In order to report, write and edit the material for the 11 editions of our magazines which were published during 1953, approximately 980 people were employed in the editorial departments. Full-time news bureaux are currently being maintained in 10 cities in the United States and in 17 capitals abroad, ranging from Toronto to Johannesburg to Tokyo. In addition, part-time correspondents are used in 133 cities in the United States and 148 cities abroad. Communications with this news-gathering network result in a flow of over four and a half million words a month into and out of the editorial departments of the magazines in the *Time & Life* Building in New York.

While in 1953 there were relatively few spectacular news stories, there was a continuing interest in the news, and the staffs of our magazines continued to do a vigorous editorial job in their respective fields.

In the course of the year, *Life* concluded its publication of Sir Winston Churchill's Nobel Prize winning history of the second world war and concluded arrangements with Harry S. Truman for the publication of his forthcoming memoirs. It continued its outstanding series, "The World We Live In," with seven more instalments.

To aid *Time's* regular coverage of current events, some changes in the format were made: "Business" was expanded to include a "Business Essay" and "Time Clock," while the editorial feature "Personality," an experiment begun last year, was dropped.

In August, *Fortune* started publication of a monthly series of 12 articles called "The Changing American Market." Based on a long-range research project, the series received wide business attention and has been adapted to a short animated economic film.

SPECIAL EVENTS

In February, 1953, the *Time & Life* Building in London was opened to serve as the permanent home of our English subsidiary company, Time-Life International Limited, for its operations in the British Isles. Because of the striking design of the building, its opening provoked international comment in architectural as well as publishing circles.

Reflecting its growing interest in home-building *Life* joined with its sister magazine, *House & Home*, in sponsoring a series of two-day round table meetings with industry leaders on such subjects as "Tomorrow's House" and "Conservation, Rehabilitation and Modernization." *Architectural Forum* also used the same technique for such subjects as "Urban Traffic," "School Planning" and "The Architect and His Client." The reports on these meetings were printed in our magazines and created widespread professional and popular interest.

Possibly the most important piece of research in the communications field was *Life's* "A Study of Four Media" conducted by Alfred Politz Research, Inc. This monumental research project compared for the first time the accumulative audiences reached by four national magazines, a newspaper supplement, four radio and five television programmes. In recognition of this study the Association of National Advertisers' Magazine Steering Committee broke precedent and passed a resolution commending *Life* which said in part: "Through the knowledge provided by research such as this, advertisers are able to exercise increasingly intelligent judgment relating to the value of various media and to the advertising strategies to be used in promoting their various products."

COMPANY MEETINGS

LEWIS'S INVESTMENT TRUST

PROGRESSIVE AND GROWING GROUP OF COMPANIES

PREVIOUS PEAK LEVELS SURPASSED

MR S. H. LEAKE'S REVIEW OF ACTIVITIES

The twenty-fifth annual general meeting of Lewis's Investment Trust Limited, will be held on April 22nd in Liverpool.

The following is an extract from the statement by the chairman, Mr S. H. Leake, OBE, which has been circulated to stockholders with the report and accounts for the year ended February 1, 1954:

It is my pleasure to present accounts reflecting results even better than the peak levels achieved last year. The increases we have to record are not spectacular, but they represent a process of consistent growth, consolidated at each stage, and then made the base for further development and progress.

The main totals of revenue may be analysed into groups as follows:

		Consolidated revenue	Taxation depreciation interest, etc.	Net profit
		£	£	£
Lewis's Ltd. & subsidiaries...	1954	2,678,304	1,519,332	1,158,972
	1953	2,548,825	1,501,551	1,047,274
Selfridge (Holdings) & subsidiaries ...	1954	1,191,313	719,177	472,136
	1953	1,212,070	762,552	449,518
LIT & subsidiaries other than above...	1954	711,036	446,359	264,677
	1953	699,295	458,138	241,157
Total... ...	1954	4,580,653	2,684,868	1,895,785
	1953	4,460,190	2,722,241	1,737,949

The apparent fall in the consolidated revenue of the Selfridge group is due to the incidence of special items; excluding these, the consolidated revenue shows an increase of £86,000, and the net profit an increase of £92,000.

DIVIDEND POLICY

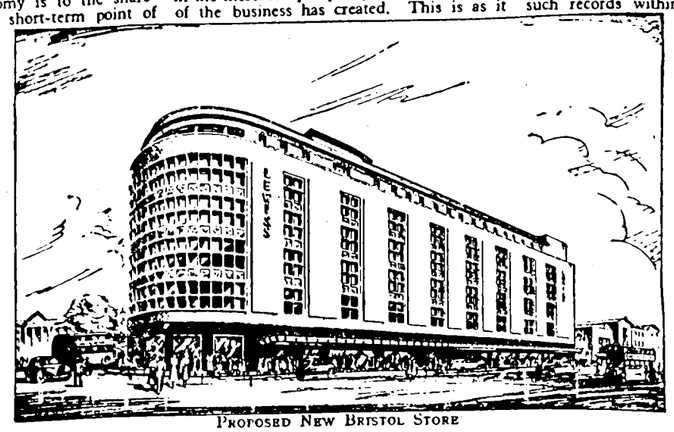
In formulating its dividend policy a board of directors faces two conflicting factors. On the one hand, their primary loyalty in a free economy is to the shareholders who, from the short-term point of view, are interested mainly in dividends. On the other hand, successive Governments have repeatedly appealed for moderation in the distribution of profits, and have imposed a sanction in the form of a penal rate of profits tax on all distributions. The true interest of the long-term shareholder probably lies somewhere between, in that profits ploughed into an expanding company avoid profits tax in the present and will earn additional profits in the future. With both points of view in mind, your directors, in recommending an increase in dividend of 5 per cent to a total of 32½ per cent, have endeavoured to preserve the pattern of distribution of recent years, and have thought it right and proper that the shareholders should receive roughly a proportionate amount of the increased profits earned.

It is accordingly of interest to compare the distributions of the last two years in relation to the consolidated profits. The profits of Lewis's Bank are not included in the consolidated accounts and for the purpose of comparison appropriate adjustment has been made:—

	1954 per cent	1953 per cent
Percentage of profits		
Distributed ...	34.4	33.1
Retained ...	65.6	66.9
	100.0	100.0

Last year I referred to a substantial increase in wages which we had been pleased to pay to our staff and which in turn had added materially to the operating costs of the business. Towards the end of the year under review another increase in wages took place, and there will be some further upward adjustment again in the current year. During the past five years our annual wage bill, excluding Selfridges, has increased by some £626,000. If Selfridges are included a further £353,000 has to be added to this figure. In order to arrive at a comparable figure for ordinary dividends paid we must take the gross amount, in order to eliminate changes in the standard rate of tax. We must also eliminate the additional ordinary capital raised in 1951 to finance the Selfridge acquisition. On this basis our gross ordinary dividend distribution in the Trust has increased by £232,973.

I think a fair inference to be drawn from these two comparisons is that our staff, our company reserves, and our ordinary stockholders (who exceed 10,500 and many of whom are our customers) have all participated in the increased prosperity which the growth of the business has created. This is as it should be, and I hope the same trend may long continue. At any rate these figures make it clear that the increase in ordinary dividend which we recommend will not, if adopted, be paid at the expense of any of the other partners in the business, nor be likely to jeopardise the finances of the group.



PROPOSED NEW BRISTOL STORE

RETAINED PROFITS

The total profits retained exceeded £1,250,000, which is spread over all companies, but lies mainly in the Lewis's Group. A progressive and growing group of companies can always find a profitable use for additional funds. For example, your directors have adopted a policy of moderate stock expansion to stimulate trade by increasing both the range and variety of merchandise, since the main purpose of a department store is to satisfy under one roof as wide a range as possible of customer demand with regular goods of keen competitive value as well as new and exciting merchandise. But the principal need to build up cash resources lies in our building commitments. I refer later to the Bristol Store project, but at this stage it should be noted that within a relatively short period of years a sum exceeding £1,500,000 will be required by Lewis's Limited, to finance the building, equipping and stocking of that store.

The consolidated balance sheet of the Trust reveals a position of considerable strength and the increase during the year of £1,200,000 in the total net assets reflects the policy of ploughing back profits for the development of the business.

LEWIS'S LIMITED

As I have already indicated, Lewis's Limited is our principal subsidiary. The stores which it operates in Liverpool, Manchester and Birmingham, as well as the clothing factory at Litherland, near Liverpool, have made the largest contribution to our improved results this year. That it should have been able to achieve such records within two years of its centenary year in 1956 is evidence of its virility. The total revenue at £2,544,378 has exceeded £2,500,000 for the first time. Its net profit, after tax, at £1,140,606, is £147,435 higher than last year, and this is the first occasion it has exceeded £1 million.

The subsidiary activities of Lewis's group have also been well maintained. Our clothing factory had a good year. Lewis's Bank Limited, increased its profit, all of which has been retained in order still further to consolidate its strength in the interests of its 100,000

Although losses have been incurred, it is felt that the property is a sound investment which should show a steady appreciation in value.

Until recently, Australia was our most important overseas market. Its potentiality is still outstanding, but it is temporarily closed by drastic import prohibitions, and licensing systems which have had the effect of killing much long-distance transport of goods by road, and driving the remainder to the state-owned railways. The motor industry is fighting this adverse situation very strongly. If and when the problem is satisfactorily resolved, it will be our aim to integrate and expand on the lines successfully adopted in Africa, including the provision of manufacturing facilities there.

The new Leyland MOS tank factory was completed in record time and was formally opened on October 23rd last by the Right Honourable Duncan Sandys, Minister of Supply, in the presence of an influential and representative gathering, with General Gruenther (Supreme Commander, SHAPE) as principal guest. This factory is the most modern of its kind in the world. It is a tribute to the company that the design and management of this great arsenal was entrusted to it.

THE CONSOLIDATED ACCOUNTS

Provision has in past years been credited to a special account towards the cost of replacing assets at rising prices. It is estimated that the replacement cost accrued on the expired useful life of the property and plant is, at current prices, approximately £7,377,458. To be set against this figure are the permitted wear-and-tear allowances and the reserve already specifically accumulated, totalling together £6,996,994. As the useful life of these assets runs out it will be essential to continue to make further substantial provisions to enable it to be renewed and kept thoroughly up to date.

Group capital expenditure this year amounted to £886,050 (against £798,321). Forward commitments are £233,353 (against £476,942).

The token reduction in the income tax rate is welcome, adding £13,331 to the net distributed dividends for the year.

THE DIVIDEND

Through the wage packet and by way of social services, the cost of which is mainly borne by industry, the net purchasing power in the hands of the rank and file considerably over-compensates for the depreciation of the currency, enabling luxury goods and services, out of reach of the preceding generation, to be acquired. We are not critical of this trend; it is indeed inherent in the accepted doctrine of the Welfare State, but in justice when appraising current union demands it must also be recognised that, although much new money has been ploughed back, the net worth of the ordinary dividend has not yet been adjusted to the depreciation of the currency.

A statement has been made by the Chancellor of the Exchequer at Glasgow—namely, that compared with immediate prewar years, the real worth of weekly earnings in 1952 had advanced by 28 per cent and the real worth of the same nominal dividends had declined by 35 per cent. The correction for 1953 was unlikely to make any material difference.

It would not be appropriate to recommend a higher dividend at present; it is felt that the stockholders' interest should, in equity, have consideration.

The disposable surplus, after bringing in provisions no longer required, is £909,050, plus the carry over from the previous year of £656,409, and after appropriation of £580,000 to general reserve is £985,459. Out of this latter figure the directors recommend that a dividend on the ordinary stock of 5s. per unit, less tax, be approved and paid on March 31, 1954. This dividend, together with that on the preference stock, absorbs £293,294 net, leaving a carry forward of £692,165. The ordinary dividend is at the same rate as that paid in recent years, and represents only 2 per cent net on the capital employed.

The report was adopted.

BEAUMONT PROPERTY TRUST, LIMITED

LARGER PROFIT

The twentieth annual general meeting of the Beaumont Property Trust, Limited, was held on March 30th in London, Mr Cyril W. Black, JP, MP, FRICS, FAI, chairman, presiding.

The following is an extract from his circulated statement:

The net profit for the year ended September 30, 1953, including dividends received from the subsidiary companies, amounted to £79,797, after providing £74,193 for income tax and profits tax. These figures compare with £68,483 and £71,987 respectively for 1952. All the subsidiary companies have made satisfactory progress during the year. Capital and revenue reserves of the group of companies, including carry forward, amount now to the very substantial total of £238,162, which is equivalent to approximately 33 per cent of the whole paid up ordinary capital of the parent company, or approximately 6s. 8d. in the £ thereon. In addition, there is a very substantial hidden reserve represented by the difference between the present market value of our properties and their book cost. The great majority of our properties were acquired prior to 1939 and, in view of the changes which have taken place in the value of money, are considered now to be worth substantially more than their cost of acquisition.

Your directors attach the greatest possible importance to building up reserves to the maximum degree possible consistent with the payment of reasonable dividends, and the strengthening of the capital position of the companies is a matter of continual concern to them.

INCREASED DIVIDEND

During the year dividends on our preference capital were paid on the due dates, and an interim dividend of 2½ per cent, less income tax, was paid on August 15, 1953, on the ordinary capital. After careful consideration, your directors reached the conclusion that the capital position and earnings of the group now justified a modest increase in the total ordinary dividend, and they are accordingly recommending a final dividend of 6 per cent, less income tax, making a total of 8½ per cent, less income tax, for the year.

Attention is drawn to the fact that the total dividend of 8½ per cent, less income tax, on the ordinary shares is amply covered by the profits derived from the letting of properties, without taking into consideration the profits realised from the sale of properties.

The group's properties are being maintained in an excellent state of repair, vacancies are infrequent and of short duration, and your directors are of opinion that our properties should continue to produce a satisfactory income for many years.

The report and accounts were adopted.

REFUGE ASSURANCE COMPANY LIMITED

INCREASED ALLOCATIONS OF SURPLUS TO POLICYHOLDERS

The chairman, in a statement submitted with the 1953 accounts, referred to the responsibilities of life assurance offices in the investment of the sums entrusted to them voluntarily by their millions of policyholders for which they were, in effect, the trustees. He stressed that regard must be paid to the nature of the contracts for which these investments were the reserves, and said that, whilst investments were made in a variety of securities, including a proportion in the "risk capital" of industry, the primary consideration must always be the interests of the policyholders who provide the sums to be invested. In whatever form the investments were made, whether in industry through ordinary or preference shares or debentures, in Government issues or in the nationalised industries, or through advances under house purchase schemes, the monies were put to good and effective use not only in the interests of the policyholders, but also of the country as a whole.

As from January 1, 1954, the company had commenced to transact in its own name most classes of general insurance business and thus, in conjunction with the life branches, now provided a comprehensive insurance service.

The unique value of life assurance to the married man with dependants was stressed, and a particular case was mentioned where a claim for over £2,000 had been paid on the death of a man aged 33, assured, after full medical examination, under a proposal made only 11 days previously.

The total new sums assured of the year were over £28 million, the total premium income nearly £17 million and the total assurances in force over £310 million.

ALLOCATIONS TO POLICYHOLDERS

In the ordinary branch a surplus of over £2,300,000 was allocated to policyholders to provide a bonus on with-profit policies at the rate of £1 10s. per cent on the sum assured in respect of each year's premium due in 1953 and paid, and also to make reversionary in form the bonus previously declared on a temporary basis in respect of premiums due in 1951 and paid. The rate of £1 10s. per cent is the highest bonus declared by the company since 1938.

In the industrial branch, £1,018,000 was allocated to policyholders to provide additional benefits by way of increases in claims and paid-up policies. The total surplus allocated to industrial branch policyholders, who have no contractual rights to a share in the profits, now amounts to over £12,700,000.

The value of the company's securities in the aggregate, on the basis of Stock Exchange prices, was appreciably more than at the end of 1952. The company now holds ordinary shares with book values of over £10 million, this being an increase of some £1½ million in the year. British Government and British Government Guaranteed securities together represent nearly 40 per cent of the company's total assets. Investments in mortgages increased by nearly £2 million, reflecting the continued popularity of the company's house purchase scheme.

The chairman concluded by referring to the amicable relations existing between the company and the staff associations and to the value placed upon them. He expressed his appreciation of the work of the staff in a very successful year.

ALUMINIUM LIMITED

RECORD VOLUME OF PRODUCTION AND SALES

VAST EXPANSION PROGRAMME SUBSTANTIALLY COMPLETED

The following is an extract from the report of Aluminium Limited for the year 1953 to be submitted at the twenty-sixth annual meeting of shareholders to be held on April 29th in Montreal:

Production of primary aluminium in 1953 exceeded any previous year in the company's history. Consolidated sales and operating revenues were $336 millions in 1953, compared to $333 millions in 1952 and $284 millions in 1951.

Expenditures of $129 million were made during 1953 in implementing the company's plant expansion programme. This amount brought total capital expenditures on the 1951-1954 programme to $435 millions, or more than 90 per cent of the projected total for the four-year period.

Net profit for the year 1953, after capital cost allowances (depreciation and depletion), income taxes and all other charges, including preferred dividends declared by subsidiaries, was $19,475,087, or the equivalent of $2.16 per share on the 9,013,994 shares outstanding at the end of the year.

GENERAL

Looking at the broad picture of the aluminium industry in the free world in 1953 it is noteworthy that more aluminium was produced and sold than in any previous year in the commercial history of the metal. Growth of smelting capacity, particularly in the United States, has proceeded at a rapid rate in recent years. Since the latter part of 1953 the increased supplies of aluminium have balanced total demand and currently there is sufficient production to meet all demands.

While defence and stockpiling needs will undoubtedly continue to require large tonnages, the present adequacy of supplies is stimulating further development of those civilian uses in which the metal is now generally accepted and is encouraging the active introduction of aluminium in new fields which have been under development for many years.

Aluminium now has full opportunity to prove its merits in competition with other materials, many of which have fallen in price. The era of greater competition will not all be easy, as experience in some of our markets has already shown in 1953, but, in our view, if the price of aluminium can be maintained at economic and competitive levels, the inherent advantages of the metal should maintain a healthy and growing demand in the years ahead.

In recent years the number of firms fabricating aluminium has greatly increased. The active interest of such fabricators is creating new markets for primary aluminium and should result in greater future consumption, particularly in such uses as building materials, transportation, electrical equipment, containers and irrigation tubing. Through its research and sales development activities the company is assisting its customers in all markets, particularly in those areas where the newer and modern uses of aluminium are not generally known. Attention and support are being given to new methods which hold promise of decreasing the cost of fabricating aluminium products.

OPERATIONS

BAUXITE AND ALUMINA.—Bauxite production was maintained at near-capacity levels in 1953 by all of the company's mining subsidiaries. Output of all grades of bauxite totalled 2,357,000 tons in British Guiana where a new calcining kiln and a modernised washing plant were brought into operation during the year.

At the new alumina factory in Jamaica, inital production problems were gradually resolved and enlargement of the plant to an annual capacity of 230,000 tons of alumina proceeded towards the completion date later in 1954.

ALUMINIUM INGOT.—All aluminium smelting facilities of the company's subsidiaries and affiliates were operated at maximum levels in 1953. The principal producer, Aluminum Company of Canada, Ltd., produced 545,800 short tons of primary aluminium at its four smelters in Quebec province, an increase of 9 per cent over 1952. Canadian capacity will be increased to 638,500 tons when the Kitimat smelter starts operations in the summer of 1954.

MARKETS AND SALES

In certain markets, particularly the United Kingdom, the demand for our products in 1953 was less than in 1952 but on balance a larger tonnage of aluminium, in a greater variety of forms and for more diversified end uses, was moved than in any earlier year.

Sales of aluminium in all forms and from all sources by consolidated subsidiaries of Aluminium Limited reached 597,779 short tons, thus exceeding sales in 1952 by 10 per cent.

The United States, the United Kingdom and Canada were the principal markets for the company's products, accounting for 87 per cent of total shipments. Deliveries in the United Kingdom were lower than in recent years, reflecting a decline in aluminium fabrication in that country.

EXPANSION PROGRAMME

The expansion programme undertaken by the company in 1950 and 1951 was substantially completed in 1953. By the year-end more than 90 per cent of the estimated total capital expenditures for the programme had been made and about one-third of the newly acquired assets were in operation. The remainder will be in operation in the summer of 1954.

The completion of the first stage of the programme is represented by new primary aluminium capacity of 71,500 tons per annum in the Province of Quebec and two new hydro-electric stations on the Peribonka River in the same province.

The new facilities added to those existing will, under normal water conditions, provide 94 per cent of the power necessary to operate the Quebec smelters at their rated capacity of about 547,000 tons annually.

KEMANO-KITIMAT PROJECT

The other principal portion of the expansion programme, known as the "Kemano-Kitimat project," is located in the Province of British Columbia. The interior lake system in British Columbia has been dammed at its outlet on the Nechako River and the storage reservoir, 357 square miles in area, is filling behind the coastal mountain range. In December the final portions of the ten-mile tunnel were driven through the mountain to carry the water to the hydroelectric generating station now excavated in the mountain base 2,600 ft below the tunnel intake. Installation of turbines and generating equipment, with a total initial capacity of 450,000 hp, is being completed in the Kemano powerhouse.

The transmission line system is ready to carry the electrical energy fifty miles to the new aluminium smelter site at Kitimat, where facilities with a capacity of 91,500 tons per annum are being readied for production. The harbour at Kitimat has been handling ocean cargoes for the past several months and the first shipment of alumina will be received in May from the company's new bauxite and alumina operation in Jamaica.

The task in British Columbia has been an arduous one and has resulted in expenditures in excess of original estimates, largely as the result of inflationary factors and the element of remoteness involved in a project far from populated centres. With operations soon to begin at Kitimat, the essential base for a large production has been established and the new site, with its potential of rapid and low cost expansion, is expected to be a sound and economic source of future production.

The total cost of the over-all expansion programme in the years 1951-54 inclusive, is estimated at $465 millions, of which the expenditure of $435 millions had been recorded in the accounts by the end of 1953 ($129 millions during the year), leaving $30 millions as the balance of capital expenditures to be incurred in 1954.

FINANCING

The major sources of new funds since the end of 1950 have been:

(a) Proceeds of the issue of new securities in the amount of $359 millions (including $50 millions debentures issued by Aluminium Company of Canada, Ltd., in March, 1954, out of which all its bank borrowings have been repaid);

(b) Retained earnings and provisions for capital cost allowances which together aggregated $140 millions in the years 1951 to 1953 inclusive.

GOLD COAST ALUMINIUM PROJECT

The projected integrated aluminium development based on the waterpower of the Volta River in the Gold Coast, West Africa, continues to occupy the company's attention. The Volta River project has a potential capacity of 230,000 tons of primary aluminium per year and its development is being jointly considered by the governments of the Gold Coast and the United Kingdom, The British Aluminium Company, Ltd., and Aluminium Limited.

A commission appointed by the two governments is investigating all phases of the project and the company is making technical information available to the commission as well as conducting various studies on its own behalf. The findings of the commission, will provide the basis for further negotiations looking to implementation of the project. In 1953, Aluminium Limited, increased its holdings in West African Aluminium Limited and obtained an option to purchase all other outstanding shares. West African Aluminium Limited has interests in certain Gold Coast bauxite deposits and holds concessions on the proposed Volta River power site.

FORD MOTOR COMPANY LIMITED

RECORD ACHIEVEMENT MARKS SILVER JUBILEE AT DAGENHAM

GROUP SALES EXCEED £100 MILLION

SIR ROWLAND SMITH'S REVIEW

The twenty-fifth annual general meeting of Ford Motor Company, Limited, will be held on April 26th, at Grosvenor House, Park Lane, London, W.

The following is an extract from the Statement by the Chairman, Sir Rowland Smith, MIMechE, which has been circulated with the Report and Accounts for the year ended December 31, 1953: The results of the Company's operations in 1953—the Silver Jubilee of Ford at Dagenham—reveal the highest achievement in its history and, with a well-established and wide range of products, the Company was able to consolidate its leading position abroad and to forge ahead at home.

Commonwealth markets have steadily improved from the difficult position created in the Spring of 1952 by import restrictions. Our diesel tractor was favourably received in the USA and, although car sales there declined, the overall dollar position improved due to increased car sales in Canada. Everywhere the outstanding qualities of the Consul and Zephyr have been reflected in a mounting demand.

In the passenger car field British manufacturers met with fierce competition overseas from the expanding German industry, whose products made rapid headway, particularly in the free markets of Belgium and Switzerland.

In the latter part of the year we announced four new passenger cars—the Ford Popular, the new Anglia, the new Prefect and the Zephyr Zodiac, which, together with the Consul and Zephyr, now form an unrivalled range.

In the commercial field, the introduction in early 1953 of the entirely new 4-cylinder "Cost Cutter" petrol engine was immediately successful; in recent weeks we have produced the diesel version of this engine at by far the lowest price in the market. This should stimulate the trend, already experienced, towards the increasing use of diesel engines for commercial purposes.

To sum up, our total export of cars, trucks and tractors fell very slightly below those of 1952.

The announcement on the eve of the Motor Show of the Ford Popular—the lowest priced car in the world—created a soaring demand which we have not yet been able to meet despite a production of over 250 of these cars a day. Our car deliveries at home totalled 87,302, well over a quarter of the 301,354 United Kingdom car registrations.

RECORD SALES

For the first time in our history the total value of group sales exceeded £100,000,000, and this during a year in which none of our unit prices was raised and some were reduced.

While these record sales were, of course, the principal factor, reduced costs of materials purchased, economies in our factories and the earnings on our Briggs investment contributed to the profit before tax of £15,824,570.

Taxation takes £10,693,243, of which £2,765,940 is for Excess Profits Levy.

The net profit for the year after tax was £5,131,327.

Capital expenditure during the year amounted to £4,708,320, excluding the Briggs acquisition. The total cost of acquiring Briggs Motor Bodies, Limited, was £5,638,999.

At the year end our resources in cash and Government securities had increased by £16,615,780 to £39,160,269.

THE OUTLOOK

Our own immediate prospects abroad change from time to time. With our varied range of products it is reasonable to assume that we should be able at least to maintain our 1953 level of exports if no grave economic or political disturbances occur.

NEW PRICE MARKET

Demand for the Ford Popular indicates that we have reached an entirely new price market. Secondhand values have declined greatly and buyers are more selective. In the United Kingdom alone there are over 1½ million prewar cars to be replaced, and few owners will abandon lightly the convenience and independence of a car of their own. Even if the replacement with a new car is beyond the financial resources of many, the demand should serve to support the secondhand market, and so influence indirectly the sale of new cars. Therefore, I take a confident view of our prospects at home, particularly as we are now fully represented with modern vehicles in a field which covers 95 per cent of the demand.

In view of the satisfactory trading results and the Company's sound financial position, your Directors are recommending a dividend of 12 per cent (subject to tax) on the ordinary capital. This represents to the ordinary stockholders a return after tax of 3.1 per cent on the capital employed and compares with the national average distribution figures ranging in recent years from 3.4 to 2.9 per cent, as quoted by the Chancellor of the Exchequer a few weeks ago. I believe that the proposed dividend can, in his words, be described as "a fair return on the capital employed, while retaining enough reserves to cover future risks and future development."

Your directors also propose that in place of the single annual dividend which has usually been paid in May, an interim dividend should, in the future, be paid in the second half of the year, followed by a final payment in May. This will, it is hoped, prove of convenience to stockholders.

ANTIQUATED ROAD SYSTEM

I cannot conclude without reference to a problem which is of great concern to us all, and that is the "hardening of the arteries" in our antiquated road system. The main roads of this country must be brought, and quickly, to a condition where they are a help and not a hindrance to industry. Here is a field in which really bold development plans over the next few years will yield ample reward, and every effort is being made to bring this home to the authorities.

The review concluded with a reference to organisation appointments and an acknowledgment of the co-operation and support received from suppliers, the Associated Companies overseas, and dealers during the year and of a fine year's work by staff and employees.

ASSOCIATED ELECTRICAL INDUSTRIES

RECORD PRODUCTION

The fifty-fourth annual general meeting of Associated Electrical Industries, Limited, was held on March 31st, in London.

Sir George E. Bailey, CBE, the chairman, in the course of his speech, said: During 1953 your company once again established a record rate of production. Shipments invoiced both home and abroad totalled £86.1 million compared with £76 million for 1952, an increase of 13 per cent.

Your board considered it essential to reduce the ratio of stocks and work in progress to turnover. I am pleased to say that we have achieved some success, having increased our shipments by £10.1 million without any significant increase in actual inventory. More remains to be done.

Total orders received during the year show a reduction compared with the previous year. This, together with our increased production, has naturally led to some reduction in the volume of orders in hand. However, it is gratifying to note that these still amount to the comforting total of £124 million with deliveries extending into 1957. This reduction carries with it some advantage in that it enables us to offer shorter deliveries for some products and so to increase our competitive advantage in those markets where deliveries are all important.

The group continues to play an important part in providing new generating plant for the British Electricity Authority. During 1953 we commissioned an aggregate capacity of turbo generators on the B.E.A. system of more than 750,000 kW. The Metropolitan-Vickers Company's share of this total, over 550,000 kW., constituted a record for that company.

EXPORTS

Your group continues to make an impressive contribution to the country's export trade. During 1953 our shipments abroad exceeded those of the previous year by 14 per cent and constituted a record in the history of the group.

You will have read in the press about the future use of atomic energy in generating electric power. These developments so far envisaged only the generation of heat for the raising of steam and will, therefore, still require turbines, alternators and ancillary plant for the generation of electric power. Naturally we are watching these developments alertly and our research and design engineers are ready to take an active part in the solution of the many problems associated with this form of energy.

I feel it necessary to emphasise again that the desperate measures being taken by our foreign competitors, coupled with the rising prices in this country, make it essential to redouble our efforts to reduce costs if we are to maintain our position. It is not sufficiently appreciated that since the war we have moved from a position of having no competition from German and Japanese manufacturers to one where they are increasing their engineering exports at a rapid rate. Most of their factories have been rebuilt on modern lines and fitted with first-class tools and equipment.

Stockholders will be interested to know that their board views the future with sufficient optimism to justify embarking upon a further long-term expansion plan for the manufacture of heavy electrical plant and steam turbines for both the M-V and BTH companies. Also the Edison Swan and Ferguson Pailin companies are expanding their facilities in the television component and switchgear fields.

The report was adopted.

FIELDING & JOHNSON LIMITED

FOUNDED 1720

Leicester

SPINNERS OF HOSIERY AND HAND KNITTING YARNS

Profit	1953	1952
	£	£
Profits after all charges except taxation	357,143	360,707
Add reserve for taxation not required	10,000	—
	£367,143	£360,707
Appropriation of Profits :—		
National Taxation	202,814	216,546
Dividends (net)	72,149	67,355
General Reserve	69,990	70,000
Increase in the profits carried forward	22,190	6,806
	£367,143	£360,707

Output in 1953 was the second highest in the post-war history of the Company. The profit of £357,143 is satisfactory in view of the smaller profit margins now prevailing.

The Ordinary Stock dividend for 1953 is equivalent to 25.57% on the increased issued Ordinary capital of £504,787, and 8.44% on the funds which are attributable to Ordinary stockholders.

Funds Employed	1953	1952
	£	£
Capital issued and fully paid :—		
Preference shares of £1 each	35,000	35,000
Ordinary stock (5/- units)	504,787	360,562
Reserves and undistributed profits	800,067	852,112
Amounts set aside for future taxation	225,000	230,500
	£1,564,854	£1,478,174
These funds were invested in :—		
Plant, machinery, buildings and other fixed assets	390,460	365,251
Net current assets	1,174,394	1,112,923
	£1,564,854	£1,478,174

Reserves totalling £144,225 were capitalised in September, 1953.

The figure of £390,460 for fixed assets is after providing accumulated depreciation totalling £401,648 (1953 : £36,191). Buildings and machinery are well maintained and much re-equipment has been undertaken in recent years.

The net current assets include £333,142 in cash and £106,375 in tax reserve certificates.

Annual General Meeting

The thirty-second annual general meeting of the company was held on March 30, 1954, at the Grand Hotel, Leicester, when the report and accounts were adopted, dividends approved and the retiring directors re-elected.

THE HALIFAX BUILDING SOCIETY

MR ALGERNON DENHAM'S STATEMENT

The one hundred and first annual meeting of The Halifax Building Society was held in Halifax on March 29th.

The President, Mr Algernon Denham, JP, presiding, said: In recent years it has been customary for us to report a record accretion in our assets which during the year have increased from £194.7 million to £214.3 million. Of our total funds 81.64 per cent are loaned on mortgage to 269,687 borrowers whose properties are so well spread and selected as to leave us free from anxiety.

Our paid up share department class 2 balances have increased by over £18 million during the year and the balances in our deposit department show an increase of £788,000. To our investors and depositors we have during the year paid or credited by way of interest and bonus £4,271,000, all interest and bonus being free of income tax as far as the investor is concerned.

On investments over £5,000 and on limited company accounts, the Society pays income tax at the standard rate and on other investments under a special arrangement at the composite rate of 4s. 10d. in the £. Over £200 million of our investors' moneys attract the composite rate and the standard rate is at present applicable to investments totalling only £2,179,000.

The surplus for the year of £869,005 is satisfactory and we have increased our general reserve by £500,000 to £10 million and our carry forward by £224,205 after providing £144,800 to cover the recommendation of a bonus of ½ per cent to our subscription and class 1 shareholders.

We appreciate the encouragement and drive which the Housing Minister is putting into his home-ownership campaign.

That it has been and is still necessary to exercise a measure of rent control in a period of housing shortage no one will dispute, but many anomalies can be removed. It is therefore commendable that a Government with a small Parliamentary majority behind it should, at long last, display the courage to remedy partially an admitted injustice.

I regret to observe a growing tendency on the part of some societies to attract investments of large capital sums from industrial concerns. This class of transaction, which is contrary to both the aims and aspirations of thrift institutions, makes no appeal to our Society or to the movement generally. As such investments may be subject to early withdrawal, your directors hold the view that their acceptance is to be deplored, bearing in mind that mortgage lendings are for long and lengthening periods, and I urge the Building Societies Association to consider making recommendations as to a limit on the intake of investments from any one source.

From January, 1952, our operative rate to class 2 investors has been 2½ per cent, and from April, 1952, to depositors 2 per cent, and at that time we decided to make a determined effort to maintain all our occupier-borrower mortgages at the then operative 4 per cent rate. Maintenance of the 4 per cent mortgages precluded, for the time being, our paying to class 2 shareholders a rate in excess of 2¼ per cent, but as our old 4 per cent loans are likely to be reduced during the year to half their 1952 total, the day is not far distant when our class 2 investors may have their patience rewarded, always provided that in the meantime there is no substantial downward trend in bank rate and in the value of money generally.

THE INVERESK PAPER COMPANY, LIMITED

BENEFITS FROM CAPITAL EXPENDITURE

SIR BERNHARD BINDER'S REVIEW

The thirty-first annual general meeting of the Inveresk Paper Company, Limited, was held on March 26th at Brettenham House, Lancaster Place, London, W.C.2.

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

As I pointed out last March, trading conditions then were difficult and most of our mills had been working short time. These conditions improved gradually during the latter part of our financial year as customers regained confidence.

PROFIT AND LOSS ACCOUNT

The group's trading profits amounted to £1,661,800, a reduction compared with the previous year of over £420,000, but after charging taxation the net consolidated profits are only £120,000 less at £573,600.

Having regard to all the facts the directors feel justified in recommending to you the payment of an increased dividend on the ordinary stock of 12½ per cent free of tax, which has been earned with a satisfactory margin.

Capital expenditure in postwar years amounted to nearly £5 million and further expenditure will be essential to continue the policy of equipping our mills with the most modern machinery.

The group reserves now total £6,300,000, of which the reserves in the parent company's balance sheet amount to £1,932,167, without taking into account the excess of the present value of its investments in its subsidiary companies over their original cost. As already reported, the directors recommend the capitalisation of £1,305,137 of these reserves to provide for the issue to ordinary stockholders of two new ordinary shares of 1s. each, fully paid, for each 2s. ordinary stock unit held.

In this connection it is interesting to note that whereas in 1933 the ordinary share capital was written down by £1,235,000, the amount capitalised out of reserves in 1951 and now proposed amounts in total to nearly £2 million.

THE OUTLOOK

The improvement in trading conditions still continues and we are now working full time. As a result, for the first five months of the current financial year the group's profits have shown a satisfactory improvement. However, recently prices for chemical woodpulp have progressively increased and are now about 90 per cent above those in 1949, an increase which in our opinion is unjustified and is detrimental to future normal trading conditions. Mechanical woodpulp has increased in price by 50 per cent since the end of the year 1949. Although today the price of esparto grass is higher than it was in 1949, the increase is not comparable with that of woodpulp, so that some measure of stabilisation has been achieved in this market and I would like to pay a tribute to the business acumen and foresight of our friends in North Africa in stabilising prices because it must ultimately be to our mutual advantage.

The paper industry is restricted by the Ministry of Materials in the amount of sterling it can spend annually on its raw material purchases, so that any rise in prices will reduce the amount we can import, making it impossible to maintain full production. In our opinion this restriction in the sterling allocation has been a great benefit to the paper industry and has exercised a restraining influence on the prices of our raw materials. Other costs have also risen which emphasises the necessity of securing further economies in working from continued judicial capital expenditure.

I cannot emphasise too strongly the need for stability in prices of our raw materials at reasonable levels to the ultimate benefit of both producers and consumers and the return to the prewar custom of contracting yearly at fixed prices for these materials.

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

The report was adopted and the capitalisation of reserves approved.

R. A. LISTER & COMPANY LIMITED

A RECORD YEAR

SIR PERCY LISTER'S SPEECH

The following are extracts from a speech made by the chairman, Sir Percy Lister, at the annual general meeting of R. A. Lister & Company Limited, the parent company of the Lister Group of Companies.

You will observe that the profit for the year before tax is £607,099 as compared with £677,073 for the previous year, and this despite the fact that the volume of products manufactured and sold by the group for the year under review established a new record.

During the financial year your companies have been in the forefront of those who have endeavoured to set an example that would help to arrest the upward tendency in the cost of living by reducing the prices of their products to the consumers, thereby conforming with the urgent appeal of the Chancellor of the Exchequer in his Budget speech last year. There is ample evidence not only in the form of increased turnover but from letters received from all parts of the world that our initiative in this matter has been fully appreciated. These further reductions in prices over and above those to which I made reference in my statement a year ago have only been made possible by the passing on of the benefits accruing from modern plant and equipment, new methods and processes.

OVERSEAS TRADING DIFFICULTIES

The abnormal trading conditions to which I made reference last year have unfortunately continued throughout the year under review, particularly in the export trade where many markets, through currency difficulties, have been virtually closed, and in the Commonwealth and Empire markets quotas and other restrictions have seriously restricted trade. It will be appreciated that the imposition of quota systems has perhaps the most devastating effect of all methods of trade restriction since enterprise, initiative and sales effort are largely neutralised by such practices.

AUSTRALIAN INTERESTS

Our Australian subsidiary has been particularly adversely affected by the economic difficulties aforementioned. The ad[illegible] of a modern mechanised foundry w[illegible] as opened during my visit to our Austra[illegible] ictory in April last should have added enormous strength to our Australian company's activities; but the repercussions of the Korean stock piling of wool, coupled with the drastic financial and economic restrictions imposed in Australia have necessitated our making a special provision of £150,000 against the investment in this enterprise. However, our products enjoy a very enviable reputation in Australia, where currently there are indications of improvement in trade, and we are convinced that we can look forward to a return of more normal and better conditions in this valuable market provided the primary producers of the vast bulk of Australia's exports are not unduly handicapped by the prevalent inflationary tendencies.

It will be observed that this special provision for our Australian investment has been partially offset by our ability to bring in £50,000 from a provision made in a previous year no longer required, together with a capital profit of £23,000 from the sale of a minority shareholding in an associated company.

DEVELOPING MARKETS

We, in company with many exporting industries, have been and still are going through a period of readjustment, having passed from a seller's to a buyer's market. Nevertheless, it is pleasing for me to be able to advise you that despite the aforementioned handicaps we have, by developing markets in which our interests were not fully developed, or in which trading conditions have improved, secured a substantially increased volume of trade in such markets. The home and overseas demand for our electric generating units and marine propulsion and auxiliary engines has shown gratifying expansion.

A large section of your company's activities has always been closely associated with the agricultural industry and in this connection the progress made in the development of new labour-saving products by the Agricultur[illegible] Division of Messrs Blackstone and Company, Limited, together with those of the parent company at Dursley, are proving beneficial, and, we believe, will help still further to establish and enhance the reputation of your company's products in this basic industry the world over.

The need for increased effort and productivity in the factory and in the sales operations of our industry is still the prime national requirement, and the recent appeal of the Chancellor of the Exchequer in this connection, like others that he has made, will not go unheeded, but it is safe to say that HM Government must also show their willingness to face new problems with a new approach and flexibility. Established practices of the past in many walks of life are having to give place to new methods and new approaches, and so in the development of our vital export trade it will be necessary to ensure that we minimise to the utmost the loss of trade in any market through our inability to do such reciprocal trade as will provide sterling to pay for our exports to such markets.

You will be pleased to know that our current order book, now free from the drawbacks of a heavy postwar backlog, is in a healthy condition and we are proud of our increasing trade with the dollar area.

DIVIDEND INCREASE

In recent years I have made reference t[illegible] your board's desire to increase the yield [illegible] our shareholders, without whose support a[illegible] co-operation over such a long period of tim[illegible] our task would have been infinitely mor[illegible] difficult and our steady progress would cer[illegible]tainly have been restricted. We are confi[illegible]dent, having regard to the strong financia[illegible] position which we have built up, that in[illegible] increasing the dividend from 9 per cent to 12 per cent, which in turn represents a yield of approximately 6 per cent, on the actual capital employed in the business, we are recommending what is only fair and equitable.

The report and accounts were adopted.

JAMES PASCALL, LIMITED

ANOTHER RECORD YEAR

The fifty-seventh annual general meeting of James Pascall, Limited, was held on March 31st at Mitcham, Mr R. Ellman Brown, FCA (the deputy chairman), presiding.

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

I am glad to report to you once again a record year. Our trading profit shows an increase of nearly 66 per cent over the previous year, the net profit, before taxation, advancing by approximately 72 per cent. These figures represent the highest ever recorded by the company, and reflect the very considerable increase in output which we were able to achieve during the year. This was made possible by the derationing of sweets, the freeing of sugar from allocation control and the greater potential available to us as a result of our reconstruction programme. The measure of these achievements can be gauged by the fact that our output is now three times as great as in 1948. Still further development is planned.

I feel it is desirable to utter a word of warning about the future. We have every confidence in our ability to maintain fully our present level of sales, but there are signs that the full productive potential of the industry is in excess of demand, and it seems probable that this will lead to lower prices for certain types of confectionery. Furthermore, there is strong pressure from the distributors for increased margins, and many manufacturers have already offered more favourable terms, and so commenced a trend which may well become general. We also anticipate increased advertising and sales charges as an inevitable development from growing competition. It is clear that these factors will affect the average level of profit. Since we are confident in the quality of our products and in the public's appreciation, we propose to meet this situation in the only possible way, by increasing our output and sales.

EXPORT TRADE

Despite heavy competition both from home and foreign manufacturers, our export trade has been well maintained, and I am particularly glad to report that we fully hold our own in the dollar markets.

Out of our profit of £343,000 we have had to pay and provide for taxation amounting to £235,000, or, in other words, more than two-thirds of the profit.

Current assets still exceed the current liabilities by a substantial sum, and the cash at bank and in hand and tax reserve certificates total, this year, £207,000, as compared with £39,000 last year.

This year we decided to distribute a dividend of 40 per cent to the ordinary shareholders, as we did not think it fair that shareholders should be the only ones not to share in increased prosperity. Dividends in the future will depend on profits as they have done in the past.

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

The report was adopted and the capital issue proposals were sanctioned.

RUBBER GROWERS' ASSOCIATION

PROBLEM OF FALLING PRICES

The ordinary general meeting of The Rubber Growers' Association (Incorporated) was held on March 30th in London.

Mr P. B. L. Coghlan (the chairman), in the course of his speech, said:

It will be recalled that shortly after our meeting last year, the International Rubber Study Group met in Copenhagen to consider measures to deal with a burdensome surplus. The representatives of American manufacturers, who were present at the meeting, issued a statement to the effect that they believed there could be no surplus of natural rubber during the next 12 months, and that they would buy every pound of natural rubber available to them at prices competitive with GR-S, which they intimated would not be substantially lower than the price of natural rubber at that time.

Figures are available for nine of the ten months which have elapsed since this statement was made, and these show that during this period the US has consumed 407,000 tons of natural rubber and has added 1,000 tons to commercial stocks, compared with 397,000 tons consumed in the nine months preceding the Copenhagen meeting and 24,000 tons added to stocks. The US rubber manufacturers have, therefore, taken off the market since their statement at Copenhagen, some 13,000 tons less than they did in the corresponding period before their statement was made.

SURPLUS OF NATURAL RUBBER

Despite the re-affirmation of their statement in October last, it can hardly be claimed that so far it has stood the test of time, nor can it be claimed there was no rubber available for US manufacturers to buy. The fact that today's price is 1s. 4¼d., compared with 1s. 9¼d. when the statement was made, is ample evidence that there has been a surplus of natural rubber.

Following the October, 1953, meeting of the management committee of the Rubber Study Group, the US Government modified its stockpile rotation programme, which was having a depressing effect on the market. It also revoked the directive which threatened the re-imposition of mandatory usage of synthetic rubber if the annual rate of consumption fell below a level which was more than double that required by Statute. These helpful moves are appreciated, but no action has been taken by the US Government in regard to its pricing policy of GR-S.

DISPOSAL OF SYNTHETIC PLANTS

Under the existing plans for the disposal of the Government synthetic plants, the earliest date by which these can be handed over to private enterprise is April 30, 1955. If the plants are disposed of to private industry at a fair valuation, it will be interesting to see if the present price is maintained. If there is an increase in the price when the plants are handed over to private industry, then it will support our contention that the US Government has been providing its manufacturers with an artificially cheap alternative to natural rubber, consequently depressing the price of the latter and thereby causing economic distress in South-East Asia. While we would all prefer to believe that the US Government has not been doing so, it is sometimes difficult to understand why Britain's premier dollar-earning commodity is probably the lowest priced raw material in post-war markets.

The report and accounts were adopted.

MENTMORE MANUFACTURING COMPANY

("Platignum Pens")

A CONSIDERABLE IMPROVEMENT

The eighteenth annual general meeting of the Mentmore Manufacturing Company, Limited, was held on March 25th in London.

Mr A. Andrews (chairman and managing director), in the course of his speech, said: We are pleased to announce a considerable improvement over last year. The net profit, before providing for tax, being £206,225, compared with £180,207, an increase of £26,018.

A substantial part of the increase in profit is accounted for by a very definite recovery in our export trade, due to the fact that the Governments of Australia and New Zealand relaxed restrictions considerably on imports of our type of goods.

Our Plastics Division has had a very good trading year, achieving a satisfactory increase in profits, and we are establishing a very good name as moulders to very many trades.

Our turnover is, to date, well ahead of the same period last year and there is every indication that trade will continue to expand.

As, of course, you are aware, this company's main product is the Platignum brand of writing instruments. The name Platignum has been established over many years by intensive advertising and good service to the public. In view of the world-wide publicity value of the name Platignum, your board have had under consideration for some time the advisability of changing the name of this company from the Mentmore Manufacturing Company, Limited, to Platignum Pens Limited.

The report was adopted.

JEREMIAH ROTHERHAM AND COMPANY

The fifty-sixth annual general meeting of Jeremiah Rotherham and Company, Limited, was held on March 31st in London, Mr F. Sydney Snowden, chairman and managing director, presiding.

The following is an extract from his circulated review:

Trading conditions in the past year have again been difficult. Sales in the earlier periods exceeded those of the previous year, but in the latter months did not come up to expectations, being adversely affected by the exceptionally mild weather which we then experienced. No doubt the uncertainty as to relief of Purchase Tax has also had a deterrent effect, but the recent statement of the Chancellor of the Exchequer that this tax must remain, at least for the time being, may react on the public to buy now, instead of waiting for Budget Day.

We were able during the year to put in a new passenger lift. It has already proved a boon and, beyond being greatly appreciated by our regular customers, should be a means of attracting more and more to the House.

In the profit and loss account, the balance brought down, after providing for directors' fees and taxation on current profits, amounts to £21,920 as against £13,176. After adding to this amount the net interest on the war damage claim and sundry tax credits, and the balance brought forward, there is £98,509 available. From this amount must be deducted £10,000 profits tax on the proposed distribution, leaving a disposable balance of £88,509. Your directors recommend a dividend at the rate of 6 per cent plus a bonus of 2½ per cent, less income tax.

The report was adopted.

THE PATALING RUBBER ESTATES, LIMITED

SIR ERIC MILLER'S SPEECH

The thirty-fourth annual general meeting of the Pataling Rubber Estates, Limited, was held on March 26th at the registered office of the company, 1-4 Great Tower Street, London, E.C.

Sir Eric Miller, the chairman, in the course of his speech, said: The total crop was 10,154,560 lb, a reduction of some 400,000 lb on that harvested in the year 1951-52 from all the estates concerned. During the year under review the price of No. 1 smoked sheet in the market fell from about 1s. 11d. to 1s. 5d. per lb. Fortunately part of our crop is turned out as sole crepe, which commands a premium over ordinary grades so that our overall average sale price London landed worked out at the more satisfactory figure of 2s. 1d. per lb; nevertheless it represents a fall on the previous year's average selling price of about 11d. per lb. On the other hand the all-in cost of production fell by just over 3½d. per lb, of which 1d. was attributable to lower export duties.

The working profit before taxation, but after charging export duty and cess was £315,961, equivalent to 7d. per lb on the crop.

REPLANTING PROGRAMME

During the year we planted 105 acres of virgin land and replanted 507 acres of old rubber. For the current year a replanting programme of just over 1,000 acres has been approved. At the end of October, 1953, the area planted with modern material was just under 10,000 acres, or 40 per cent of the acreage under rubber.

The consumption of rubber including synthetics in the USA during 1953 set up an all-time high record at 1,335,000 tons of which, however, only 553,000 tons were natural. What is happening in the field of synthetics is therefore of paramount importance. 1954 is likely to see lower aggregate consumption there, but the proportion of natural will be higher. Natural represented only 39.6 per cent of total US absorption in the first half of 1953 but it has gradually risen to 49 per cent in February, 1954. If it holds at about 50 per cent during 1954, which is a reasonable assumption, the offtake of natural will be substantially greater than it was in 1953.

PRODUCTION OF SYNTHETIC RUBBER

The Secretary of State for the Colonies has made some interesting comments on the projected production of synthetic rubber in this country. It seems to me desirable to keep a due sense of proportion and not imagine this development of special purpose synthetics to be any menace to natural. We cannot hope, however, to maintain our competitive position without high yielding trees, sound labour conditions, and a lowering of the exactions of Governments. The Pataling Company has made solid progress in the first essential and has the resources to pursue a steady course of further rejuvenation.

New uses keep being found for this wonderful material, which, as I have often said, takes so much of the harshness out of life. Whatever the outlook may be for a few months at a time there is no doubt whatever that the world will continue to require increasing quantities of rubber year by year, of which natural, with its special properties, will always command a full share. The Pataling Company was one of the pioneers and is well equipped to play a useful part in this expanding future.

The report and accounts were adopted.

MIDLAND COUNTIES MOTOR FINANCE COMPANY, LIMITED

RECORD RESULTS AND DIVIDEND

SIR GEORGE KENNING'S STATEMENT

The twenty-fifth annual general meeting of the Midland Counties Motor Finance Company, Limited, was held on March 30th, Sir George Kenning, chairman and managing director of the company, presiding. The following is his circulated statement:

In presenting the directors' report and accounts for the twenty-fifth year, I am happy to record another successful year and the best in the history of the company.

The consolidated profit and loss account for the year ended December 31, 1953, shows a profit of £165,759 compared with £119,802 in 1952, an increase of £45,957. After providing for directors' remuneration, audit fees, depreciation and taxation, the latter taking £100,555 (including £13,640 for excess profits levy) there remains £59,152 of which £8,044 is retained by the subsidiary companies and £51,108 is available for appropriation by your company.

The preference dividend (which is covered more than twenty times by earnings) takes £2,750 net, and, subject to your approval, your directors propose to transfer £10,961 to reserve account and to recommend a dividend of 20 per cent less tax on the ordinary shares which compares with 15 per cent last year. This increase is made on the increased ordinary share capital of £250,000 and the directors feel you will share their view that it is justified by the results.

This increase in the dividend costs £11,75(after tax, the total amount distributed by way of dividend costs £30,250 and the net amount retained in the business totals £30,186 after writing off minor amounts totalling £2,239 to tidy up the balance sheet.

Revenue reserves now total £186,782 and taxation reserve £88,059.

Assets consist almost entirely of hirers balances which total £2,113,038. Current assets exceed current liabilities by £618,23(compared with capital and reserves of £539,878.

These figures demonstrate the strength and liquidity of the company. The proportion of hirers' balances which have a life of less than two years is 89 per cent and the proportion of arrears and of bad debts is extremely low. The balances are well spread and the average advance is less than £150.

Your company recently increased its borrowing powers to £2 million, which is a modest sum in proportion to capital and reserves. The proportion of short term loans or deposits to capital is a conservative one.

EXCELLENT FACILITIES FOR DEPOSITS

Your company's scheme for the acceptance of deposits is available to the small and large investor alike and offers an attractive and secure method of earning a realistic rate of interest (at present 5 per cent, less income tax) while still conserving capital values and availability at very short notice. Deposits can be arranged with the minimum of formality and at no cost to the investor on deposit or on withdrawal.

FUTURE PROSPECTS

I am optimistic about 1954's prospects for the following reasons:

First, the large increase in business in 1953 can only be fully reflected in 1954.

Secondly, the increase in business has continued at the same rate during January and February this year.

Thirdly, these increases have been sustained without any notable increase in overheads.

Fourthly, I hope we shall not be faced with increased taxation to replace the excess profits levy which cost us £13,640 last year.

A lot of nonsense is talked both inside and outside Parliament about hire-purchase. It is merely a modern form of banking catering for the needs of the ordinary individual in the face of a system of taxation which has grown so cumbersome and burdensome that it tends and seeks to prevent the ordinary business man from reaping even a modest reward for his labours.

The report and accounts were adopted and the retiring directors, Mr. Bert Shentall and J. E. Bird, were re-elected.

AN ACTIVE BUSINESS MAN, aged 43, with considerable experience of sales organisation and general financial direction and until recently an executive director of a substantial public company, would be interested to hear of a suitable executive appointment where his experience and personality could justify a salary of some £3,000 p.a.—Reply Box 511.

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A CAPABLE and versatile young Export Manager required to assist in expanding business of international company (London). Excellent French and German essential.—Write, giving age and experience, to Box 515.

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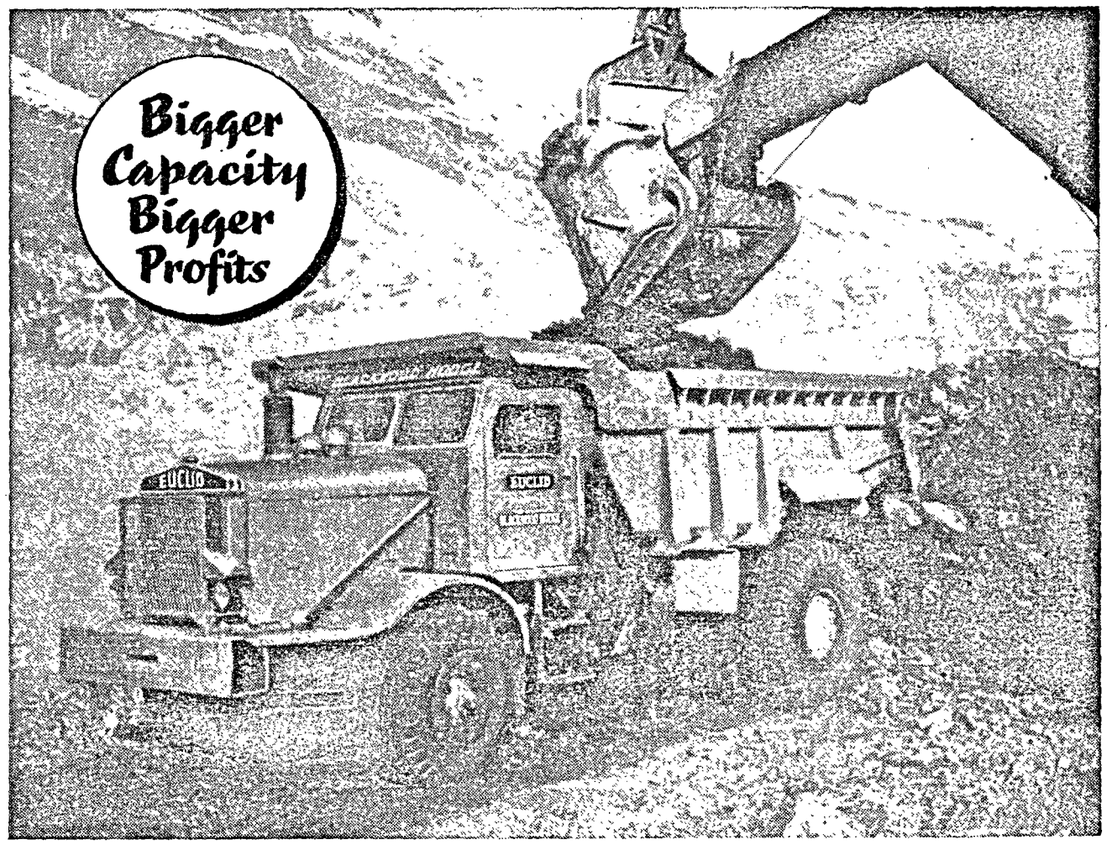
MANAGING DIRECTOR of a well-known Company situated Central London requires first-class secretary-shorthand-typist with experience in taking minutes. Age not more than 35. Good educational background and appearance essential. Five-day week, good salary, non-contributory pension scheme, good working conditions and prospects for a girl with initiative and personality.—Write Box 519. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

SENIOR MERCHANDISE MAN REQUIRED, with considerable grocery and toiletry retail experience.—Box 513. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.

ECONOMIC DIGEST (monthly) will keep you informed of many important items you are liable to miss in the modern avalanche of articles, reports, lectures, memoranda. Free specimen copy with pleasure.—Economic Research Council, 18 South St., London, W.1.

CHEMIST, 1st Class Honours, B.Sc.London, A.R.I.C., considerable experience of development, manufacture and packaging of food products, including soft drinks, wishes to obtain senior appointment with progressive company. Sound knowledge of factory management and organisation and of commercial aspects of products.—Box 512.

STATISTICAL CLERK, experienced, H.S.C. Maths, requires immediate employment.—Box 507.



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* *Hulton Readership Survey, 1953*

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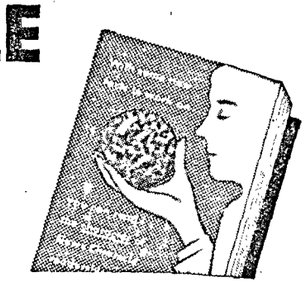
The findings in this booklet are based on a survey conducted originally for our private editorial use—but some of the information, we thought, would be very useful to advertisers or their agents. Copies of the booklet may be obtained by writing or telephoning to the Advertisement Director, The News Chronicle, Bouverie St., E.C.4. Central 5000.



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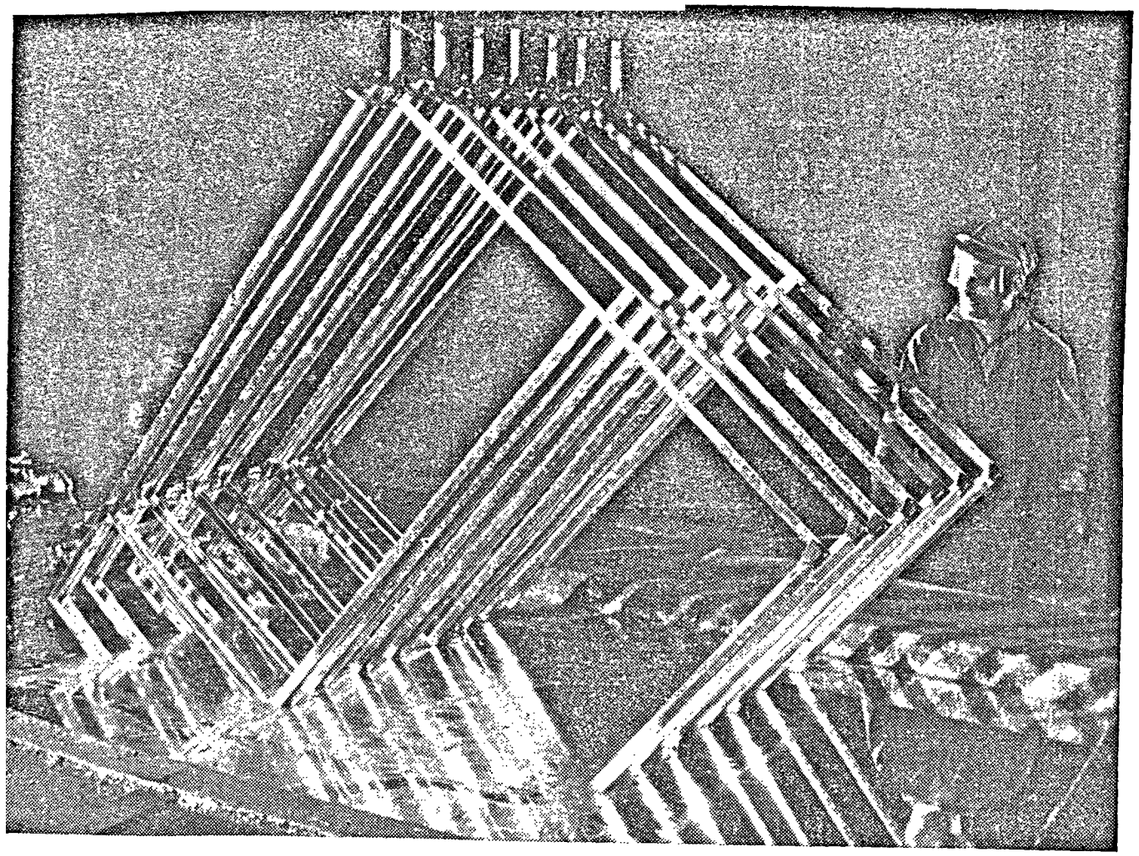

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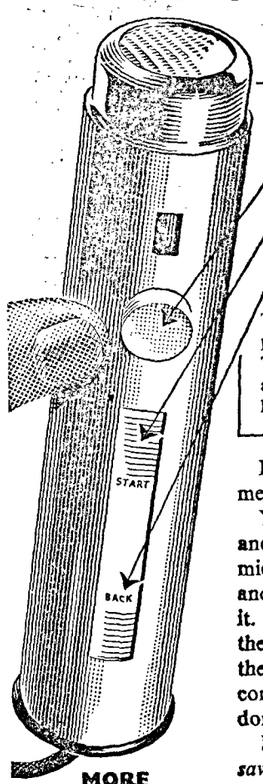

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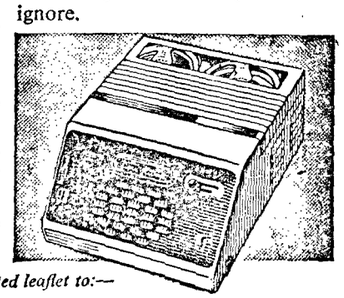

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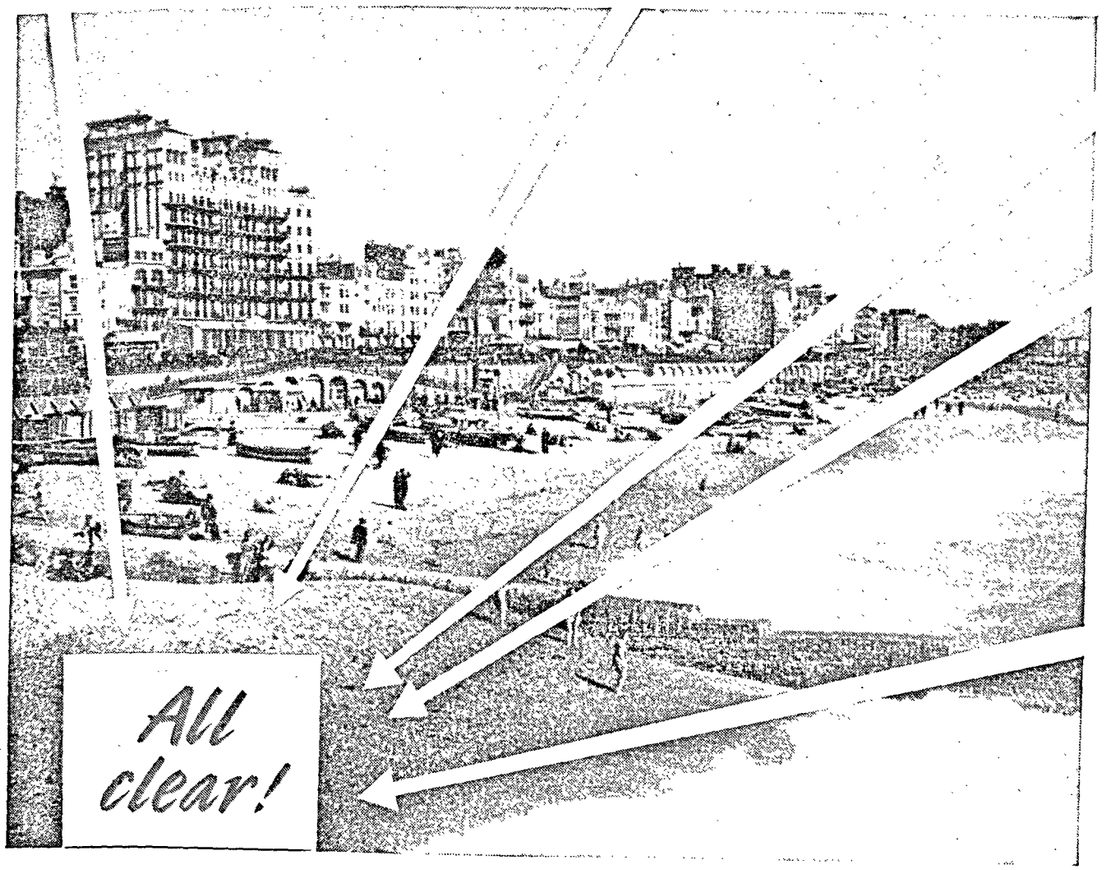

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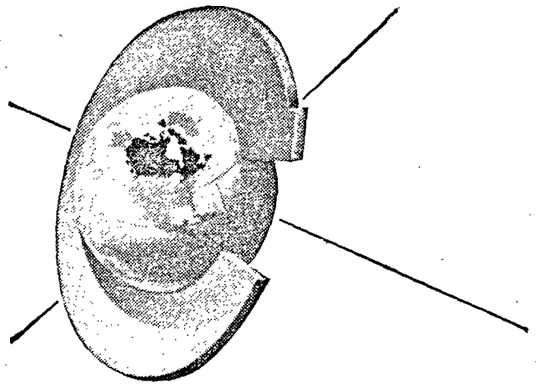

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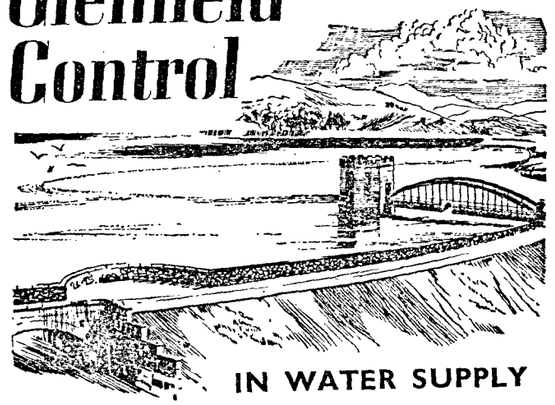

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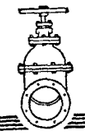

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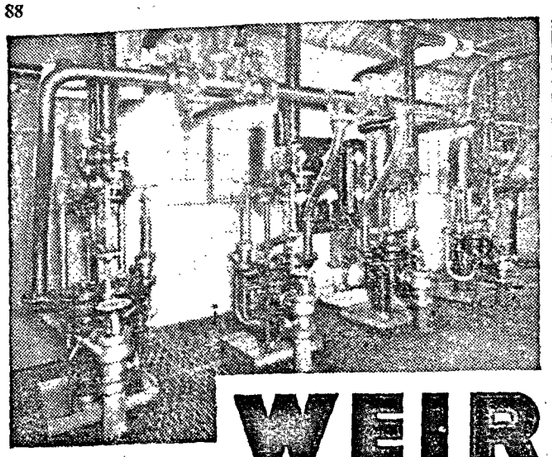

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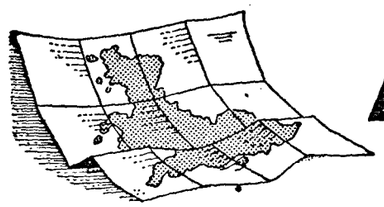

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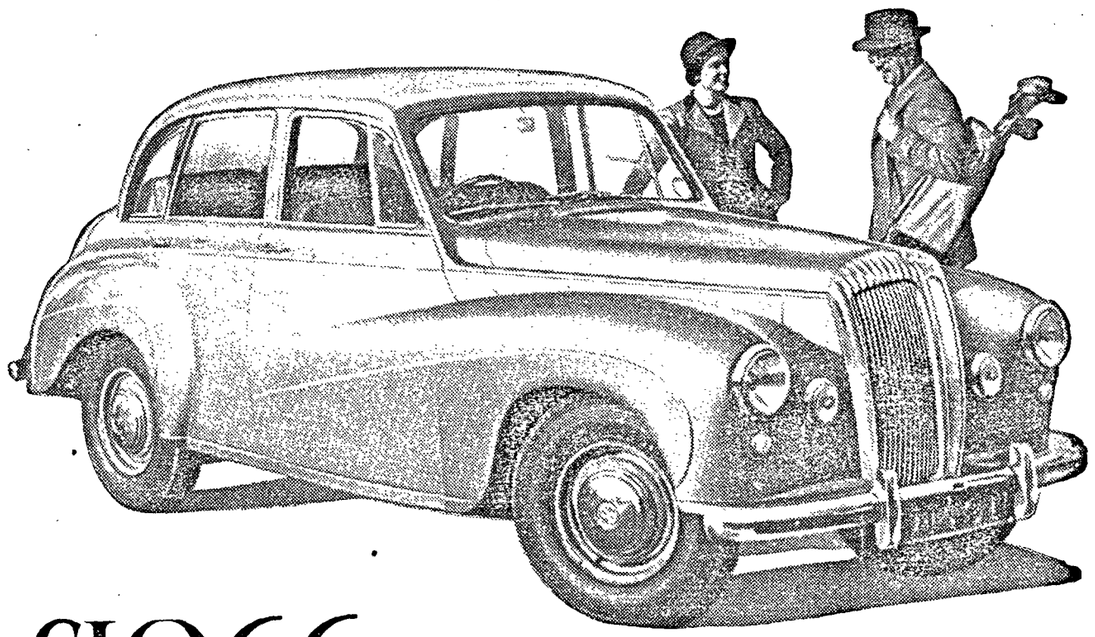

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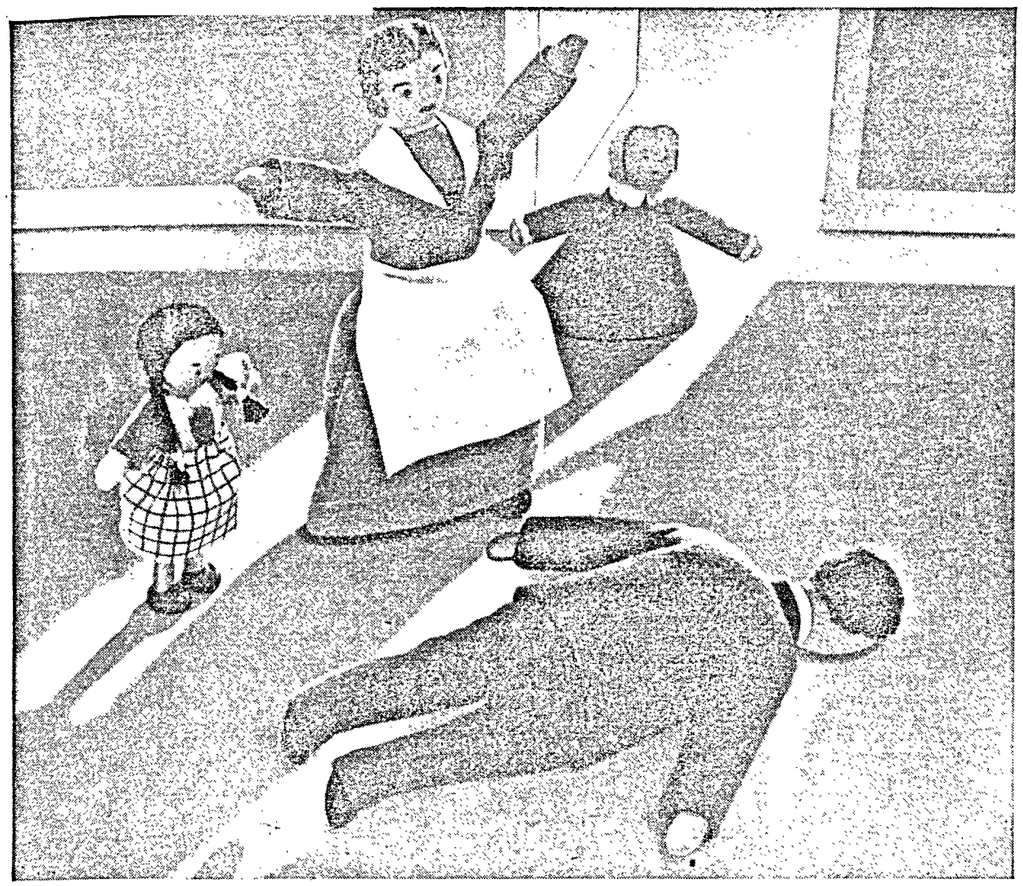

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ONE SHILLING

Well Enough Alone 91
The New Rift in Asia 92
Understanding the *Entente* . . . 94
Romance by the Jar 96

NOTES OF THE WEEK

Sir Winston's Mushroom-Shaped Cloud; Politics of the Budget; The Serious Side of Mr Molotov; Baton in the EDC Scales; Railwaymen at Cross Purposes; Scrutinising Statistics; Mr Markezinis Goes; Congress Waltzes; Men with Muck-Rakes; Caring for the Commonwealth; Gaol for Jagan; Decay in the Museum; Sweden and Britain; WHO and the Wolf; Cheaper Clothes for Russians; The Right to Mislead. 98

LETTERS TO THE EDITOR . . . 107

BOOKS AND PUBLICATIONS. . . 108

AMERICAN SURVEY

Bombs and Allies 113

Retail Trade's Easter Egg; States' Rights and Labour Laws; Foreign Operations in 1955; Whose Water?; Slow Start for Colour; Shorter Notes.

THE WORLD OVERSEAS

Commonwealth Debate at Lahore . 121

Atomic Fever in Japan; Bridging the Baltic; Marshal of France; Kenya After the Constitution; The Voice of the Pheasant; Pakistan Rounds the Corner.

THE BUSINESS WORLD

The Budget Analysed 129
The Foreign Balance in 1953 . . . 134

BUSINESS NOTES

Unprickable Bubble; More Gold Flows In; CDFC's First Report; Rising Output of Textiles; Reforming the Match Market; Air Corporations' Out-turn; Nine-Year Export Credits; Radioactive Sales; The Londoner's Ride; Treasury Loans to Industry; Coping With Surpluses; Shell-Royal Dutch Scrip Issues; No Dealings in Dawes; The Watchdog Barks; Edible Oils Firmer; Chile—A Reluctant Seller?; Shorter Notes. 13

COMPANY NOTES AND SECURITY PRICES 145
STATISTICS 148

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Well Enough Alone

LAST week the "Economic Survey" laid down the experts' recipe for a sound budget. This week Parliament, the press and the City of London seemed surprised when Mr Butler implemented it. This reaction was disingenuous. There is little cause for surprise and none for disappointment. Not even the Tory politicians have a grievance, for the direct electoral effect of any budget wears off, in these fast-moving times, within a week or two; and in the end they will have more reason to bless the name of a Chancellor who keeps a steady course than of one who turns aside to try to win by-elections. Whether it be by skill or good fortune, there is at the moment a fair degree of balance in the British economy, and it was undoubtedly the right decision to leave well enough alone.

Apart from its details (all of which are small), the only general criticism of the Budget that has been voiced is that the Chancellor ought to have run the risk of a larger deficit in order to "give a fillip" to the public and induce a further spurt in hard work and productivity. If the Chancellor had had hundreds of millions to give away, he might have provided a real incentive. But all that can be said of the fillip argument when it is urged in the context of a score or so million pounds is that, while the effect on production would be highly problematical, the effect on consumption would be immediate. The Chancellor was right to resist this easy temptation.

That being so, however, he had very little scope for concessions of any kind, and it was wise to concentrate them very largely on the one part of the economy where a small sum of tax money can be expected to have a real, if small, effect—namely, on the creation of productive capital. The initial allowance—the benefit of which, as Mr Butler admitted, is largely temporary—is to be replaced by a new "investment allowance," which will be an improvement in two respects. The first is that it will confer a real and permanent benefit on industry—indeed, it can be described as a subsidy on new plant and machinery equivalent to tax on one-fifth of their cost. The second (though Mr Butler, understandably enough, did not say so) is that it can more easily be varied upwards and downwards in accordance with the needs of the times.

The investment allowance is Mr Butler's major bid for taking up the emerging slack in the capital goods industries. But two more of his concessions point in the same direction. The new permission to the Export Credits Guarantee Department to grant longer-term guarantees is an attempt to meet the often repeated complaint that the exporters of other industrial countries (notably the Germans) are in a position to give their customers much longer credit than British firms can afford. And the reduction of death duties on the physical assets of one-man businesses, though its main purpose is the avoidance of individual hardship, can also be expected to have some reaction on purchases of productive equipment.

When these incentives to investment have been allowed for, the other items in the Budget are small and call for little comment. Perhaps the

chief surprise among them is that the Chancellor should have chosen to pitch his concession on postwar credits in straight cash and across the grave, instead of in some new form of negotiable instrument, more widely if more thinly spread among the electorate. There may be rather more scope for criticism about the mite of reliefs that he has handed out to individual hard-pressed industries ; a hard-pressed industry is usually hard-pressed because it is uneconomic, and there is a distinct whiff of High Tory protectionism about some of these changes. But they are all very small. Chicory seems to be simply a gift to the humorists. The relief of between ½d. and 1½d. a seat on entertainment duty in cinemas is merely another handful of grass to the lean kine that were once regarded as among the best of the Exchequer's milch cows ; and if some small professional football clubs can really be saved from closure by taking another ½d. for each supporter who passes through their turnstiles, it would be pedantry to object.

Mr Gaitskell calls it a very dull budget. So it is. But that will be a criticism only to those who believe that the state should never stop tinkering with the economy. What is much more important than its dullness is that it is unquestionably a sound budget and an honest budget. To that praise, however, two provisos need to be attached. The first is that the prescription of the mixture as before will prove to be right only if the diagnosis on which it is based—that no change is to be expected in the general state of economic health—turns out to be correct. Mr Butler has had very good fortune since he took office, and it may be asking for trouble to assume that it will continue. He showed that he is well aware of this, and declared that he would not hesitate to revise his policy if, by the autumn, the symptoms are less promising. He was obviously thinking mainly of the possibility of deflation and unemployment appearing in the second half of the year. But the opposite is also not impossible. If, by September, American production is visibly on the mend, optimism may rise so high that it will be the old enemy inflation that has to be warded off.

The second proviso looks much further ahead than the autumn of 1954. In this longer context, no budget can be sound that acquiesces in the expenditure by the state of so monstrous a proportion of the national income. Not perhaps from one year to the next, but quite certainly from one decade to the next and from one generation to another, these swollen budgets will be the downfall of the British community. Either the expenditures must be reduced or the expansion of the national income must be very greatly speeded up ; there is no third path to safety, and politicians who refuse to face the choice are not helping their constituents but conspiring to ruin them. Mr Butler reviewed the three main heads of expenditure—defence ; food and agriculture ; and the social services—and could find in them little hope of large-scale reduction. If that is the considered view of Parliament (as it appears to be), then the stimulation by all possible means of industry and enterprise should go to the very top of the agenda for all political parties. Well conceived though the Chancellor's industrial concessions are, they are not much more than nibbling at the problem compared with what is required. Perhaps this is not the year to go much further. But it cannot be put off for ever. Mr Butler has shown that, as a bridge player, he knows when to play dummy. His next task—perhaps after the report of the Royal Commission on Income Tax, which is expected this year—will be to show that he also knows how to shuffle the cards.

The New Rift in Asia

IT is beginning to look as if the western allies will go into the Geneva Conference without that unity of purpose with which they emerged from Berlin. The irony of the widening difference between the French and American approaches to the problem of Indo-China is that it is occurring at the very moment when Washington is taking a much greater interest than hitherto in the fate of South-East Asia and when the Russians have openly declared that they favour a cease-fire. In two moves, Mr Dulles has in fact made an historic shift in America's policy ; one was his speech last week, threatening to use the military forces of the United States to prevent Communist expansion in South-East Asia, and the other has been his subsequent call for united international action in giving the maximum effect to this stand. But the French have had seven years of this war, seven years of frustration and hardship during which they have almost fought themselves to a standstill ; Marshal de Lattre once said of his soldiers in Indo-China that in this cruel war they had to live and fight *comme des chiens*. The Americans, on the other hand, while they have steadily shouldered an increasing share of the cost—and without this aid the part would have been lost long ago—are only now themselves directly confronted with the consequences of possible failure. It is natural that the emotional, and so the political, reactions of the two parties should be different.

The difference of approach is nevertheless dangerous, and it must be resolved if the Communists are not to profit from it. But resolution will not be easy ; indeed, it will not be possible, unless the public as well as the statesmen in Paris and Washington show a greater recognition than of late that it is essential to maintain a united front when dealing face to face with the Communists across the tables of diplomacy. It is easy to pay no more than lip service to the success with which the

western governments fought for their case in Berlin. And in any event the question now is whether the unity they have maintained over European affairs can be turned to the possibly even more complex and certainly more pressing issues of the Far East. And can it be done in time to withstand the shocks and pressures of Communist tactics at Geneva ?

It may be argued, and it is true enough, that the gap between French and American views about Indo-China is by no means the only crack at present appearing across the free world. Indeed, the uproar caused by the hydrogen bomb, the danger of Mr Molotov's Trojan horse tactics against Nato, the crucial massing in France of the forces opposed to EDC, all these are factors which tend to split the western alliance at a critical moment. But if a compromise could be found on the immediate problems of Far Eastern policy, it is safe to say that the other differences would look a little less disturbing. For in Europe there is at least no fighting, and if the celebration of Nato's fifth birthday means anything it is that Western Europe has won a breathing space and means to guard it.

★

In Asia, on the other hand, as the world follows the heroic stand of the garrison in Dien Bien Phu, the cold war is patently being fought with the urgent bitterness of the battlefield. The overriding French attitude is that this cannot be allowed to go on. It has for some time been the increasingly unanimous view of all the French political parties—though for different reasons—that France must get out of the Indo-Chinese war. As M. Laniel, the prime minister, put it in the Assembly on March 6th, whereas until last year there were two schools of thought, one in favour of negotiation, the other for a military victory, today agreement on negotiation is so general that "*ce n'est plus la peine que personne vienne le plaider.*" The only question is : how to negotiate ? And it is in searching for the answer to it that many Frenchmen have come to see the forthcoming Geneva conference in a special light. For in pitching their terms high, and in rejecting any question of surrender or the voluntary handing over of complete power to the Vietminh, they have reached the point of believing that American concessions can be bargained against Chinese—and Russian—acceptance of better terms for the French Union cause than would otherwise be possible. France, some of them say, has little enough to offer. But the Americans could recognise Communist China in return for an acceptable truce in Indo-China. And if Washington attaches a more realistic importance to South-East Asia, surely that is worth doing.

Unfortunately, the logic of this general argument, and the several variations of it which are current in Paris, runs directly contrary to the spirit of so much that Mr Dulles has been saying during the past three weeks. It also ignores the realities of the Administration's dependence on American public opinion. And for those Frenchmen who see and understand this fact, the sudden accretion of American support over Indo-China is bitter instead of sweet. For whatever the precise meaning of Mr Dulles's recent statements, the American aim is clear. While avoiding either the tragedy of a wider war or the sending of American forces into Indo-China, it is to enable and persuade the French to go on fighting long enough to win a favourable truce. Then, and only then, Washington appears to say, can there be any question of a French withdrawal. Sooner or later, such a withdrawal is certain and indeed right, but when it comes it must be so ordered that the whole of Indo-China does not fall under Communist domination.

It might seem that the difference between these two points of view is one of degree and not of kind. And to some extent that is true ; in fact, therein must lie the line of compromise which it is the urgent duty of Mr Dulles and M. Bidault to find, with Mr Eden's help. But the problem is complicated by the razor's edge on which the fate of Dien Bien Phu has stood, and by the fact that if this strongpoint falls it will provoke a first-class psychological crisis not only in Indo-China but in Paris too. There are, moreover, two additional aspects of the problem which, although secondary, add to the ill feeling and misunderstanding which have been caused. One is the question of control in Indo-China itself. France is quite unwilling to give up the direction of the war, either in whole or in part. Yet there have already been, for instance, serious American criticisms of French methods for training the Vietnamese army ; and, if the United States added its own military forces to its already massive economic aid, it would certainly demand, not without justification, a powerful if not dominating say in the military campaign. And this begs the other important question. The French still hope to keep the Associated States, or the rump that might be left of them after a truce, within the French Union. But Mr Dulles already speaks of "united action" as implying the need to associate American views with the conduct of political affairs in Vietnam. And while many Frenchmen have abandoned their former hopes of making the Bao Dai experiment work, they resent and fear the full impact of the American attitude, which some still condemn as superficial.

★

The British position in this dispute is unenviable. Britain, the partner and ally of both sides, is not only a specially interested party, since the fate of Malaya hangs on events in Vietnam, but because of its other commitments has so far been able to make little or no direct contribution to the struggle. In these circumstances, however, it would be churlish to deny that Mr Dulles's new statements are extremely welcome. For, in spite of the need to resolve France's dilemma and

the sympathy which this need evokes for the French people, the new American policy looks from London far more like doing good than harm.

Naturally there are risks. Apart from the risk of causing a western split at Geneva, there is the even more critical risk of provoking a conflagration which could no longer be confined to Indo-China. Indeed, one of the prime question marks over all that Mr Dulles has lately said about China and South-East Asia is its relationship to the new look in American foreign policy, and to the threat to retaliate against Chinese or Russian aggression with atomic weapons. But when the present dangers of America doing too much are compared with the days of fear that America would do too little, it is surely clear that a very big advance has been made.

Just how big must remain uncertain until the practical effect of Mr Dulles's statements is observable on Chinese policy, and until the rift between Paris and Washington can be bridged. Even without its latest emphasis, however, American policy towards Indo-China had already achieved two things in Peking. It had undoubtedly helped to promote a Chinese desire for a truce, if by that means American influence could be induced to withdraw. And it had already provided enough of a threat of retaliation to prevent the Chinese indulging in an open invasion with their own troops. Mr Dulles has now in effect gone further by warning the Chinese that, no matter how many battles the Communists may win in Indo-China, the United States cannot tolerate their total victory. And few can doubt that, however vague the new policy may be, in one way or another it will certainly be implemented, whether by the United States acting on its own or, as Mr Dulles is now attempting to do, in concert with all the other anti-Communist powers interested in South-East Asia.

For the British the practical problem is to put pressure on both their partners, but not too much. Like the French, many people in Britain do not see why the United States should not recognise Communist China, as part of a settlement in Indo-China and if by that means an otherwise reasonable truce can be obtained. Like the Americans, on the other hand, it is most certainly the British view that, having fought for so long, the French must be strongly urged not to quit Indo-China before a satisfactory political arrangement can be made. The difficulty common to both sides, however, is that the statesmen have very little room for manœuvre. Mr Dulles cannot, and therefore will not, recognise Communist China before American public opinion is far more satisfied with Chinese behaviour than it is now; and neither M. Laniel nor M. Bidault can promise to continue the war for a moment longer than is physically necessary to avoid a major disaster. If the British could send even a token force to Indo-China now that the Korean commitment is being reduced, they would be in a much stronger position to use their influence with both sides. But, short of that, too much pressure will only split the allies without producing the desired result. From such a position, the Communists alone would benefit—if not on the battlefield, then certainly at Geneva.

Understanding the *Entente*

A FIFTIETH anniversary implies that a majority of people had no direct experience of the original occasion. It is not surprising, therefore, that a good many who learn that the *Entente Cordiale* was fifty years old on Thursday, April 8th, should assume that in April, 1904, France and Britain fell into each other's arms to an accompaniment of fervently exchanged compliments. It can be fairly safely assumed, too, that some of the sentiments expressed during this week's celebrations will reinforce this misconception. For the *Entente* developed from a puny infant into a stalwart, and what is now remembered clearly is not its first bleak beginning but its later hour of pride.

Yet it is well worth recalling the unpromising circumstances of 1904—not merely to keep the historical record straight, and certainly not in order to becloud a notable jubilee, but because some aspects of the birth of the *Entente* may prove instructive at a time of debate on the proper relationship between Britain and France and between France and its continental neighbours.

If, in 1954, British impatience is stirred by French obsessions about the enemy of yesterday which inhibit the preparation of defences against the dangers of today, it should perhaps be remembered that fifty years ago a similar obsession with the past was common in Britain. In West and North Africa, in South-East Asia and the Pacific, and, above all, in Egypt, France and Britain had for twenty years and more been jostling rivals, intensely suspicious of each other's intentions, endlessly seeking a tactical advantage, and sometimes—as in the case of Fashoda—reaching the brink of a serious clash. The violently anti-British tone of the Paris press during the South African war did nothing to improve matters; nor did the outbreak of the Russo-Japanese war, which found France allied to one of the combatants and Britain to the other. The perennial tussle with France over Egyptian affairs had led Britain to depend more and more upon German support; and thus, while the evidence of massive naval building in the German dockyards mounted on the Admiralty's desks, both the Englishman in the street and many of his political leaders were still looking backward to the old squabbles, not forward in the direction of the new peril.

It must at once be admitted that France today faces a greater mental and emotional problem than Britain did in 1903-4. The British were not debating at that time whether to bind themselves to a nation that had been in military occupation of their homeland only a decade earlier. They were not, in fact, binding themselves to anybody. The treaty of April, 1904, was neither an alliance nor even an agreement on a broad positive programme. Like its forerunner, the arbitration agreement of 1903, it was essentially a clearing away of awkward problems, a mutual undertaking that the two nations would not go on treading on one another's toes. Egypt and Morocco were the biggest bones of contention over which it was agreed to fight no longer; the Mekong frontier, the Gold Coast, and the Sudan—an oddly contemporary assortment—had been among the other points of previous friction.

Nothing more than a colonial truce of this kind was to be expected in 1904. Britain had only lately been stripped of its dreams of splendid isolation by the odium generally directed upon it during the South African war; and in London there was no interest in any form of European alliance. Even if Britain had been willing, French opinion was hardly ready for a cross-channel alliance; Fashoda was still a bitter word in the mouth, and the Third Republic was primarily interested in an ally able to put large armies into the field on Germany's other frontier—which meant Tsarist Russia, whose Asian ambitions were such an object of suspicion to Britain, that in 1905 it was willing to guarantee Japan's Korean frontier against them.

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Only gradually, then, was the cordial understanding, at first little more than an effort to end misunderstanding, converted into one of the main threads in the pattern of European relationships. The conversion was a German achievement; the growing German fleet, the widening of the Kiel canal, and the repeated snatches at Morocco all played their part. Slowly and remorselessly the logic of the situation drew the two cautious partners closer: tacit understandings became discreetly explicit, staff talks developed into a habit, letters full of caveats but not entirely void of meaning were exchanged; and, perhaps most significant of all, fleet dispositions were reshaped on the assumption of Britain's primary responsibility for naval defence in the north and of France's in the Mediterranean.

Three points must surely catch the eye. First, the very real external threat was the prime mover almost throughout. Second, as the military and naval links became closer they tended to become more solid too; it is impossible to unscramble eggs, and it is almost equally difficult to tear apart a programme for related dispositions of major fighting units without being left with a mere pulp on one's hands. The third point is that up to the outbreak of war in 1914 no formal alliance existed between Britain and France.

As to this last, the contrast between 1904—or 1914—and 1954 is so striking that there is every excuse for going again over familiar ground. Britain, the great isolationist at the turn of the century, is now committed not once but many times over to the defence of its continental neighbours; and its commitments to France are the closest of all. Successively, in the postwar Dunkirk treaty, in the Brussels treaty of 1948, in the North Atlantic treaty of the following year, and in the undertakings given with regard to the European Defence Community, what amount to a series of British guarantees have been given. Nor could any purpose have been served by refusing to give them. Military logic has now made it almost impossible to defend Britain without defending Western Europe. In other words, the nature of the external threat that presents itself, and the nature of the joint dispositions necessitated by that threat, have defined within narrow limits the degree of Britain's involvement on the Continent in 1954—much as they did in 1904 and the years that followed it. Is not this, in present circumstances, the most important reflection that should be brought to mind by the commemoration of the *Entente*?

The All-Absorbing Struggle

For two and twenty years the public mind has never been so completely taken up with a single topic of interest as now. The war absorbs all our faculties. No other subject has any chance of being attended to, either in Parliament or in the country. . . . On open nights there is almost as little doing in the House of Commons as ordinarily in the House of Lords. . . . The only debates that are prolonged past midnight are those concerning the Eastern Question. Out of doors the same pre-occupation prevails. The nation has concentrated all its interest upon the one subject. From the highest to the lowest class, all are absorbed in watching the preparations for the coming struggle. Few books save those relating to Russia and Turkey issue from the press or are asked for at libraries. Few articles in newspapers or reviews but those on foreign policy can obtain a perusal. . . . We feel in fact towards politicians who persist in forcing anything except the war upon our attention much as we feel in a drawing-room towards a *mal-adroit* who persists in talking when we are all crowding round some favourite performer, or in strumming on the piano when we are all bent upon listening to some brilliant converser. . . . We are entering upon a war of which we can neither indicate the course, limit the field, nor predict the duration. We may well feel confident as to the ultimate result: we can feel no confidence as to how late that result may come, nor how dearly it may be purchased. We are engaging in a struggle, for life and death it may be, with the most colossal power and the most subtle diplomatist in Europe. . . . It is still quite undecided whether this is to be a war of Europe against Russia, or of Liberty against Despotism. All we know for certain is this, that our great antagonist is a Sovereign of indomitable will, of consummate talent; master of boundless territory and of countless populations—inaccessible in his deserts, and possibly inflexible in his pride; and that, to combat him with advantage and with credit, we shall need all our national spirit, all our concentrated energies, all our unanimous resolution.

The Economist
April 8, 1854

Romance by the Jar

IN the flower-decked, satin-draped—and currently very prosperous—salons of the high class cosmetic manufacturers the continued purchase tax of 75 per cent is regarded with indifference. It is true that the trade as a whole is smarting under what it considers to be the injustice of taxing cosmetics as if they were a luxury—when razors and shaving soap, which produce a far more artificial appearance in men than ever cosmetics produce in women, are treated as essential. But not everyone in the business would have liked to see the tax reduced, for this might blur the class distinctions which divide the industry at three levels.

At the top are the luxury cosmetic houses which have organised a whole cult of beauty. At their Bond Street temples priestesses with peerless complexions and terrifying poise teach the faithful how to perform the sacred rites, and vestal virgins are sent up from provincial stores and chemists to be instructed in spreading the cult. Some firms in the middle section of the trade have their salons, too, but their prices are more moderate and their mystique less complicated. At the end of the scale are the manufacturers for the mass market, who distribute not through chosen agents, but to all comers, including the bazaar stores. This bottom section of the trade would have found a reduction of purchase tax very welcome. Some of the others are content that purchase tax should emphasise their distance from competitors in the group below them—does not the higher price help the customers to recognise the better product ?

As so many customers seem to want to pay a lot of money for cosmetics—in the faith that price is an indication of quality—it is not surprising that the industry is prosperous. It is now enjoying the fourth or fifth major boom in the five and a-half millenia of its history. Pots for unguents and for kohl eye paint were found in the tombs of the Egyptian Thynite dynasty (about 3100 BC). Since then the industry's fortunes have changed with the swing of morality's pendulum. Powder and paint were first brought into Europe from the East by Crusaders ; they were widely used by Elizabethan times, disappeared under the Commonwealth, came back with the Restoration, and reached their most extravagant use in the eighteenth century. Indeed, it is recorded that in 1770 a Bill was introduced which would have enacted that

> all women . . . that shall, from and after such Act, impose upon, seduce and betray into matrimony any of His Majesty's subjects, by scents, paints, cosmetic washes, artificial teeth, false hair, Spanish wool, iron stays, hoops, high-heeled shoes, bolstered hips, shall incur the penalty of the law in force against witchcraft and like misdemeanours and that the marriage, upon conviction, shall stand null and void.

This was, perhaps, an earnest of the reaction to come. Throughout the Victorian age, and down almost to the first world war, the trade receded. For shining virtue now demanded a shining nose.

The industry's expansion in the last thirty years has been extraordinary. It could still, however, expand a great deal more ; according to the Odhams survey nearly a quarter of some 4,000 women interviewed had not used powder in the previous week, a third had not used lipstick, and four out of five had not used cleansing cold cream. But no industry, except perhaps tobacco, has gained so much from the emancipation of twentieth century women. The disappearance of modesty as a major virtue and the need to look young and smart in offices greatly stimulated sales. So also did the new ineffectiveness of hellfire and social ostracism in keeping husbands faithful. Cosmetics are now so much a part of life that many girls learn about them in the schoolroom ; representatives of well-known firms, at the invitation of the school authorities, will come and lecture about personal hygiene and make-up, in that order—with only the subtlest references to their own products. Cosmetics, which for eighty years down to 1918 were the mark of the harlot, are now the toy of the teenager.

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The industry now consists mainly of private companies selling proprietary brands, with a fringe of production by local chemists. It is dominated by American firms, which seized the lead from France between the wars, and which have their own factories in other countries. Most of the top class firms are American—Elizabeth Arden, Helena Rubinstein, Dorothy Gray, and so on, and so is the firm that, according to a recent survey by Odhams Press, has the largest share by quantity of the British market—Pond's. The largest British company (in the middle group) is Yardley's, which also operates on an international scale and has a big export business.

Is the industry's present prosperity a heyday that will pass ? There will no doubt be fashions in faces, as there always have been ; eyebrows will come and part shaded lids suggest anything from an air of myste[illegible] to a black eye. But the modern cosmetic industry claims to have entrenched its position through a scientific revolution. It has followed to its logical conclusion the old discovery that constant lubrication of the outer, corneous layer of the skin prevents the process of drying that comes with age, and thus somewhat delays the onset of wrinkles. If well-known firms of today began with a lady cooking beauty preparations in the kitchen they now employ their own qualified chemists who are experts in skin care. But if science has made possible the production of beneficial preparations, there are signs that it has not unduly impeded enterprise in other directions. The city analyst of Birmingham recently examined an eyelash grower, selling at a high price, and found that it contained merely petroleum jelly or vaseline, with a little colour and perfume ; he also reported that an astringent lotion was merely industrial methylated spirits bottled together with a light mineral oil, coloured pink and scented. Most formulas are a good deal more complex than that and undoubtedly more effective ; but to cite one example in the medium price grade—the cost of raw materials to a manufacturer may still be only a quarter of the cost of the fancy containers into which they are put. And even the best of the preparations might on analysis seem disappointingly prosaic to those who are accustomed to think in terms of petal bloom and breathtaking loveliness. A typical face powder is talc, kaolin, magnesium stearate and zinc oxide. Cold cream is usually water emulsified with, say, borax and beeswax, in mineral oil. Skin foods, if they are to penetrate, must be largely made, not of mineral oil, but of animal and vegetable oils. Lanolin, the grease from wool, which until fairly recently was avoided on the grounds that it encouraged the growth of hair (look what it did to the sheep), is an excellent emollient which is the basis of many such creams. The art of doing well in the cosmetics industry is to take substances such as purified lanolin and paraffin oil, which although effective, would in themselves be unpleasant to use, blend them and process them to an appetising colour, consistency and smell. The products, even if they have been on sale for years, must constantly be presented in new forms, new colours, with new names, and in new and ever more glamorous packs.

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They must also be extensively advertised ; in 1952 some £4,500,000 was spent on advertising cosmetics and toilet preparations. Here the industry has run into one of its two major current problems. There is some concern about the effect of the new Merchandise Marks Act, under which a firm can be prosecuted if its advertising and descriptions seem misleading. No one knows where legitimate trade puff ends and misleading representation begins. What about the appellation skin food, in view of the fact that the skin cannot feed ? What about such advertisements as the following:

> Be popular with men tonight or your money refunded. This powder has been thoroughly tested by scientists and guaranteed to be definitely lectro-static.

The industry's other major headache is a result of the scientific revolution. This is a strange story. Today, and at last, the trade can claim that the lure of youth recaptured, which has always figured largely in cosmetic advertising, is not altogether fanciful. The elixir of life is now on sale at 25s. to 37s. 6d. a jar, in hormone creams. Hormones penetrate the skin, but it is not certain that they are safe in all circumstances. Only one or two British firms market them, and the field is mainly left to the high-class American firms, working on an agreed maximum quantity of hormone per ounce of cream. But even in small doses, according to most medical opinion, hormones are capable of disturbing effects, quite apart from the controversial question of whether they could cause cancer if administered over long periods.

The Council of the British Medical Association has been considering whether it should ask for restrictions on the free sale of hormone preparations, and has been seeking information through its branches. Enough is known to make a *prima facie* case for some control. Indeed, some people would go further. They say that now that the industry has undertaken treatment of the skin on such a wide scale, cosmetics should be put on the same basis as patent medicines ; and that it should be obligatory to state on the label what is in the jar. But could producers then perform their mission, as the chairman of the Toilet Preparations Federation put it, of "sustaining the spiritual confidence of the individual"? It would be a pity to be too precise, and spoil the customers' fun as well as the industry's economics. One can pay too much, certainly, but perhaps one can know too much, too.

Some Economic Terms

As an aid to public understanding, there is a clear need to compile an English-Doubletalk dictionary of some current economic terms. The following are suggested as a preliminary selection:

Adjust, (i) to lower (of a farm price: officialese)
(ii) to raise (of a farm price: agric.)
(iii) to devalue (of own currency)

Adjustment, recession (US)

Recession, slump (US)

Chaos, competition (agric.)

Order, monopoly (agric.)

Marché Noir, price controls (French)

Slave labourer, (1) a Japanese trade unionist (British)
(2) an American trade unionist (US)
(3) a Soviet slave labourer (rare: this usage is widely condemned as emotive)

Labour mobility, essential, a man leaving somebody else's factory to join one's own.

Labour turnover, excessive, a man leaving one's own factory to join somebody else's.

Cost of living index, official, an index deliberately biased by impartial statisticians.

Cost of living, The, a list of those prices that have recently gone up.

Notes of the Week

Sir Winston's Mushroom-Shaped Cloud

SIR WINSTON CHURCHILL'S aberration in the hydrogen bomb debate proved a double misfortune. He not only spoilt what would otherwise—thanks to Mr Attlee's statesmanship behind the scenes—have been an infinitely less harmful debate than had seemed likely last week. He even confused the issue he was trying to raise. Whether he chose the right occasion to rake up the Quebec agreement is debatable—he certainly did not choose the right language—but his motives were understandable. He had been attacked by backbench Labour MPs and by the left-wing press, sometimes in vicious terms; and remembering the effect of the campaign over "Whose finger on the trigger?", Sir Winston was entitled at some point to rebut the charges of neglecting vital British interests. If he was to be bitterly criticised for not having his hand on the bomb, he had a right to show the cause.

Yet it was the measure of Sir Winston's parliamentary failure that in the end he raised a storm for nothing; it was Mr Eden who explained the Government's case. He brought out the essential point that had confused the earlier wrangling: the American Congress's action in passing the McMahon Act had everything to do with the ending of Anglo-American consultation on atomic matters, but nothing to do with the loss of Britain's right to veto American use of the atom bomb on a third party. Mr Attlee could justly claim that the McMahon Act, by preventing a free exchange of information, also prevented the "full and effective collaboration" agreed at Quebec. But the Act did not affect the veto clause in the 1943 agreement; this apparently disappeared under the "new agreements" mentioned by Mr Attlee in January, 1951—which appear to have been made in 1947. Now Mr Eden has offered to ask the other signatories to those postwar agreements—Canada and the United States—to agree to their publication. After some of the conflicting statements made in Washington this week, clarification is clearly desirable.

It is a pity that this row should have obscured Mr Attlee's achievement in pulling his supporters away from the precipice of hysteria and irresponsibility over which earlier they had been intent on throwing themselves. The Government insisted on its right to decide on the timing of diplomatic moves; but with this proviso, was able to accept Labour's motion calling for an immediate initiative for a meeting of the heads of states. If the House of Commons on Monday recognised that the hydrogen bomb will not be stopped by pious platitude but only by hard negotiation, the credit belongs more to Mr Attlee than to anyone else.

Politics of the Budget

SOUND though it is in economics, Mr Butler's third Budget must obviously fail to match the political success of his first two. It may even be a bit of a liability and cost the Government some ground in the coming local elections, just as did the Cripps "no change" Budget of 1950. Last April the lack of targets reduced Labour to despair but this year they find themselves left with one or two. Their main case, as deployed by Mr Gaitskell, is that the Chancellor was unable to dole out any jam this year because he gave away too much a year ago and to the wrong people. Less jam for the rich in 1953 would have left him with enough to do something for the aged in 1954; that is the lachrymose cry which is going to meet the Tories in the constituencies.

The Tories are prepared to put up with this provided that they do not have to face an election just yet, and that in the meantime Mr Butler takes his axe to Government spending. The importance of a Budget in election calculations tends to be overestimated; an unpopular one, certainly one that is at worst no more than disappointing, can be overlaid by a general sense of well-being in the electorate, and the end of rationing is likely to be more clearly in the average voter's mind this summer than anything that Mr Butler did or did not do.

Not that an early election seems likely at the moment. The Tories must change their leader before going to the country; no one knows what Mr Eden might want to do but he might well wish to give his reshuffled team some time to settle down and show its paces. Mr Butler will want to wait for the reports from the Royal Commission on Taxation, from the Phillips Committee on the aged and from the Government Actuary on the National Insurance scheme. The Tories hope that he will then produce a popular Budget with an election following not many months later. And at least his present stand will save them from having to defend a rise in MPs' pay, for the Budget has made this a political impossibility.

But the Tories are convinced, on Mr Butler's own evidence, that no manipulation with the tax structure or the social insurance schemes will help him unless he takes a firm grip on Government spending. They winced on Wednesday as Mr Gaitskell taunted them with Sir Winston Churchill's tirades a few years back against "Socialist extravagance." Mr Assheton, the leader of the back bench hatchet men, gave notice that Mr Butler will be insistently prodded from behind along the path of economy. Whether any of the backbenchers would like the changes in policy which alone hold out any hope of large cuts in expenditure—a desertion of the farmers, for example, or a cut in social insurance—is an entirely different matter.

The Serious Side of Mr Molotov

WHILE celebrating the fifth anniversary of the North Atlantic Treaty, the western governments have had to consider the Soviet proposal to discuss joining their defence system. As Mr Eden has indicated, talks about this preposterous idea are being held now in Paris. The best reply to make to Mr Molotov would be to recall the obligations that are laid on members of Nato, and to point out that it would seem a waste of time to discuss whether the Soviet government could accept them. The days are long past when western leaders could be deceived by the Soviet rulers' claim to be defenders of democratic liberties. It is true that Mr Molotov would not hesitate to put his signature under commitments to defend democracy. But can it be imagined that the Soviet government would agree to all the infringements of sovereignty involved in membership of Nato—the independent assessment of each national economy in order to share out the burden of defence expenditure, the use of bases by allied air forces, joint manœuvres, standardised weapons and so forth? As General Gruenther has remarked, he would presumably find himself paying visits to Moscow as supreme commander over the Soviet army. At this point, if not before, the whole idea becomes one which it is almost impossible to take seriously, and there is little wonder that it has staggered the German Communists.

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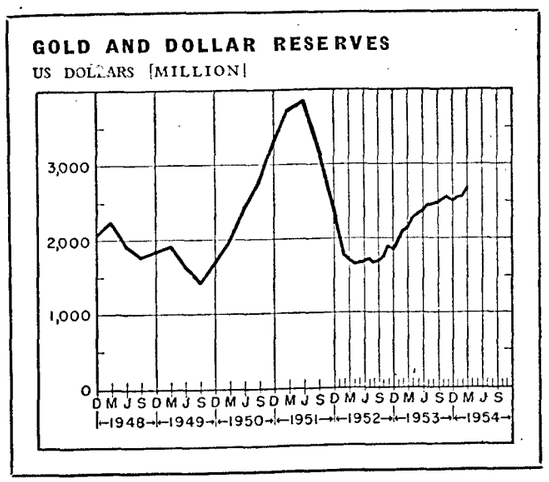
From the Russian point of view, however, the proposal makes sense of a kind. It is a logical move in the direction taken by Mr Molotov for some time past. The Soviet argument is no longer that there are two hostile camps in the world, but only one "peace camp," directed against the resurgence of German and, in Asia, Japanese militarism. Anyone who denies this statement is a "splitter." As the Soviet Note showed quite clearly, Russia proposes that Nato must become an anti-German coalition, and logically all the great powers who fought Hitler must be in it. By Marxist definition, the Soviet Union can never be an aggressor—though, as lecturers have only recently been reminding the Soviet public, revolutionary wars are always justified.

It is easy to see the endless vistas of talk that would open up if the western governments began to argue at a conference table about this Soviet proposition. And that is one of the main objectives of Mr Molotov in putting it forward. He wants an unbroken series of conferences, each of which will prevent the European Defence Community from taking shape, and would enhance the prospects of the Soviet alternative, "Seto." He proposed five new meetings in Berlin, and now a Nato conference is suggested as a sixth. Finally, behind Russian proposals, whether for the Geneva conference or any other, there lurks the intention to establish China as one of the five great powers which must settle the affairs of the world. The acceptance of talks with the Soviet Union about Nato and "Seto" would inevitably be followed by proposals to set up similar bodies in Asia, with China calling the tune.



Baton in the EDC Scales

"MARSHALS should be nominated only posthumously," a French minister is reported to have exclaimed last week. One understands his feelings, since France's only living marshal has just presented the government with its biggest headache for months. The riot at the Arc de Triomphe was merely a foretaste. As an article on page 123 shows, Marshal Juin's appeal extends beyond hot-headed youth of the storm-trooper type to the whole of the traditional Right, on whose support M. Laniel's government now depends so greatly.

By his haughty behaviour, however, the marshal rendered the government's difficult task somewhat easier. Nobody could question his right to hold unorthodox opinions on EDC; but by proclaiming them without warning and then refusing to meet the premier, he enabled M. Laniel to present the issue as a defence of government prestige and thus avoid the odium of dismissing the marshal simply for his dislike of the EDC treaty in its present form. Nato was bound to follow suit and reprimand the commander of its Central European forces, particularly as Holland, Belgium and Luxemburg have already ratified the treaty.

Freed from his official commitments, Marshal Juin may find himself pulled into the political arena in spite of his assurances to the contrary. Although, as heir apparent to the mantle of the strong man which once lay on General de Gaulle's shoulders, the marshal should be an obvious target for the Communists, his stand against the EDC suits their book very well. Are they confident that they can push without being led? If so, then Marshal Juin may find rallying to his banner the strangest of strange alliances, ranging from one extreme to the other. As could be expected, General de Gaulle has already given him his blessing. Indeed, at his press conference on Wednesday he outbid the marshal, pleading for peace in Indo-China and for an independent French policy of mediation between East and West.

The marshal's baton will weigh heavily in the scales in the struggle over EDC. The general public will be dazzled

by the array of military men now openly opposed to the present form of the treaty, the name of Juin joining those of de Gaulle, Weygand, Koenig and others ; and the title of marshal has for the French middle classes a *mystique* which it is difficult to counter with articles and paragraphs from the treaty. Finally, ratification is largely dependent on the votes of rightist Independents, who were expected to follow the lead of MM. Pinay, Laniel and Reynaud. Marshal Juin can provoke more dissension among their ranks than General de Gaulle ever could. Coming just after a demand by over half of the Socialist deputies that their party whips should be relaxed for the crucial vote, the marshal's challenge dims the hopes of an early ratification of the treaty by the French Assembly.

Railwaymen at Cross Purposes

THE railway wages dispute is like a cancer that is operated on only to break out elsewhere. Its latest manifestation was a threat by some 70,000 engine drivers and firemen to strike on April 24th, unless the Transport Commission came forward by that date with proposals for a new wages structure. The settlement in January, by which the unions got an increase of 6 per cent instead of the 4s. awarded by the railway tribunal, as the price of calling off the Christmas strike, was subject to certain conditions. These were that discussions should be held on ways of increasing efficiency and on a new wages structure. Deadlock was soon reached, because the three main participants were all at cross purposes.

The Commission thought that the first step should be to agree the minimum wage on which the new structure should be built. The National Union of Railwaymen, which includes in its membership most of the lower-paid workers, agreed, but was anxious to raise that minimum from the present 124s. 6d. to 135s. At the present differentials this would give engine drivers a maximum rate of £9 15s. But that did not satisfy the Associated Society of Locomotive Engineers and Firemen, who want a maximum of £10 5s. The commission was waiting for the unions to agree on the minimum rate before it made its own proposals. But the drivers and firemen forced its hand by threatening to strike, and on Wednesday Sir Brian Robertson, chairman of the commission, put before the unions proposals which they have now gone away to consider. If it is prepared to strike merely to force proposals ASLEF may not be very ready to compromise—and it does not need the support of the NUR to make its strike effective.

Meanwhile, the railway shopmen have been granted wage increases of 8s. 6d. for skilled men, 7s. 6d. for the semi-skilled and 6s. 6d. for the unskilled, in line with the settlement reached last week in the twelve-month dispute over wages in the engineering and shipbuilding industries. The employers, who had first said they could not afford a single penny, and then, after the courts of inquiry had reported, that they could not improve on an offer of 5 per cent, finally settled for about 6 per cent. The lesson for all unions will be never to take no for an answer, no matter how categorically it is given or how well it is supported by economic arguments.

Scrutinising Statistics

AT this time of the year there is a sudden abundance of figures in a series of statistical White Papers. Ungrateful though it may seem, two questions need to be asked about these statistics. Are they the most useful of their kind and are they accurate ? These matters are taken up by Mr C. F. Carter and Mr A. D. Roy in a timely study of official statistics recently made under the direction of a committee of leading statisticians.* They find some need for a pruning knife and some fields which are not adequately covered, but their main plea is for fuller explanation of how figures are derived and some better means than at present of judging their quality.

The horrid truth is that some of the figures which are commonly accepted as gospel truth are little more than guesses. But while the authors throw cold water with one hand, they extend encouragement with the other, for they hasten to add that British statistics are among the best in the world and rough estimates are preferable to none at all. This, however, is true only if it is clear which are largely guesswork. And it should be possible, as the authors point out, to grade the statistics or at least to pinpoint the less reputable ones.

The statistician, however, is always faced with the unhappy dilemma of striking a balance between timing and accuracy. A fairly good estimate in time is better than a count down to the last digit which comes too late. One recommendation made in this book deserving particular attention is that more use should be made of sample surveys, a technique in which Britain lags far behind the United States.

Mr Carter and Mr Roy find much to praise in the organisation of British statistical services. But they suggest that a central advisory committee, under the wing of the Central Statistical Office, should be set up to bring the statistics under regular review. Since so many departments are involved, this proposal has much to recommend it. One of the functions of such a committee should be to co-ordinate those statistics still issued separately from Northern Ireland, Scotland, and England and Wales—in particular the accounts of the national health service and certain of the population and education figures. There are still too many tantalising discrepancies.

Mr Markezinis Goes

FRIENDS and creditors of Greece will regret the resignation of Mr Markezinis from the cabinet of Marshal Papagos. He was the bright young man of a rather blimpish cabinet and looked like getting done some of the things that predecessors had merely talked about. His heart was set, for example, on floating successfully next June an internal loan that should bring funds back to Greece and show the world that even Greeks could be persuaded to save ; and he was one of the few public men in Athens who would insist that Greece could be made a prosperous country. It seems probable that his retirement was caused by an excess of ambition. He may have wanted more authority than his small political following justified. He was not popular in the country, took no pains to win favour in Parliament, and believed at heart in government from the back room. Some foreign advisers in Greece might not disagree.

The opponents of Mr Markezinis will not expect him to fade into obscurity in the way that Mr Venizelos appears to contemplate. He is a subtle tactician who enjoys studying in his leisure the politics of Machiavelli's Italy. He can hardly turn to the left because all his friends and followers are of the right. Moreover, the hold of the Rally on the country is likely to increase rather than diminish so long as Marshal Papagos is at the head of affairs. It is not impossible that the typical soldier statesman and the typical intellectual politician should later make peace with one another. Meanwhile, it remains to be seen what will be the effect of this quite unexpected resignation in the capitals where Mr Markezinis had personally succeeded in getting promises of credit. In Germany especially the prospects are less easy than he had made them out to be. It is to be hoped that the government will press on with patient and practical measures for developing the production of food and minerals ; otherwise public opinion will become more critical and the government will respond by taking a more authoritarian tone.

* "British Economic Statistics." By C. F. Carter and A. D. Roy. National Institute of Economic and Social Research—Economic and Social Studies XIV. *Cambridge University Press.* 21s.

Congress Waltzes

IT is apparently not proving an easy task to export the Soviet "new look" to the satellites. At first the political and economic changes brought about by Stalin's successors spread only in haphazard fashion across the frontier. It was then decided to establish a uniform pattern for the Soviet bloc in Europe. The task of defining and proclaiming this new pattern was assigned to special Communist party congresses in all the satellite states, to be held in the early months of this year. The staging of these assizes, however, did not always work to schedule. The Bulgarian congress was held on time, and the East German one is just ending its proceedings ; but the Polish party congress took place only after a delay of two months, the Hungarian meeting has also been postponed by a month, and there is no sign of a Rumanian congress, although it was scheduled for March.

It is difficult to impose a line when the Kremlin itself is not agreed on its shape ; this is probably the chief cause of the uncertainty and delays. Struggles in Moscow must awaken echoes in the satellites, and local factions are probably often emboldened by the hope of support from one of the warring groups at the centre. Moscow clearly attaches great importance to all these congresses, to which top Soviet leaders are sent as fraternal delegates. But is their brief clear ? In some cases the presence of a permanent and senior watchman is evidently judged indispensable ; thus Mikhailov, a member of the Soviet presidium, has recently been sent as ambassador to Warsaw. But can he be certain that his group will keep the upper hand in Moscow during his absence ? The difficulties of imposing the "new look" on the satellites are yet another symptom of the unfinished struggle in the Kremlin.

Men with Muck-Rakes

A COURT in Lausanne has convicted a Swiss classical scholar, Professor André Bonnard, of engaging in political intelligence activity prejudicial to a Swiss organisation on behalf of a foreign organisation. A fifteen-day sentence was pronounced, but suspended. The charge was that M. Bonnard, at the bidding of Professor Joliot-Curie, had collected all the material he could find that was derogatory, or could be made to seem derogatory, to the International Committee of the Red Cross. The facts and fictions thus garnered were transmitted to the "World Peace Council," and duly publicised, expanded, embroidered, and endlessly repeated, by the Communist press and radio of the world. This highly organised hurling of synthetic mud at a body whose humane objectivity is so well known was suddenly and swiftly done as soon as it was suggested that the Red Cross should investigate the "germ warfare" stories in Korea. The episode is instructive ; the Swiss courts have shed revealing light both on the methods used on these occasions and on the extent to which widely respected persons are induced to take part in the muck-raking.

But it was a peculiarly Swiss episode. There was no question of espionage in the usual sense. Professor Bonnard's activities, if carried on in another democratic country, might have provoked a civil suit but would hardly have brought him to a criminal court. Only the strict laws that Switzerland has framed to avert the least tarnishing of its neutrality sufficed to convict the professor. It is an interesting thought that actions so helpful to subversive propagandists, which in a rigorously neutral country prove to carry legal penalties (and which would, of course, involve the most severe punishment in a Communist state), would go unpunished elsewhere in the western world. The maintenance of democratic principles requires that they should not be penalised in times of peace. The true remedy lies in the effective use of all legitimate means to refute the propaganda itself.

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Caring for the Commonwealth

THE tone of last Friday's debate on Commonwealth relations in the House of Commons contrasted sharply with its many deplorable efforts on colonial affairs last autumn. Discussion was constructive, and centred on two main points. First, have administrative arrangements in Whitehall kept in step with the great changes that have been made in the structure of the Commonwealth in the last few years—in particular, with the advance towards self-government made by so many colonies ? Secondly, is enough being done to insure that a career in the overseas colonial service continues to attract first-rate men ?

All possible permutations on the theme of redefining the functions of the offices of state were suggested, but each seemed, to other speakers, to raise as many difficulties as it solved. Mr Alport, who introduced the debate, wanted to

see the administration of all economic services in the colonies brought into the purview of the Commonwealth Relations Office, with a rump Colonial Office left to deal with the political problems of the dependent empire. Others suggested the setting up of a special Africa Office (on the analogy of the old India Office). Mr Hopkinson, in winding up the debate for the Government, was right to shoot these proposals down. The functional division of labour between offices is now probably as efficient—and tactful—as can be expected. Mr Griffiths, for the Opposition, also recognised the danger that a Minister specifically charged with the affairs of one group of colonies might appear to be junior to a Minister in charge of another group; it would be a pity, however, if this were to obscure the fact that the present burden on the Colonial Secretary is far too heavy.

On conditions of service for colonial officers, Mr Hopkinson was more pliant. The idea of a single intra-commonwealth service, composed interchangeably of citizens from the member states, may not at present be attainable. But there is undoubtedly still some anxiety about their future among officers in colonies (like the Gold Coast) that are on the verge of independence. Although the Colonial Service is technically unified, the members remain servants of the colonies in which they work, with widely disparate terms of pay and allowances. Reorganisation so late in the day will be a hard task. But the Government has agreed that a review is urgently called for. It should concern itself with the technical experts recruited since the war no less than with the administrative staff. It might well also ask whether the cost of officers recruited in Britain and appointed, in the first place, by London should not fall on the British Exchequer. That could hardly be done directly, since the colonies would think they had no control over their officials if they did not pay their salaries; but it might be done by a system of grants in reimbursement.

Gaol for Jagan

THE renewed pantomime of arrests and demonstrations in Georgetown, which has been filling the newspaper headlines this week, should be taken seriously. Dr Jagan, the deposed People's Progressive party leader, has himself been arrested twice; he is now awaiting trial, beside twenty of his comrades, for various contraventions of the emergency regulations. The PPP leaders have been temporarily excluded from the political life of the colony; they cannot hold meetings and some have been confined within the boundaries of Georgetown. But they can hardly be expected to avoid petty infringements of these regulations. Mild prison sentences will bring them only publicity and polish up their tarnished glamour.

The dangers ahead are twofold. The lesser risk is that these alarms and excursions will touch off a passive resistance campaign on the Indian model. The greater—and longer term—fear is that the authorities will have to abandon their hopes of building up a sufficiently strong anti-Communist front among the local politicians to beat any challenge from the PPP when the emergency ends and the new constitution is brought into being. The commission of inquiry which visited Guiana is now mulling over this constitution in London.

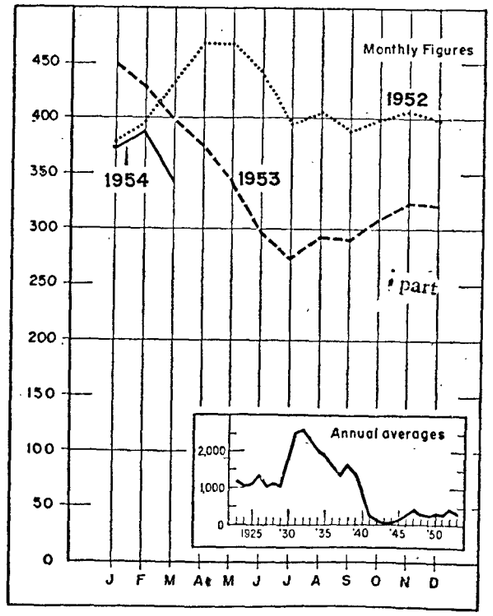
It is impossible to produce a foolproof constitution if the local population obstinately refuses to play the game. Before making a decision the Government will probably wait to see how its way of tackling the British Honduras crisis works. Mr Lyttelton has now announced that he will allow the elections there to take place as planned, on April 28th, despite the findings of Sir Reginald Sharpe's one-man mission of inquiry; this found conclusive evidence that the leading party—the People's United Party—has received money and other help from Guatemala. An official-dominated executive council is, however, to be retained as an insurance. It will, if need be, be able to ride roughshod over the views of the elected members of the legislative council. This may also prove the best way out of a bad hole in Guiana.

Decay in the Museum

THE fourth report of the Standing Commission on Museums and Galleries is the gloomiest that it has produced in its twenty-three years of existence. A good deal of progress was made after the war in getting the museums and galleries back into working order, but they have since been the victims of economy. In 1952 the Conservative Government cut their incomes by some £30,000, and building has perforce been restricted, whereas the collections are by their very nature expanding all the time.

The main cause for concern is the British Museum. Part of its collections must be stored for lack of space, and

UNEMPLOYMENT IN GREAT BRITAIN THOUSANDS



Paper from your native fibres

PULP AND PAPER INDUSTRY DEVELOPMENT

NEW YORK—A plan to help to develop the pulp and paper industry in Central and South America, Africa, and Asia with British and American money and skill has been announced here.

Lyddon and Company, Limited, wood pulp importers operating in Britain and the United States, and their American affiliates through common ownership, Parsons and Whittemore, said they were launching a programme to set up complete pulp and paper mills in those territories.

Mr. Karl Landegger, president of Parsons and Whittemore, said the companies' joint organization would develop projects based on pulping of short-fibred material found in many of the areas as well as offering equipment using standard grades of wood pulp.

He added that the organization would conduct preliminary surveys, deliver equipment that could not be produced locally, and supply technicians until local workers could take over. It would also assist local groups in obtaining raw materials and chemicals and selling the output.—*Comtelburo.*

As appearing in THE TIMES

As appearing in The New York Times

World Program Based on Point 4 Developed to Build Paper Mills

Parsons & Whittemore Reveals It Would Be Active in South and Central America as Well as Africa and Asia

A plan to engineer, develop and build complete pulp and paper mill projects—in Point Four style—in various area of the world was announced yesterday by Parsons & Whittemore, Inc., of this city, supplier of pulp, paper and machinery for the industry.

In making the announcement Karl F. Landegger, president, said that the concern, which observes its centennial this year, would be active in South and Central America, Africa and Asia to develop projects based on pulping of short-fibered material found in many of these countries, in addition to offering equipment utilizing standard grades of woodpulp.

The company will contract to build a complete mill with any specified daily production and quality and will assist local groups in technical and management matters as well as financing.

Parsons & Whittemore recently concluded an agreement with the St. Regis Paper Company, a major producer of pulp and paper, calling for cooperation between the two concerns in the development of pulp and paper mills outside the United States. Under this agreement St. Regis would consider undertaking management contracts in mills to be developed by Parsons & Whittemore, thus assuring capacity operation of a saiable product.

Parsons & Whittemore, Inc., which is affiliated through common ownership with Lyddon & Co., Ltd., London, is supported in this field by The Black-Clawson Company, Hamilton, Ohio, paper-machinery manufacturer, and its divisions — Dilts Machine Works Fulton, N. Y., and Shartle Brothers Machine Company, Middletown, Ohio, and their subsidiary, the B-C International, Ltd., London.

In Great Britain the organization is associated with Millspaugh, Ltd., Sheffield, pioneer in the suction press and vacuum pick-up in the paper industry, and its Canadian subsidiary William Kennedy & Sons, Ltd.

Parsons & Whittemore will conduct these operations, according to Mr. Landegger:

¶ Make a preliminary survey and prepare an appraisal report.

¶ Engineer the complete project.

¶ Produce and deliver all the pulp and paper machinery and other necessary equipment that cannot be produced in the country where the mill is to be built.

¶ Supply the necessary trained personnel to assure proper operation of the project until local workers can take over.

¶ Assist the local group in obtaining financing over a period of years.

¶ Assist the local group in obtaining the necessary raw materials and chemicals to operate the mill after it is built, as well as sell the output through Parsons & Whittemore's own offices in fourteen countries.

The various companies with which the concern is affiliated are the major suppliers of machinery for the pulp and paper factories projected by it. Their engineering staffs will be available for these projects in order to deliver a going plant to the clients.

The Parsons & Whittemore-Lyddon organization also maintains the Pulp and Paper Research Company, Ltd., in London.

Parsons & Whittemore has a contract for a mill in Brazil to manufacture bleached sulphite from eucalyptus trees. Also being completed is a pulp and paper mill in Costa Rica using abaca fiber as a raw material

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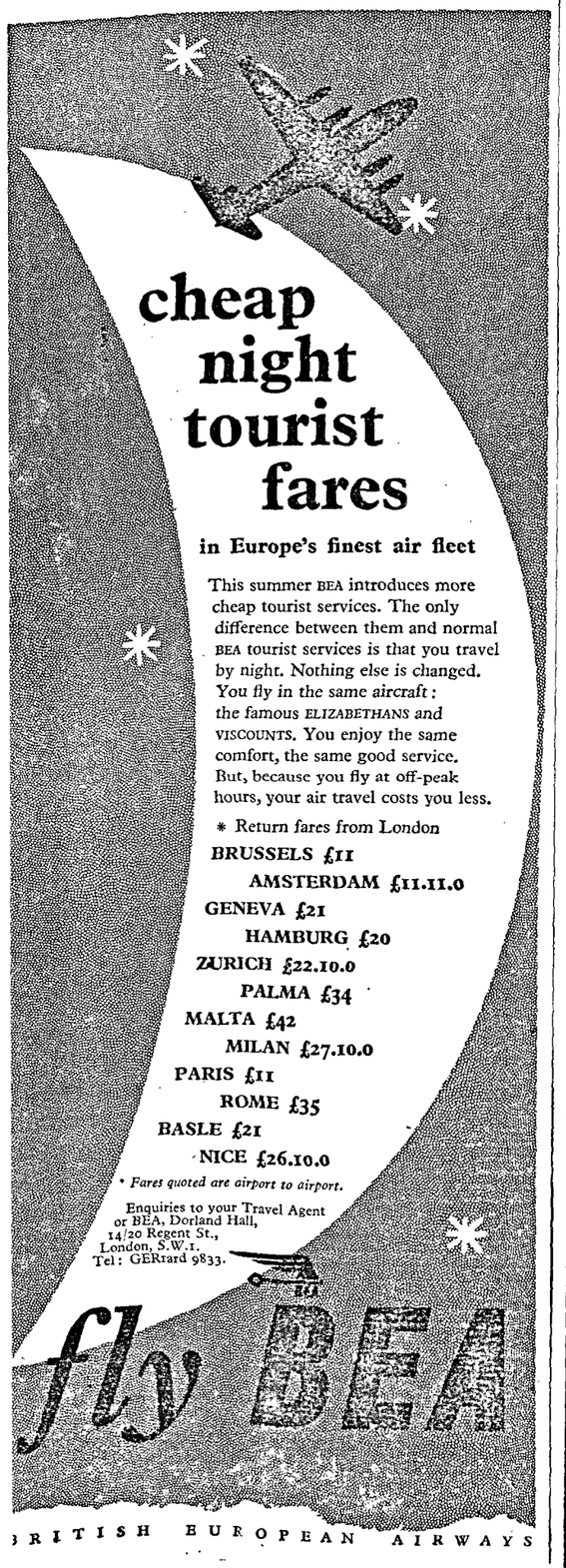

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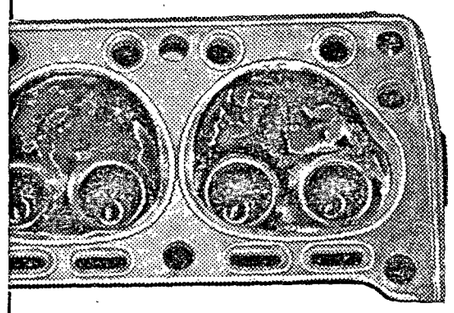
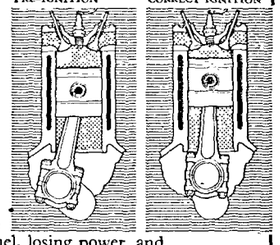
BRITISH EUROPEAN AIRWAYS

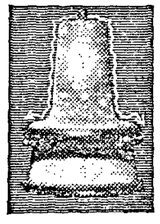
HOW SHELL WITH I·C·A IMPROVES YOUR MOTORING



1 *Look under the lid.* This is the head of a new engine in first-class condition, well-kept and carefully driven. But you can see the deposits that have already formed in the combustion chambers. These deposits glow under certain conditions, and only one glowing spot is needed to fire the petrol-air mixture in the cylinder too soon. This is the commonest form of pre-ignition — the one Shell with I·C·A eliminates.

2 *Sweeter running and full smooth power* have already been revealed in millions of cars by I·C·A (Ignition Control Additive). This is because of I·C·A's fireproofing effect on the deposits. The diagrams show how important this is. The cylinder on the left belongs to an engine running on ordinary petrol. A glowing spot of deposit has fired the mixture too early: the engine is running roughly, wasting fuel, losing power, and possibly being damaged. In the cylinder on the right I·C·A has conditioned the deposits and firing takes place in the proper manner. The engine is now able to run as smoothly and powerfully as the maker intended.





3 *The plug may fail* when these same deposits form on the insulator, for they fuse and form an electrical conductor which short-circuits the plug. This picture shows how the electrical charge is short-circuited uselessly back [illegible] part. I·C·A prevents this misfiring completely: it raises the electrical resistance of deposits and so prevents short-circuiting of the current. The plug again delivers a reliable, hot spark.

TRY THE TWO-TANKFUL TEST

During your second tankful of Shell with I·C·A — (the second one, because I·C·A must have time to work on the deposits already in your engine) — you will get *definitely smoother, sweeter running.*

SHELL WITH I·C·A

IT'S A REVELATION

cannot be properly maintained for lack of staff. The same shortage of staff is also seriously affecting the usefulness of the great library. There are not enough officials with linguistic qualifications to consider new acquisitions; no member of the staff can be spared to read booksellers' catalogues of old books; work on the catalogue is badly delayed and the subject index is five years out of date, while the catalogue of manuscripts is twenty-eight years in arrears. At the Colindale branch, where the newspapers are stored, thousands of volumes of newspapers remain unsorted.

That the British Museum should suffer so disproportionately is nothing less than tragic because of its unique value to scholarship. A work of art which is allowed to slip through an art gallery's fingers is not lost to humanity, but books and manuscripts that are uncatalogued and unavailable are useless; antiquities that are not properly looked after may deteriorate beyond repair. Some rearrangement of the limited sums spent on museums and galleries seems to be called for. And could anything be saved by better methods of organisation? The erudition that is required to direct these institutions does not always go with great administrative ability. Although the Treasury's Organisation and Management division has in recent years visited all the main institutions, it is difficult to believe that they are always run on the most economical lines.

Sweden and Britain

THREE hundred years ago tomorrow, a treaty of friendship and commerce was concluded between Lord Protector Cromwell and Queen Christina of Sweden. It might easily be argued that this showed remarkable vision on both sides; for today Sweden is Britain's foremost trading partner in Europe, and, apart from brief interruptions, Britain has been Sweden's best customer for over two hundred years. In fact, as the celebrants this week have very honestly pointed out, it was not quite as simple as that in 1654. Cromwell was set on the formation of a Protestant front; Sweden was a most desirable ally, being near the peak of its expansionist period, and dominating the southern and eastern shores of the Baltic almost as effectively as Russia does today; and, more immediately, if less ideologically, a solid ground for alliance between England and Sweden existed in their respective quarrels with the Dutch and the Danes, who had already made a compact to close the Baltic. But those who negotiated the Anglo-Swedish treaty were disappointed in its first results, and they would have been vastly surprised to learn that three centuries later it would be legally adjudged to be still in force, and, among surviving English treaties, second in antiquity only to that concluded with Portugal in 1386.

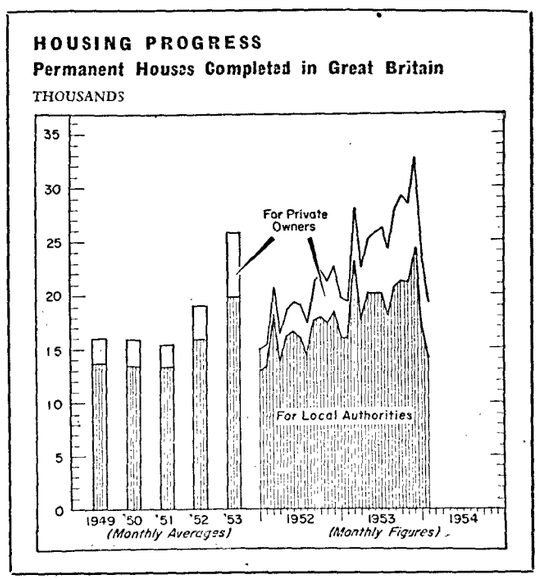
Very gracefully, the Swedes have used the tercentenary to recall the contributions that Britain has made to the development of their commerce and industry—as customer, technical collaborator, financier and supplier. But since 1952 Germany has replaced Britain as their biggest supplier; last year Sweden imported Kr. 1,488 million worth of German goods against Kr. 1,336 million of British. This is no more than a reversion to the prewar position; but there seems to be evidence that some purchases that the Swedes would be glad to make from Britain are frustrated by lack of interest on this side of the North Sea, and the memories awakened this week may serve a very practical purpose if they lead British firms to look a little more closely at an old and friendly market.

WHO and the Wolf

THE World Health Organisation, which is six years old this week, is a healthy child with more solid achievements to its credit than some of its fellow United Nations agencies. With an annual budget of $8½ million, it was never intended to become a world health service. It has been mainly concerned with helping its 84 member countries to help themselves, by providing them with expert advisers, publicising the latest medical research and methods, and arranging training courses and conferences. It has become best known, however, for its part in the mass campaigns against tuberculosis, malaria and other diseases which have been carried out since the war, first in Europe and later in Asia, Latin America and Africa.

Learning through "activity methods" is popular these days, but there have recently been signs that the young organisation's enthusiasm for field activity—or "operationalism" in current jargon—is getting a little out of proportion. In its latest annual report, the Director-General, Dr Candau, said that WHO faced an "extremely serious and prolonged" financial crisis in 1953 because of a "substantial reduction" in technical assistance funds. He repeated this complaint at a meeting in London on Wednesday.

It is at first a little difficult to see on what grounds he cries "wolf" so urgently. He refers to his agency's original plans for spending $9½ million on technical assistance last year; but it knew as early as February that its allocation would be only $5 million. It is true that, as a result of the slow rate at which contributions came in, it actually received only $4.6 million; but it was helped by the UN



Children's Fund, and there is a special reserve fund set up to meet just such emergencies.

Enlightenment comes, however, with his appeal to the World Health Assembly—which is due to meet in May—to provide a budget large enough to make the organisation independent of the uncertainties of the UN technical assistance programme. Most of the other specialised agencies are believed to be thinking along the same lines ; apart from the stability and continuity which such a move would bring, it would enable the financial burden to be distributed more fairly instead of being carried almost entirely by a handful of donor countries. But it is unlikely that the less developed countries, which are in a majority, will support a change ; under the present system they get more and pay less.

Cheaper Clothes for Russians

SPRINGTIME price cuts have become a routine feature of Soviet economic life, and last week's reduction was the seventh in succession since the devaluation of the rouble in 1947. It is through price reductions rather than through an increase in nominal wages that the Kremlin passes on to the consumers a slice of the growing national income. Last year Stalin's successors presented the Soviet public with a particularly glittering gift ; prices of most foodstuffs and products of light industry were slashed, and thanks to this cut the consumers were expected to "save" 53,000 million roubles in a full year. This time the reward is more modest and the annual "saving" is estimated at about 20,000 million roubles—though obviously each year the cut is applied to a lower price level.

Soviet price reductions do not spring directly from changes in the costs of production, but are the result of conscious governmental policy. The planners can reduce the turnover or sales tax falling on a given commodity and thus cut its final price. Theoretically, in their monopolistic position, they could reduce the price of a commodity and still leave its supply unchanged. The result, however, would be shortages, queues, and a black market. In practice the turnover tax is used to balance supply and demand, and springtime price reductions are a fair guide to the goods the government expects to provide in greater quantity in a given year.

The government clearly does not expect to reap this year the full benefits of its new agricultural policy. Last year's bounty was probably obtained by running down stocks. This year there is to be no cut in the price of meat, dairy products and vegetables. Among staple foodstuffs, only bread, tea and salt are to be cheaper.

The switch to higher production in light engineering must also take time. Thus the prices of sewing machines and vacuum cleaners are to be somewhat lower (though these goods are still scarce), but those of bicycles, motorcycles, and wireless sets remain unchanged. The chief reductions affect footwear and clothing. Here the government now has apparently something to offer, and, on top of last year's big reductions, prices of most textiles have now been cut by amounts varying from 7 to 20 per cent. The new regime seems to pay a particular attention to housewives, and women will benefit more than men from the new prices of clothing.

It is impossible to draw firm conclusions from the price lists available because of the scarcity of data on wages. From the evidence available it would seem that prices have not yet completely returned to the prewar level, but on the whole wages have risen more than prices. Thus the average Russian is now probably better off than before the war and is reaching the standard promised him for 1942. This is a real gain, after the poverty of war and the immediate postwar period, but as Malenkov himself has emphasised, it is small compared with Russia's industrial capacity. Malenkov has promised to raise the standard of life substantially "within the next two or three years." After last year's big cut and this year's more modest reduction, the Soviet public will wait till next spring and that of 1956 to see whether the new regime will really keep its pledge.

The Right to Mislead

THE minority report—effectively the Trades Union Congress report—of the Gedge Committee on no-par-value shares has raised an important point of principle. It was a remarkable document, remarkable less for what it contained than for what it did not contain. As was explained in *The Economist* last week, the majority of the committee after lengthy debate of legal and accounting aspects of the proposal to allow companies to issue shares of no par value, came down in favour of it. The TUC representative objected but not primarily on grounds of technicalities ; his minority report boiled down to a simple claim that whatever the rank-and-file worker dislikes, or is said to dislike, about company policy shall be regarded as impermissible. The dislike need not be rationally based ; its grounds need not be explained ; indeed, no evidence need even be shown for its existence. In this instance the dislike imputed to the rank and file should more realistically be ascribed exclusively to their politically minded leaders.

The trouble with the no-par-value share, from their point of view, is that it deprives them of an easy means of misleading the muddleheaded. The nominal value at which the shares of a seedling company were issued is apt to be only a small fraction of their market value when, by way of successful enterprise and steady reinvestment of profits, the seedling has become a sturdy tree. After all, how essentially immoral is the annual harvesting of five pounds' worth of apples from a tree which, ten or fifteen years ago, was purchased for a mere five shillings ? Inability to point to those five shillings and to draw the appropriate conclusions about the greed of orchard owners and the proper wages of gardeners would be a painful loss to the Socialist armoury.

The particular question of the no-par-value share is a technical one, about which the general public is not likely to get very excited. But the TUC's attitude, so clearly confessed, is of much wider application. The trade unions claim nowadays to be almost a separate estate of the realm, with at least the right of veto over a very wide range of public affairs. Rarely is a commission appointed without their having a direct representative. But apparently they still think of themselves mainly as the delegates of a narrow interest in a class war. Had they not better choose which they wish to be ?

Letters to the Editor

The Dollar Rate

SIR—May I reply somewhat belatedly to your correspondent S.G. and his letter of February 24, 1854, on the New York mode of quoting sterling ? (*The Economist*, March 13th). It really starts a little earlier with Henry VIII's debasement of the immemorial English silver standard and Elizabeth I's reform. By her mint indenture of 1601 silver was valued at 5s. 2d. an ounce in sterling and as this value was reaffirmed through Locke in 1695, it was binding on Newton when he rated gold in sterling in 1717. In the course of rating the guinea he determined the value of the Spanish silver dollar at 4s. 4d. sterling and as the United States adopted the Spanish silver dollar of average weight as their own standard in 1785 this value, then taken at 4s. 6d., is through Elizabeth's indenture the basis of your correspondent's nominal par of exchange of $4.44, also decreed by the US tariff collection act of 1789. But when the Thirteen Colonies were dependencies of Great Britain and had their own fluctuating £ s. d. currencies they naturally quoted sterling by fluctuating premiums and assisted, or hindered, by bimetallic variations, merchants carried the habit into the nineteenth century.

Attempts in 1832 and 1839 to quote in modern form were unsuccessful. It was not until 1874 that it was established and your correspondent's troubles would then have been over. Along with the demonetisation of the silver dollar ("the crime of 1873") it was part of the greenback reforms. More specifically, as sterling was quoted at a premium, a US government bond at par in New York was quoted as if at a discount in London (where US quotations were further complicated by a Stock Exchange dollar of account taken at 4s.) and US public credit suffered. Also at the rate binding for duty purposes (at $4.84 from 1842) the tariff level was too low. So by an "Act to Establish the Customs House Value of the Sovereign or Pound Sterling of Great Britain and to Fix the Par of Exchange," Congress fixed the rate as $4.8665, derived from the bimetallic ratio of 1834, and decreed that from January 1, 1874, all contracts based on the assumed par of fifty-four pence to the dollar "shall be null and void." Public credit was restored and the tariff raised. Clear of its discount the dollar, after ninety years, looked the pound squarely in the face. But the Southern Dominions remained steadfast to the old premium method until our own time, Australian bankers adopting the modern mode of quotation only in 1930.—Yours faithfully,

H. A. SHANNON

Washington, March 19, 1954

Farming in Transition

SIR—Part of your case against continuing present levels of guaranteed farm prices rested on the assertion that British prices are above world prices. Of course, if the cost of home-grown food is greater than its cost on the world market, then it is uneconomic to preserve or expand a high level of high cost domestic agricultural production. However, before this argument can be used it must be shown that home prices are really higher, and this is very difficult so long as the value of the pound is protected by exchange controls. So long as these controls exist there is a real sense in which the pound is over-valued. Consequently, it is not permissible to translate international prices directly into pounds at the present rate of exchange. It may very well be the case that at a valuation of the pound which would permit free international transactions *and* a solvent balance of payments British agricultural prices are not higher than world prices. The present, apparent low sterling cost of imported food rests to some undetermined extent upon the fact that the value of the pound is maintained *because* Britain does *not* attempt to import more food. Greater imports of more "cheap food" might put such pressure on sterling exchange that in the end all imports would be dearer.

The same point may be put another way. Perhaps one of the costs to be paid in order to reap the advantages of a pound valued at $2.80 is the maintenance of a high level of domestic agricultural production, which in turn requires a domestic price or cost *apparently* above the world level.—Yours faithfully,

Yale University WALTER C. NEALE

Equal Pay

SIR—It is felt by a very large number of persons that justice should be done, and equal pay for equal work granted. The only argument raised against it is that many men are married, and so have more responsibilities.

There is another injustice, to which attention is seldom drawn, namely that many married couples have to pay more income tax than they would, if they were unmarried, or than two men or two women, or a brother and sister living in the same house would have to pay.

Surely Mr Butler has a splendid opportunity of removing both these injustices at the same time. If he continued the joint assessment of a married couple's income but allowed them double the allowances all the way up the scale, including starting sur-tax at double the figure for a single person, he could grant equal pay at once. This would involve re-casting the income tax allowances and reduced rate relief to provide the necessary income. It would give much needed relief to young married couples, and would ensure that single men and women were treated alike.

He might well give some additional reduced rate relief for children, and so further help the families that most need it.

Is it too much to ask that you should bring your influence to bear to achieve this result ?—Yours faithfully,

F. D. CAMPBELL ALLEN

Harrow

Apartheid in the Universities

SIR—While it is true that some of the criticism of South Africa comes from ignorant outsiders, I cannot help feeling that Mr D. W. R. Hertzog's letter from Stellenbosch will not really enlighten the ignorant outsider about conditions in the Universities of the Witwatersrand and Cape Town, where contact between students of different races is not regarded as abnormal.

To depart from outside theorising, there is no evidence whatever that the mingling of students in our open University of Cape Town is leading to bloodshed or lynchings. In fact, so far is this from being the direction in which our policy of the open door is leading, that a main criticism of the behaviour of our White students at present is that their votes have elected two Africans to the Students' Representative Council.

I cannot say whether these are wise choices on the part of our students or not. In a university of 4,000 students there are many whom one does not know. I do, however, know one of the two Africans (who is no candidate for lynching) quite well, as he is one of my own students. I am quite willing to affirm (not as an ignorant outsider) that his presence at the University is unlikely to lead to friction and bloodshed. In fact, his presence illustrates very well one of the major benefits which experience over many years (in my case 24 years) has persuaded us at the University of Cape Town is likely to flow from our open-door policy. He is a good missionary for more tolerance towards European foibles among his fellow Africans.

The policy of the open Universities in South Africa is not one forced upon us by outsiders who have nothing to lose. It is cherished by us, who have everything to lose, on the basis of experience. It is saddening that so little understanding of our position should be shown by someone from our sister University town only thirty miles away, who appeals to broad generalisations instead of to the real facts of the situation as known to us far from ignorant insiders at Cape Town. —Yours faithfully, H. M. ROBERTSON

University of Cape Town

Books & Publications

Mill the Genius

THE LIFE OF JOHN STUART MILL.
By Michael St. John Packe.
Secker and Warburg. 583 pages. 42s.

JOHN STUART MILL was without doubt one of the greatest personalities and thinkers of the nineteenth century. The many-sidedness of his gifts and achievements is somewhat breath-taking. Schooled in the classics and mathematics, he achieved a mastery of philosophy, politics, and economics which would have made him the ideal product of the new Oxford school of PPE. His treatises on logic and political economy gained in his own time an authoritative status; today he is better known for his later writings on liberty, female emancipation, and other celebrated political themes. But his scholarship was combined with a busy life in politics, journalism, and administration. He was the moving spirit in the creation of the *London and Westminster Review,* the mid-century exponent of Mill's own softened brand of radicalism. He was active in many political causes, and late in life became member of Parliament for Westminster. His income, however, was won in the service of the East India Company, where he eventually became Chief Examiner—an office which carried virtually the responsibility of a Secretary of State.

The biographer who would make such a genius both human and credible faces a heavy task. Moreover he must work under the shadow of Mill's own famous life of himself, that excellent guide to an intellectual climate but inadequate key to the man. These circumstances perhaps explain why Mr Packe's is the first biography of Mill that can reasonably be termed "definitive." It is a long book, but no longer than the subject requires. Its excellence lies in the very nice balance that is struck between the personal life of Mill, his career, and his thought. Moreover, in the result Mill the man comes strikingly to life. He was earnest and high-minded, but not without humour; his passions were intellectual rather than emotional, but he was sensitive and sociable; he was extremely generous with his time and knowledge and (except as regards comment about his relationship with Mrs Taylor) very tolerant. He made several close friendships. He was fond of travel, and he made numerous tours (often on foot) of England and the Continent. The mystery, which Mr Packe adds to rather than solves, is how he found time for it all.

Mr Packe also achieves a good balance between the different phases of Mill's life. His greatest weakness is a failure to show the emotional springs of the two great relationships in Mill's life—those with his father and with Mrs Harriet Taylor. His famous upbringing—the imprinting on the clean sheet of his infant mind of his father's stern rationalism—is passed over fairly lightly. The author points out that, for all his subsequent detestation of his father's methods, J. S. Mill derived unique advantages from his efforts and sacrifices; but the relationship between the two Mills remains strangely unreal. Later it is clear that Mill fell equally under the domination of Mrs Taylor, and Mr Packe shows that she did indeed become an active partner in the development of his thought. Intellectually they worked as one, with Harriet supplying the passion and inspiration and Mill the power of analytical thought. Emotionally, their combination of *avant garde* theory and puritanic practice, of high-mindedness and touchiness, of sensitivity to matters of principle and blindness to practical consequences (especially as these affected the amiable Mr Taylor) remains rather inhuman. Vital as their relationship was, Mr Packe cannot quite pin down its essence.

The vigour of the intellectual and social life of mid-nineteenth century London is well conveyed. Then there was nothing of the narrow specialisation of thought, backed by the wearisome cult of expertise, which is so inimical to good talk today. Mill, Carlyle and their contemporaries would discourse freely and frequently on almost any subject, and the ladies in their circle were almost equally talented. The temporary rapprochement between Mill and Carlyle—two men poles apart in character and beliefs—is nicely sketched.

Mr Packe also brings out the significant part taken by Mill in many important events. His support of Lord Durham may have tipped the scale in winning self-government for Canada and preventing that country from treading the American road. Later his campaign against the ruthless methods employed by Colonel Eyre, the Governor of Jamaica, though unsuccessful, was influential in reforming colonial administration. The conditions on which Mill became an MP—no campaigning, no payment of his expenses, no support for local interests and freedom to promote exclusively his own theories—must permanently excite the envy of aspirants to Parliament. By then he was old and greatly respected. He thwarted the attempt to prohibit tub-thumping in Hyde Park; he almost achieved female suffrage fifty years before it was actually won; and he provided Mr Gladstone with many points in his programme.

Mr Gladstone aptly described Mill as the saint of rationalism. Allied with this was an intense individualism. That is why his "Liberty" remains the most powerful, as it is today the most timely, of his many works. If his theories were based on a somewhat crude psychology, they still provide the finest vision there is of a purified individualism, of a society in which diversity is welcomed and liberty is checked only by the demands of personal integrity. It is a kind of society to which Europe may yet turn, for all its rapid running in the opposite direction. Mr Packe ably shows how behind Mill the genius there existed a rich and humane personality, a good example of the civilisation which it was his aim to promote.

Members, Classes and Issues

MEMBERS OF THE LONG PARLIAMENT.
By D. Brunton and D. H. Pennington.
Allen and Unwin. 277 pages. 21s.

SIR LEWIS NAMIER suggested this subject to the authors, and their book throws at least as much light on the advantages and disadvantages of the Namier approach to parliamentary history as on the Long Parliament itself. The aim of this approach is to penetrate the screen of institutions, parties and principles and to reveal the real structure of politics in the shifting groups or connections dominated by local or sectional concerns and held together by interest and the arts of management. The technique is that of mass biography, conducted on the principles of a social survey or market research. As Professor Neale put it in a recent article on "The Biographical Approach to History," "The essence of the game is—if I may use its jargon—to 'biograph' everyone, ask the right questions, and assemble the facts in tables where their significance may be readily grasped." Both Sir Lewis Namier's work on the eighteenth century and Professor Neale's on the Elizabethan parliaments have shown the rich rewards which this approach can yield.

The prospect of studying the Long Parliament in this way must have seemed both exciting and formidable to the authors: exciting because of the scale and number of the issues; formidable because it was necessary to collect information on over eight hundred members of the Commons. Mr Brunton and Mr Pennington are thoroughly conversant with the rules of the game. They have asked of each member questions under exactly those headings specified by Professor Neale: class, occupation, education, age, parliamentary experience, family relationships and residence in relation to constituency. They have discussed the original members who united to destroy the agencies of personal monarchy and divided to fight the Civil War; they have examined the new members brought in to take the places of the Royalists; and they have considered the composition of the Commons in the last period of all when only a radical remnant was left by the Army purge.

From all this the authors have only found it possible, as they repeatedly emphasise, to draw limited and negative conclusions. The only significant difference between Royalist and Parliamentarian members revealed by these tests is that the Royalists were much younger men, suggesting perhaps that it was easier for the older men to be influenced by what Locke was to call "a long train of abuses, prevarications and artifices, all tending the same way." Otherwise the social composition of each side was very similar, containing gentry, lawyers and merchants, old families and new, advancing and declining fortunes. Moreover the authors show that the new members elected to replace the Royalists came from much the same social background, and they prove that the purge of 1648 cannot be explained in class terms. But, as they are careful to add, these negative conclusions are also very limited and do not even disprove the Marxist interpretation of the period, since the conduct of members may have been regulated by class divisions which were not reflected in the composition of the Commons.

It is not the fault of the authors, who have combined patient scholarship with unassuming good sense, that this biographical analysis has not produced more general and positive conclusions, and they have given some of the reasons themselves. "To say of an MP that he was a Royalist or an Independent," they remark, "shows hardly anything of his outlook or activity"; and for the great majority of members it is impossible to establish, save in the very roughest way, what their politics were. Another reason is that we have still little more than provocative hypotheses on the relation between social changes and political sentiment in the country as a whole in the early seventeenth century. Above all the political situation was very different from that which the Namier method was designed to analyse. As Mr Hexter pointed out in his admirable study of Pym,

> eighteenth century connections thrived on an abundance of controlled patronage and a dearth of issues; during the Civil War there was a dearth of controlled patronage and an abundance of issues.

New Analyst of Russia

THE DYNAMICS OF SOVIET SOCIETY.
By W. W. Rostow.
Secker and Warburg. 298 pages. 18s.

ONE of the most persistent of contemporary myths is that there is a special breed of persons—"Russian experts"—who possess a fund of esoteric knowledge of all things Russian, from which those who have not been initiated into the appropriate mysteries are excluded. It is forgotten that, for the understanding of Russian economics or politics, a knowledge of economics and politics *tout court* is at least as necessary as a knowledge of the Russian tongue. If one may paraphrase the well-known saying of Clemenceau about wars and generals, the Soviet Union is too serious a matter to be left to "Russian experts." On the other side of the Atlantic this is better understood than on this. First-class work on Soviet social and political problems has been done by such writers as Fainsod, Moore and Inkeles. But throughout the western world it remains disappointingly true that most of the best social scientists, economists and historians have shied away from the Russian field.

It is therefore pleasant to welcome to it Professor Rostow, a distinguished historian of American and British capitalism, who has undertaken the present work on behalf of the Centre for International Studies of the Massachusetts Institute of Technology; he has had the assistance of a number of specialists in the Russian and Soviet fields.

The first three-fifths of the book is no more than a summary of the contents of various fairly well-known secondary works by Anglo-Saxon writers. Mr Rostow summarises not only their facts but their ideas, including at times scraps of their text. To most, though curiously not to all, of the sources he has used, he acknowledges his debt.

In the last hundred pages he gives his analysis. He stresses the priority of power in the policy of the Soviet leaders, in the economic and social fields no less than in the political. In this reviewer's opinion, the emphasis is the right one. Totalitarianism is a new subject and an indivisible subject, and it requires new methods of study. The old methods, which maintain the compartments between political institutions, economic statistics, cultural life and foreign policy, will no longer serve. This is equally true whether the approach of those who use these obsolete methods is conservative, liberal, Marxist or quasi-Marxist. Mr Rostow's analysis points in the right direction. It cannot, however, be said that he has any new ideas to contribute. What he says has already been said, for example, at greater length but not less clearly, by Professor Fainsod of Harvard. The lack of new ideas does not necessarily prove failure on Mr Rostow's part. It may prove only that there are no new ideas to be had, in fact that all that at present can be said has been said. One might, however, have expected that, as an expert on the industrial revolutions of America and Britain, Mr Rostow would have contributed a new angle on the problem of the formation of social classes in the Soviet Union. The forces that impelled the industrialisation of Russia, whether in the last decades of Tsardom or, at a much faster rate, during the Stalinist Revolution, were indeed very different from those that shaped the corresponding processes in the West. Yet there is surely sufficient in common, and sufficient contrast, to allow a writer of Mr Rostow's stature to say something both significant and new.

This book has, however, the merits of clarity and brevity. For this reason one hopes that it will be read by a wider public than the other more detailed works it summarises. If so, it may help to attract into the Soviet field other economists and political scientists who have no claim to be esoteric "Russian experts." Let us hope so, for they are badly needed.

A Sampling Inquiry

SOCIAL ACCOUNTS OF LOCAL AUTHORITIES (*National Institute of Economic and Social Research, Occasional Paper No. XVI*).
By J. E. G. Utting.
Cambridge University Press. 89 pages. 16s.

MR UTTING is almost more concerned to travel than to arrive. Much of this compact book is given up to a discussion of the sampling techniques employed in his survey of local finances, undertaken for the National Institute of Economic and Social Research; a comparison of the merits of the various methods; an analysis of the response to his *questionnaires*; the mathematics of the errors to be expected in the results; the testing of those results against figures later collected by the central government authorities. The local government official who might otherwise be tempted to study the book will probably find all this rather forbidding, despite a lucid argument and impeccable display, but for the working statistician it contains

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THE ORIGINS OF PRUSSIA
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By F. L. CARSTEN 30*s. net*

This book traces the growth and decline of the principal institutions and social classes in these principalities which formed the basis of the Prussian State of the eighteenth century.

OXFORD UNIVERSITY PRESS

some healthy empiricism. It establishes beyond doubt that many of the significant statistics of local authorities are amenable to sampling methods, and that the labour and expense of obtaining complete returns can be avoided, though with the important reservation that the largest authorities must often be included in every sample.

This leads immediately to the question, on which the author just touches, how far similar methods can be used in comparable fields: in particular, can the financial aggregates of companies be safely estimated by returns from a sample of companies or by study of a sample of their accounts? The book leads to a presumption that there is a good chance of doing this, but two issues remain to be decided. First, are companies, when properly grouped, similar enough to local authorities, whose "organisation and structure undoubtedly leads to a homogeneity which makes them particularly well suited to the use of sampling methods"? In other words, in what way, if at all, can we group companies so that sampling will produce valid results? Secondly, what size-measure do we take? Mr Utting took rate income as the size-measure for local authorities, relying on what he deemed a fair degree of constancy from one authority to the next in the ratio of rates to government grants, the other main form of income. But he appears to have established this degree of constancy by diagrammatic methods only, and other inquiries have suggested that the ratio varies appreciably. The statistics arrived at do not seem to have been much affected by this, but the lesson for other samplers remains. What is now needed is that someone—why not the Census of Production office?—should do for companies what Mr Utting did for local authorities. To establish that sampling could satisfactorily be used in future censuses would offer hope of important savings in manpower and expense, and that it could be used in other inquiries would foster this much needed research.

The statistics finally produced by Mr Utting were mostly not available much in advance of the official figures and they go into not much more detail. However, the separation of wages and salaries from other payments was a significant result of his painstaking labours: subsequently the central authorities began to collect such figures, but they are rather less useful because, for one thing, they omit national insurance contributions. Another achievement is the separation of rates on residences from those on other premises, a division not elsewhere obtainable. In 1948-49, no less than 58 per cent of rates were levied on residences.

For the rest, the noteworthy end-product is the casting of the statistics for the three years to 1948-49 in a social accounting framework, of which the separation of trading services from non-trading and the erection of "savings-and-investment" accounts are the central features. Students of the national income will profitably ponder upon the structure of these various accounts and upon the entries in them. They bring out clearly the large draft on the national resources for local capital formation (but Mr Utting does not, unfortunately, show what an overwhelmingly large part of this was for housing). The accounts are in fact a useful appendix to earlier national income white papers.

Past and Future

THE FUTURE OF THE WEST.
By J. G. de Beus.
Eyre and Spottiswoode. 185 pages. 12s. 6d.

THIS is mostly familiar stuff set forth in good plain language. The first part of the book is competently potted Spengler and Toynbee with a few words on a forerunner, Nicolai Danilevsky. Mr de Beus believes, rather surprisingly, that the views of Spengler and Dr Toynbee are not well enough known in Europe and America, and he has provided a clear outline of their main arguments and a succinct statement of some of the principal criticisms levelled against them. He is fairer and more favourable to Dr Toynbee's basic metahistorical scheme than is fashionable at the moment, but he ignores much of the attacks made by professional historians. Mr de Beus not only expounds; he also accepts. He accepts the view that history should be studied in terms of "civilisations," things which rise and fall, are born and die; and he accepts the view that western civilisation has reached a crisis. He is therefore, like all thinkers with this bias, much occupied with symptoms of decay and with the question of stopping the rot. His principal inquiry is into the "creative forces" in western civilisation, which may or may not be strong enough to make the next age one of greatness rather than decadence.

Having adopted the Toynbee scheme and terminology Mr de Beus has no difficulty in showing that we are at the stage of a "time of troubles," but at this point he goes further and, stepping outside the scheme, maintains that the question of war or peace dominates the lives of all men and women of all nations—which is simply not so. He is a Toynbeean rather than a Spenglerian in that the present, though a point of crisis, is not for him necessarily the gates of doom: our fate is still in our own hands. All depends on how three major challenges are met: the internal menace of the disunity of Europe; the external menace of the anti-westernism of the new nationalisms of Asia and Africa, and Communism. Is our creative genius up to it? Mr de Beus surveys Europe and the United States and thinks that on the whole it is.

Mr de Beus is one of those lucky people for whom "the readings of history are clear." He presents his diagnosis with clarity and modesty, and many of his exhortations will be readily accepted even by those who find the past less simple and a less sure guide to the future.

Mediterranean Island

THE BANDIT ON THE BILLIARD TABLE. *A journey through Sardinia.*
By Alan Ross.
Derek Verschoyle. 184 pages. 25s.

THERE are new travel books galore about the Mediterranean islands—Balfour on Cyprus, Durrell on Rhodes, Cronin on Sicily and now Mr Ross on Sardinia. Books of this kind, to be worth buying, must fill one of two requirements. Either they must tell the intending traveller what to do, or they must be so well written that in the arm-chair one attends the *festa*, smells the cistus and tastes the wine at the end of the day. Mr Ross wins marks only in the first category. He is honest enough not to make Sardinia irresistible. It is only now emerging from centuries of deathly malaria, which has within the last few years been cured by the Rockefeller Foundation and DDT. Even in the future, it will never be ringed with Amalfis because its southern half is arid and sprinkled with mining villages called Carbonari and as dirty as their name. Only the green north-west and an island off the south-east tip called Carloforte are made to sound really inviting; elsewhere, billiard balls click all night, trams rattle, lidos are backed by hoardings, Vespas hoot and prospects of road racing recall the Isle of Man. Good living costs thirty shillings a day, and Italians marooned on the island by their duties long for the *continente*.

The island has an interesting story and would have been better served if Mr Ross were not so keen to strive after unusual vocabulary. One grows limp from "breasting" aromas, and watching clouds "bandaging" the mountains or (at the Lido) "girls shiny as oilskin carrying light in the hollow of their faces." Spirits flag, also, at too many touches of sophistication; the sea is "Pernod-coloured" and the "pure beauty" of the acolyte behind the cardinal at the *festa* would have "pleased Pirelli's creator"; as for the ladies, they dress "not so sexily as French girls" and one woman's breasts were "like the sudden glimpse of a waterfall." Some people contrive to take their favourite pub in Fitzroy Street with them wherever they go.

Text and Reference

FOOD STATISTICS.
By W. D. Stedman Jones. 28 pages.
TELECOMMUNICATION STATISTICS.
By Arthur Hazlewood. 12 pages.
CRIMINAL STATISTICS.
By T. S. Lodge. 15 pages.
TIMBER STATISTICS.
By J. J. MacGregor. 25 pages.
INTERNATIONAL AIR TRANSPORT STATISTICS.
By A. M. Lester. 15 pages.
STATISTICS RELATING TO THE USE OF LAND IN THE UNITED KINGDOM. Prepared by the Central Statistical Office. 7 pages.
Royal Statistical Society. Each pamphlet 2s.

These pamphlets, which were published during 1953, continue the useful series of studies of the sources and nature of statistical information in different subjects.

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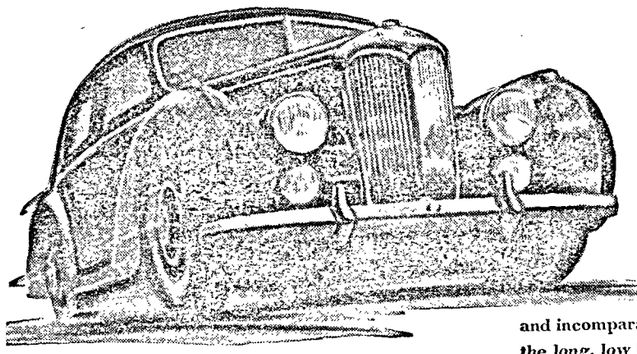

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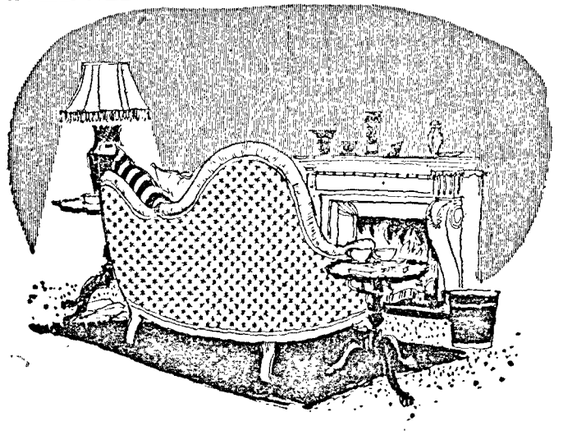

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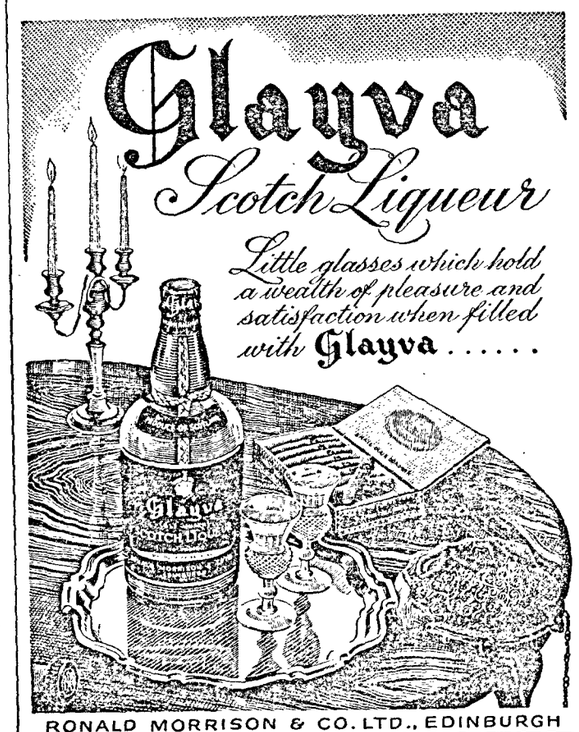

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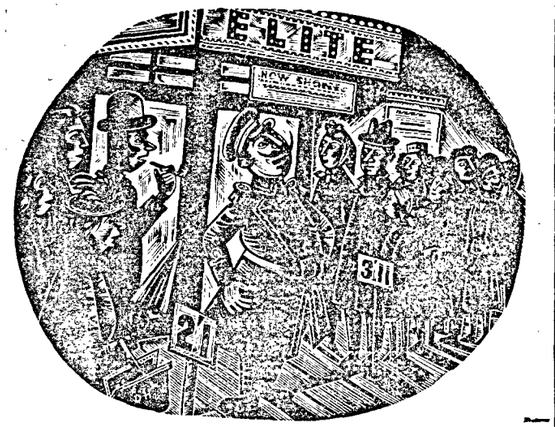

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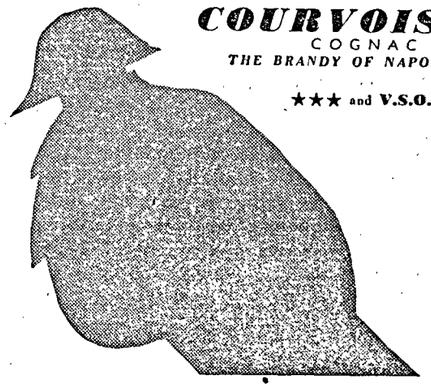

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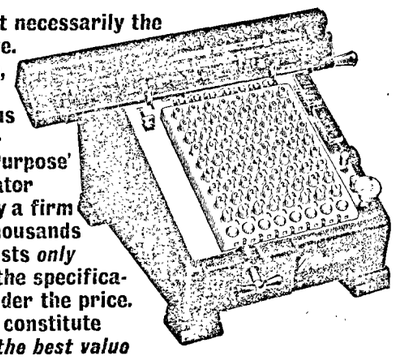

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American Survey

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.

Bombs and Allies

Washington, D.C.

"PROVIDENCE," according to an old saying, "looks after children, drunks and the United States of America." The past two weeks have made many people wonder whether the third of these wards, having exploited the ultimate mysteries of physical matter, may not have placed itself outside the protective pale. For seldom have United States policy and intentions been subject to such misfortunes of timing and lack of co-ordination as the coincidence of the latest hydrogen bomb explosions with the debate on the policy of "massive retaliation" and with Mr Dulles's attempts to suggest a policy of "united action" in Indo-China to the nations of the free world.

To begin with there was much stronger public feeling about the awful potentialities of the hydrogen bomb, as gradually revealed by the inadequate information on the explosion of March 1st, in the two most densely-populated island nations, Japan and Britain, than in the United States. Even when Representative Chet Holifield, who had been an eye-witness, described the explosion as "so far beyond what was predicted that you might say it was out of control," or when the President spoke of the "astonishment" of the scientists, the headlines were bigger in the foreign than in the American press. There was indeed a discernible sense of impatience with the political debate that had flared up in Britain, particularly as it became clear that the shower of radioactive ash which had fallen on the crew of the Japanese *Fortunate Dragon* had been the result of unforeseen meteorological conditions in the upper air rather than because the explosion had in fact got out of control. Perhaps the American public, having absorbed since childhood a much headier dose of science fiction than the British, can more easily digest news of explosive "megatons," of islands being blown out of the water, or clouds twenty-five miles high.

But the clamour for an authoritative explanation of what had happened eventually arose not only from across both oceans, but from Congress as well. As a result on Wednesday of last week the President turned over most of his press conference to Mr Lewis Strauss, the chairman of the Atomic Energy Commission, who had returned from Eniwetok two days before. Mr Strauss read to a crowded conference a not very informative account of the explosion and of the action that had been taken to avert harm, after, as he said, with the *hubris* characteristic of scientists, "the wind failed to follow the predictions but shifted south." However, it was not his statement which made the next day's headlines, but his reply to a question on the potential size of a hydrogen bomb. "An H-bomb can be made large enough to take out a city, to destroy a city." "How big a city?" "Any city." "New York?" "The metropolitan area, yes." At that the reporters evacuated the conference and stampeded for their telephones. The next day almost every newspaper carried a map of Manhattan or Washington with concentric rings of potential destruction superimposed upon it, even though the White House later explained that Mr Strauss had meant that a bomb could put a city out of commission, not level it.

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The first casualties of Mr Strauss's verbal bomb were the officials responsible for civil and continental defence in its various aspects. Civil defence has been one of the victims of the Republican economy drive. Whereas the original plans drawn up by the previous Administration called for an expenditure of $600 million this year on shelter construction and the dispersal of industry, in President Eisenhower's latest request to Congress the amount has been reduced to $75 million, while the dispersal programme has virtually been abandoned. Mr Strauss's announcement galvanised the Civil Defence Administration and the Office of Defence Mobilisation, which is responsible for the dispersal of industry, into action again, though whether they will get funds enough to launch an effective programme is doubtful. New York City's civil defence director said that, with this latest news from Washington, evacuation had become the only solution: "The shelter idea is out." But he added that it would take three days to clear the city's inhabitants on foot, and seven and a half days to clear the 1,800,000 vehicles in the metropolitan area, while the longest warning that could be expected would be two hours.

Although some progress has been made with the establishment of an early warning system, the McGill line which runs across northern Canada, and the building of guided missile sites around ten of the principal cities, Mr Strauss's statement has brought home to Americans the fact that their cities are as vulnerable as those of Britain or Japan. As Senator Duff, an Eisenhower Republican, said last Saturday: "American supremacy is due to concentration of our industries. Our national strength can well become our national weakness." At the very best the meaning of total war is that whenever an enemy aircraft shows up in the radarscopes over the Canadian wilds, the whole population of New York, Chicago, Boston and San Francisco must take to the country, for it will be impossible to tell

for which city the aircraft is headed. Although the President, *in his radio and television speech on Monday night*, tried to allay the general sense of alarm which he detected in American public opinion, the briefest contemplation of the implications of a hydrogen war for the United States itself leads to uncomfortable conclusions.

In consequence, the most serious casualty so far has been Mr Dulles's policy of "massive retaliation." As Mr Joseph Harsch wrote in the *Christian Science Monitor*:

> The "deterrent" power of "instant retaliation" had possessed a defensive and even comforting overtone when John Foster Dulles spoke of it in January. Its overtones were different in March. There was small comfort in the thought of available retaliation for those who might be in the path of the occasion for retaliation.

As it happened, Mr Strauss's statement almost coincided with the first comprehensive and authoritative criticism of the "instant retaliation" thesis from Mr Dean Acheson, writing in the *New York Times Magazine*.

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But last week did more than precipitate the serious and thoughtful discussion of the new turn in American strategy which that turn deserves. It exposed the lack of intellectual co-ordination between the various policies of the Administration, despite the importance that has been attached to this co-ordination by the strengthening of the National Security Council under President Eisenhower. Mr Strauss's statement on the effect of the hydrogen bomb not only alarmed American public opinion about the implications of policy that contemplated the use of atomic weapons, but also weakened the principle of collective security by showing that the United States and the Soviet Union had at their disposal a weapon which could make it almost foolhardy for any other nation to be allied to either one or the other. Mr Walter Lippmann pointed out that

> it has become impossible for small or middle-sized countries within easy reach of an aggressor who is armed with atomic weapons to commit themselves to intervene in a world war.

Yet two days before, at the Overseas Press Club, Mr Dulles dropped a broad hint about "united action" in Indo-China if the situation there deteriorates, which was nothing less than an invitation to Britain and other interested powers to recognise the same obligations for collective security in that area as they recognised in Korea or in the setting up of the North Atlantic Treaty Organisation. He amplified this on Monday before the House Foreign Affairs Committee.

Superficially there is no connection between the statements of Mr Strauss and Mr Dulles. The spring tests of the Atomic Energy Commission take place according to a predetermined schedule in which the winds and weather are the prime considerations; the scientific argument and experiments proceed according to physical, not political, laws; Mr Dulles had probably no knowledge when he issued his call that Mr Strauss was in possession of information that would scare every smaller ally of the United States into insensibility. Yet it was a clear failure of political imagination at the central point of co-ordination—the White House—that the incompatibility of these two important statements went blithely undetected. As Mr Lippmann has said:

> What in the world has gotten into us that we have lost the capacity to put ourselves in the place of other peoples, and to realise how they feel? Here we are having public *tantrums about how we may be demolished* by atomic weapons flown across the Arctic Ocean, lobbed in at us from submarines, carried in among us from suitcases. And yet we cannot seem to appreciate why small countries that are much nearer, that have no defences, do not want to go half-way round the world to take part in wars of collective security, which could become a war with the Soviet Union.

Retail Trade's Easter Egg

THE increase of 54,000 in the number out of work in March was much less than in any month since last October and is being taken as a sign that the rise in unemployment is levelling off. For this reason the March increase has not given the signal, as President Eisenhower suggested it might some months ago, for federal action to halt the economic recession. Nevertheless, the President must be feeling happier about the recent cuts in excise taxes than he did when he signed the Bill containing them on the last day of March. For then he said that he accepted the Bill in the hope that the tax reductions might stimulate business enough to offset some of the loss in revenue, estimated at $999 million. And now it is being hoped that business will also be stimulated enough to bring in April the seasonal fall in unemployment that should have come in March.

Last month's unemployment is attributed in part to the late Easter, which has delayed the usual spring upturn in retail trade. This explains, to some extent at least, why retail sales have been running behind last year. This week, for the first time, the Easter advantage is with this year's trade; in 1953 Easter Day fell on April 5th, in 1954 there were two more weeks of normally heavy buying to come. This week is also the first full week since excise taxes were reduced. The complete effect of these reductions will not show in trading statistics, since they are based on the dollar, not the unit, volume of sales and the tax cuts mean lower dollar prices.

It is far from certain, however, how much lower dollar prices will actually be. The reduction in tax, to 10 per cent from 20 per cent of the price, which affects at the retail level the so-called luxury items—furs, jewellery, luggage and toilet articles, most of which had been selling badly—is apparently being passed on in full. But those tax reductions which apply at the manufacturing level—on cameras and light bulbs, reduced to 10 from 20 per cent, on sporting goods, mechanical pencils and lighters, reduced from 15 per cent to 10 per cent, and on household appliances, from 10 to 5 per cent—are not necessarily being passed on to retail traders. This is particularly true in those cases where the manufacturer has been meeting competition by absorbing the tax himself. Many cinema proprietors also seem to be pocketing at least part of the reduction in the tax on admissions to entertainments, instead of giving their patrons the benefit.

Even so, shoppers are certainly being offered, and are taking advantage of, very substantial price reductions. Many retail traders are using the opportunity to lower prices by more than the tax in order to get rid of slow

oving stocks. These cut price sales are another reason hy it may be difficult to assess the exact stimulus which the ix reductions give to trade. The pattern is also being istorted by a rush of delayed purchases that were postoned in March because it was thought that tax reductions ere coming. Businessmen note that the declines in peronal incomes and hire purchase buying that had much to o with the recent fall in retail trade are still going on nd they are wondering if the Easter egg that the congresional tax-cutters have given to them may not turn out to e addled.

States' Rights and Labour Laws

Washington, D.C.

RATHER unexpectedly it begins to look as if Congress may after all get around to amending the Taft-Hartley Labour Act at this session. The House Committee is expected to approve a Bill before Easter, which is likely to go a good deal further in an anti-labour direction than the President wishes, while the Senate Committee has already reported a Bill which follows his recommendations almost exactly. Among the important features of the Senate Bill, which was accompanied by the muttered curses of the Democrats on the committee and only the faint praises of the Republicans, are two gestures to the grand old cause of states' rights. Both were suggested by Mr Eisenhower in a letter to the chairman, in which he described them as the first conclusions of a study group that was going into the "complex" question of the relationship between state and federal laws about labour relations. One provision reserves the right of any state to make laws preparing for emergency action in case a labour dispute should provide "a clear and present danger to the health and safety of the people." The other allows the states to pick up jurisdiction when the National Labour Relations Board declines to exercise it on the grounds that the case is not substantially concerned with interstate commerce.

The new board, which now at last has a majority of members appointed by President Eisenhower, apparently intends to withdraw from some of the wide interpretations which its predecessor put on its powers and which were upheld by the Supreme Court. A change in the law is therefore needed, for the courts have decided that, as things stand, the states are for ever excluded from an area in which the board has once acted. As a result many of the state labour laws are at present virtually dead letters, with the marked exception of the "right to work laws" which ban compulsory membership of trade unions. These were specifically allowed by the Taft-Hartley Act to over-ride federal law. They spread rapidly in 1947, the year of the Act, particularly in the southern states, where the comparative weakness of trade unions is part of the bait put out for new industries. This year they began to spread again, Mississippi and South Carolina being the latest additions; at present sixteen out of forty-eight states have such laws.

Despite their opposition on principle to the Taft-Hartley Act, trade union leaders are well aware that it has in fact shielded them from the effects of more severe state laws at a time when public opinion (somewhat distorted by the over-representation of rural interests in the state legislatures) was swinging against the unions. They are therefore

opposed to any return of authority to the states, but they are particularly alarmed by the plan to let the states legislate for emergencies. The two main concessions made to labour in the President's original recommendations for changes in the Taft-Hartley Act may in fact be cancelled out by the concessions which he is now making to the states. Unless the state "right to work" laws may be over-ridden, it is meaningless, in the sixteen states where they apply, to propose that the maritime and construction unions should be permitted to insist on new workers joining the union within seven days instead of, as with the usual union shop, within thirty. The proposal that the ban on secondary boycotts should be relaxed, to the extent that strikers in one part of a construction project should be able to picket employers in other parts of the same project, could be rendered equally futile if the NLRB chose to relinquish jurisdiction to a state with tougher laws about picketing.

Foreign Operations in 1955

AS was to be expected from the importance which President Eisenhower attaches to preventing any further losses to the Communists in South-East Asia, in the interests of the security of the free world, the largest single sum in the foreign operations budget for the 1955 fiscal year is allotted to Indo-China. In the programme for the twelve months beginning on July 1st, which Mr Stassen presented to the Foreign Affairs Committee of the House on Tuesday, $1.1 billion is asked for that area. This is made up of $300 million for military equipment, $800 million for direct forces support, a new category which provides food and other supplies, and small amounts for economic and technical aid. Altogether the Far East and the Pacific area are allocated $1.8 billion, nearly twice the $948 million that is asked for Europe, which is to receive less than half as much aid from the United States as during the current year. The Near East, Africa and South Asia are allowed $569 million, of which over $100 million is for India, Latin America is to get $47 million, and non-regional programmes $165 million.

The total for direct forces support, which also includes provision for the manufacture of aircraft in the United Kingdom for the Royal Air Force, and for aid to Jugoslavia, Turkey and Formosa, is $945 million. Mutual defence assistance—military equipment and training—is to cost $1.6 billion and mutual defence support, which once upon a time was economic aid, is put at $223 million. The only places in Europe which are now eligible for the last are West Berlin, Spain and Jugoslavia, but between $200 and $400 million is allowed for off-shore procurement of military supplies in Western Europe. $241 million is asked for the relief and rehabilitation of Korea, $306 million for development assistance to promote economic and political stability, and $132 million for technical co-operation, which consists mainly of teaching, training and the exchange of information. Mr Stassen regards this last section as "of the greatest significance in the long pull over the decade ahead," and asks for nearly $25 million more than was appropriated for the purpose last year.

For the whole programme only $3.5 billion is asked, compared with $4.7 billion appropriated last year and $6

billion the year before. Mr Stassen believes that this is enough to carry out the essential tasks in the year ahead. But members of the House committee are already thinking that it is too much. In particular they want to know what has happened to funds already appropriated but not yet spent. Mr Stassen confessed that he still had $1.6 billion in hand that was not specifically allocated and $9 billion that had not been paid out although it had been committed.

Whose Water?

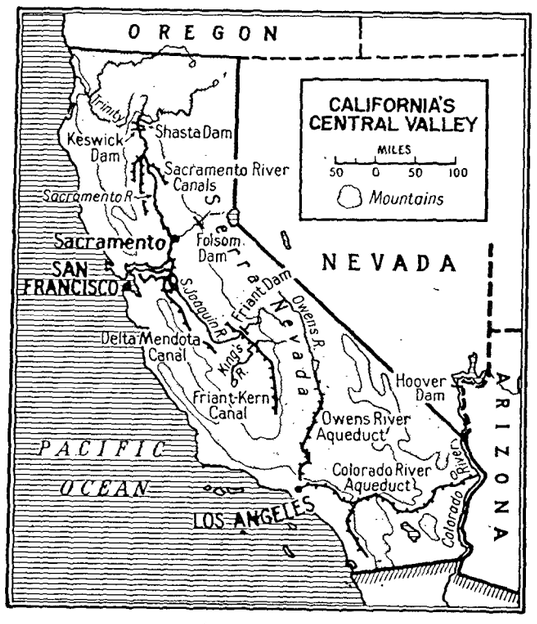
FROM A CORRESPONDENT IN CALIFORNIA

IN California the Republican Administration's new policy on the development of water and electricity resources, a reversal of the New Deal's paternal approach, has raised once more the whole question of a long-range water policy for the state. Basic economic and political issues are involved because of California's dependence on irrigation for its agricultural expansion and because the state's size and geography make sectional rivalries inevitable. This reappraisal applies particularly to the huge Central Valley irrigation project. Two years ago the State Legislature appropriated $10 million to be used as a token payment for the purchase of this undertaking from the federal government. Arguments were still going on as to whether such a purchase was in fact desirable when the Administration's announcement last summer opened up the prospect of acquiring effective state control without actually buying the project.

The Administration's objective is to give common responsibility, financial as well as administrative, to federal, state and local governments for public works developments. The Bureau of Reclamation in the Interior Department and the Army Engineers are to be restricted to the construction of major projects and local agencies are to do their own planning and managing as far as possible. The federal government will continue to finance flood control work, but irrigation costs will be repaid by local water users; where necessary, electricity revenue is to be increased to help pay for reclamation work.

Water is the key to California's prosperity not only in its agricultural valleys but in the industrial centres which cluster around the major cities. Without Colorado River water from the Hoover Dam, 400 miles to the east in Nevada, there would be no aircraft industry in Southern California, and oil production there also requires great quantities of water. The cattle on the ranges in the San Joaquin valley often drink water mined from underground sources, for annual rainfall averages less than five inches in this valley. Continuous over-pumping is lowering the ground water level and bringing the hazard of salt water intrusion. Fresh sources must be found both for irrigation and for percolation to restore the underground supply in many parts of the state. In the north, however, the Sacramento River, with a much more satisfactory flow than the San Joaquin, and the better rainfall make this area's enormous fruit and cereal crops and dairy production possible. It is these two river basins which comprise the so-called Central Valley. Farther south, below the mountains, Southern California has no reliable rivers at all.

It is, therefore, understandable that the search for water has constantly preoccupied Southern California. It led first to the appropriation of the Owens River years ago, over the bitter and violent protests of local settlers, to supply Los Angeles 300 miles away. A second major source was secured in 1935 with the completion of the Hoover Dam, which made possible the channelling westward of some 5,000,000 acre feet of Colorado River water. (An acre foot is the amount of water required to cover one acre to a depth of one foot.) Even so, the search for water goes on in the south. No scheme is too fantastic, or too expensive, for consideration—from plans to bring water from the North-west's Columbia River down to Southern California, to those for desalting the sea, and mining for supposedly untapped "geological waters" in the most unlikely spots. All plans for expansion in the Los Angeles area depend on winning various legal disputes over water rights now going on between California and Arizona, and between California and the federal government, and on full recognition within the state of Southern California's needs and claims.



These claims will be re-emphasised now that California may have an opportunity of managing its own water resources again. The fact that 55 per cent of the state's voters live in the Los Angeles area, and might therefore have a controlling voice, is cited, for example, as one reason for leaving the Central Valley Project in federal hands. As the debate over water in California shifts to new ground, it is important to recall that this mammoth project, which transfers surplus waters from the Sacramento River basin to the arid San Joaquin River basin adjoining, was originally a state project, planned by state engineers. But by the time the plans were completed and approved the depression had arrived and the only possible way of financing the project was with federal funds. It was as a rescue and relief project, therefore, that the Bureau of Reclamation undertook to build the CVP.

The state authorities could not have foreseen that the New Deal planners who were to take over the Interior Department would find in the CVP a chance to demonstrate a social theory and at the same time to build powerful political influence in the Far West. The ideas then prevailing in bureau offices, which featured the breaking up of the "factories in the fields," the solving of the migratory labour problem along with the water problem, appeared more than fanciful to the individualistic ranchers of the Central Valley. Further shocks were in store for them when they discovered that the Reclamation Bureau, taking advantage of changes made in the law in 1939, was proposing to operate as a public utility instead of, as in the past, allowing the local irrigation authorities to take over the installations by degrees. Another snag, from the farmers' point of view, was the limitation on lands which might receive water from the project, to individual holdings of not more than 160 acres. This limitation is fixed by the laws relating to public lands and public works, but in California it is contended that it should not apply to established agricultural holdings.

Thus the bureau's attempt to make the CVP a model for publicly-owned water (and power) facilities has clashed inevitably with California's doctrine of private water rights, and with the free enterprise philosophy of the state's ranching and electricity interests. Beyond the legal disputes is the added complication that CVP water merely supplements existing water supplies. For throughout the Central Valley much irrigation water continues to be drawn from wells. A large landowner can, therefore, remain outside the local irrigation system and simply pump the water he needs without interference from the bureau's officials. But he is depleting the underground water resources when he does so and threatening the interests of all water users in the valley.

The CVP is now about half completed. 1953 was the first full year of operation of the initial features of the project—the dams, pumping plants and canals which provide one million acre feet of water and 2,245,000 kilowatt hours of power a year. Sales of this water to local irrigation authorities in the Central Valley, and of power at Shasta and Keswick dams to public and private electricity distributors, brought the United States Treasury $5,500,000 in 1953 and the return so far on an investment of some $400 million up to $50,931,707. The CVP is thus shown to be a going concern.

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The question in California is, whose concern is it? Both the ranchers and the aggressive Pacific Gas and Electric Company think there is hope that it may become the state's, as a result of the more friendly climate both in Congress and in the Administration, which has been illustrated by the legislation giving ownership of offshore oil lands to the states and by the withdrawal of federal opposition to the private development of hydro-electricity on King's River. There is also a new Bill, sponsored by Senator Price Daniel, a Democrat, of Texas, which would exempt established agricultural areas served by publicly-built water works from the 160-acre limit on acreage; it seems fairly safe to predict that this measure may soon be approved by Congress.

With these federal hurdles to state control removed, it no longer looks as if it will be necessary for California actually to buy the Central Valley project. The Legislature

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has already withdrawn half of the $10 million down payment fund for CVP and put it back into the General Fund. What seems more likely now is a concerted move at last, by all elements in the state, to get federal loans for needed extensions of the CVP system ; the federal budget for the coming year includes $10 million for loans to local irrigation agencies. Such a move is foreshadowed in the hearings on the Trinity River project which the Interior Committee of the House of Representatives will hold this month in California. This proposed project is the cheapest new source of another 600,000 acre feet of badly needed water for the Central Valley. The Californian delegation to Congress seems united for once on getting it started. What remains to be seen is whether this same spirit can prevail long enough to achieve the establishment of a consolidated water agency to take over the responsibilities now shared by many overlapping state bureaux, and whether Californians are prepared to pay the cost of home ownership for water.

Slow Start for Colour

New York

THE race to bring more colour into American homes started officially last December, when the Federal Communications Commission finally approved standards for the "compatible" system of colour television—compatible in that colour programmes can be received, in black and white, on existing television sets. Most of the competing firms had been limbering up for several years yet today, three months after the start, they have barely completed the first lap—and all of them, not unexpectedly, are already out of breath.

Estimates of the number of colour television sets that will be produced this year range from 70,000 to 200,000 ; last year 7 million black and white sets were sold. Colour television is not expected to penetrate the mass market until 1956 at the earliest, and probably not until 1957. The reasons for this slow progress are clear: colour television sets cost too much, both to buy and to service ; the screens are too small ; and there are too few colour programmes.

The heart of the colour television set, and the place where its weaknesses are found, is the colour picture tube. Each of these tubes costs from $125 to $175, compared with only $40 for a black and white picture tube, and in addition twice as many ancillary tubes, and three times as many component parts, are needed as in a black and white set. The resulting circuits have so far proved too complex for anything more than a very limited form of mass production. And after all this the colour tube now in production gives only a "squint-sized" picture of 12½ inches in diameter—to a public which insists on a minimum-sized picture of 21 inches on its black and white sets. The main research effort is therefore directed at producing a larger, cheaper colour tube, which can be fitted into simplified circuits.

The first colour set on the market, a 12½ inch model, now reduced in price to $1,100 (just under £400), is still at least four times as expensive as a comparable black and white set. Even so, the manufacturer has admitted that each set costs $3,000 to make. Colour programmes, also, are more expensive to produce, but advertisers are unwilling to pay large additional sums for programmes which will be seen—in colour—by very few consumers. Therefore colour television broadcasts have been limited, so far, to two to four hours a week. Since even these programmes can be seen perfectly, in black and white, on an ordinary set, the incentive to buy colour is not great. Until costs of production come down this cycle cannot be broken, and sales of colour sets will continue to be limited, as they are at present, to a few "two-car garage" customers, and to people with a professional interest in television. All the major companies will have colour sets on the market this year, but most of them will remain in the dealers' showrooms ; it will probably be 1957 before a really satisfactory set from the selling point of view makes its appearance. The objective is a 21-inch screen costing $500—only twice as much as a comparable black and white set.

SHORTER NOTES

The Senate has insisted, by a large majority, that statehood must be given to Alaska as well as Hawaii. The Bill passed by the House of Representatives last year, however, confers statehood on Hawaii only ; this is in accordance with the President's wishes, for he does not consider Alaska is yet ready for statehood. At the moment it looks as if both House and Senate might refuse to compromise, which would mean that neither Territory would become a state at this session.

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The longest and costliest strike in the history of the Port of New York came to an end last week, after a month of strife and violence and an estimated loss in trade of $1½ million, when the leaders of the International Longshoremen's Association yielded to federal and state pressure. If the union had not complied with the ruling of the New York State Supreme Court and the requirement of the National Labour Relations Board to terminate the strike "forthwith," the ILA would have lost its right to a place on the ballot with the new American Federation of Labour trade union, when the dockers decide which union shall represent them as their bargaining agent in negotiations for a new contract. As expected, the NLRB has invalidated last December's election and directed that another be held.

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The Administration's latest attempt at saving money, or rather at making it, is to go into the used stamp business. The first trial sale held by the government included a collection of some fifty pounds of domestic and foreign stamps, clipped from letters coming into government agencies and the White House over a ten-day period, and auctioned off to the stamp dealers. The Administration is not yet certain that the stamp business will contribute to balancing the budget ; it is now comparing its costs of collecting the stamps to the mere $339 netted from its first sale.

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Last year Americans spent nearly $1.3 billion on travel abroad, $115 million more than in 1952. Of this, $383 million was paid out for ocean and air fares, almost half of it to foreign carriers, and the rest was spent within foreign countries.

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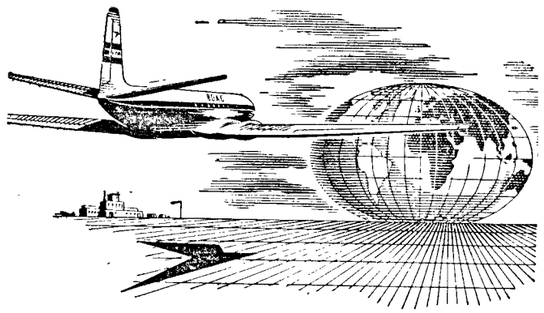

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The World Overseas

Commonwealth Debate at Lahore

FROM A CORRESPONDENT

IN his opening address to the fifth unofficial Commonwealth Relations Conference, the Prime Minister of Pakistan alluded to the three outstanding dates in Commonwealth history, 1867, 1926 and 1947. The British North America Act of 1867 marked the inception of the Commonwealth ; 1926, the formal description of its conventional characteristics ; 1947, its extension to Asia. The importance of the Lahore conference derived from the opportunities it gave to appraise the practical implications of Asian membership.

The emphasis of India and Pakistan on the completeness of their national sovereignity is still pronounced. Something which older Commonwealth members take for granted is asserted by them as though it might be still in question. It was because the right of secession and of neutrality was expressly conceded that Pakistan, in the words of its Prime Minister, remained a member of the Commonwealth, while Indian delegates noted that opposition to Indian membership had lost much of its force because of incontrovertible evidence of the independence of India's foreign policy. Behind this emphasis lay a difference in experience between the older and the Asian members which deeply influenced their respective outlook on world affairs. For the older the lessons of history were the lessons primarily of European history, of the dismal consequences of appeasement in the thirties, of the formidable menace of Soviet expansion in the forties. But for Asia what remained uppermost was the struggle to overthrow imperialism in the thirties, its achievement for some in the forties, and the uncomfortable reminder from Indo-China that it was incomplete. Delegates from the West might simplify the issue in the cold war to one of right and wrong, but for Asian delegates this was not possible because there was more than one issue about which they felt deeply and in which they felt questions of right and wrong were at stake.

If the conference demonstrated anything, it was that the colonial aspect of the war in Indo-China was a major liability for the West in its political relations with Asian peoples ; and that contrasting interpretations of Communist intentions arose mainly from geographical circumstances. Where Britain, Canada and South Africa thought of Russia first, Pakistan, Ceylon and above all India thought first of China. They were strangely oblivious of recent events in Europe ; the Berlin Conference had made no apparent impact on their minds. In contrast, the failure of the West to defend Burma and Malaya in 1942 had left an indelible mark. Yet, when so much has been said, the remarkable thing was the extent of the support for the western interpretation of the Communist menace. From Ceylon, from Malaya, and from Pakistan the weight of opinion was on the need for defence measures against it ; and the Indian delegation, though it enjoyed backing from others as individuals, was left isolated in its continuing support for the idea of "an area of no war." This is a significant development, though the ambivalence in the Pakistani attitude to the use of US aid was only too apparent. The aid was nominally intended to build up resistance to possible Communist aggression, but Pakistanis openly proclaimed that what they needed most was re-insurance against India. Kashmir, where the policy of procrastination was clearly felt by other delegates to be undermining India's moral position, retained for this reason the melancholy distinction of being the most disintegrating of intra-Commonwealth disputes. It is much to be hoped that welcome Indian reassurances of an early settlement will prove well founded.

Sincere Apostles of *Apartheid*

In the discussions on racial and colonial policies it was the South Africans who were left isolated. They had a small but representative delegation, and the sincerity, even the altruism, which inspired the apostles of *apartheid* (or differential development, as they preferred to describe their policies of racial separation) impressed their colleagues. But it did not change their opinion, though unquestionably it enhanced their understanding of the complexity of the South African racial problem. As one Asian delegate remarked, this was the first time that he had realised how the lot of the great Bantu majority was apt to be lost to sight in his country through concentration on the treatment of the Indian minority in Natal. But though the educative value of these debates on racial policies, the first to take place at a Commonwealth conference, was considerable, what was important was the weight of opinion, in a multi-racial Commonwealth, against racial discrimination in any form. It was United Kingdom spokesmen who underlined bluntly that Britain in self-interest alone was bound to be on the side of Gold Coast democracy and against dominant white minority rule. The doctrine accepted outside South Africa was equal rights for all civilised men and equal opportunities for all men to become civilised. But it was the direction, not the pace, that was felt to be of first importance.

The wide measure of agreement on racial questions was underlined in the discussion on colonial policy. The principal points of difference were in respect of the submission of political information on dependent territories to the United Nations, and on the uncooperative attitude of the United Kingdom in debates on colonial policy at Uno. This was attributed to the "discreditable company" she kept there, for in the Indian sub-continent Britain is clearly distinguished from other colonial powers. Few things at the conference were more impressive than the tributes Britain received from Asian delegates for the sincerity of her intentions and the quality of her administration in colonial territories. An Australian delegate remarked, towards the close, that colonial policy had become a source of Commonwealth unity. No one dissented.

Agreement on economic policies was more in accordance with expectations, but it was none the less reassuring. The overriding concern in Asia was with development. The Colombo Plan has given substance to the idea of Commonwealth in Asia. It had also afforded an opportunity for the association of older with Asian members in a way equally acceptable to both. It was through the Commonwealth that New Zealand, Australia and Canada had their closest contacts with Asian opinion, and there was no doubt that for them this was something that enhanced its value. No one was disposed to regard the enlarged Commonwealth as anything but fragile, but what the Lahore conference brought out was the variety of interest and the measure of support and good will which it could enlist from all its members and from those who aspired to join their ranks. It was an interesting, illuminating and on the whole encouraging conference, which suggested that the Commonwealth still possessed a healing touch and had great opportunities before it.

Atomic Fever in Japan

FROM OUR TOKYO CORRESPONDENT

THE atom-dusting of Japanese fishermen has had "radio-active" influences extending far beyond the unhappy victims themselves. In a flash of revelation, the Bikini explosion of March 1st illumined the sensitivity and fears of the Japanese, their prickly complexes about sovereignty and independence, and their conviction of doomed vulnerability. All this ferment, torturing doubt and pathetic self-assertion was summed up in the shrill question repeatedly put by a Japanese newspaperman at the Foreign Minister's press conference on the 23 radio-active fishermen and their deadly catch of fish: "Have the Americans apologised to Japan yet?"

The young man's question disclosed the dangerous, unpredictable Oriental fires smouldering beneath Japan's unreal surface calm today. "Impassive" is the most grotesque popular misidentification ever applied to the Oriental. The subsequent unreasoning Japanese reactions have developed logically from that demand for an "apology," which awakened all the twenty-year-old echoes of inferiority and arrogance . . . the sudden reckless firing on British gunboats, the "off with their trousers" humiliation of Britons outside the Tientsin concession, the feverish clamour for naval parity at the expense of national solvency, the harakiri attack on Pearl Harbour.

Japanese scientists, earnest, unselfish and patriotic, have insisted jealously on their right to treat the ailing fishermen independently, if inefficiently. They are suspicious of immediate American offers of help. They have refused the American offer to examine and decontaminate the ill-fated "Lucky Dragon" at the only properly equipped laboratory in Japan—in Yokosuka, the old Imperial Navy base, still occupied and operated, to the anger of the Japanese, by the US navy. Headlines proclaimed that the Americans were trying "to destroy evidence" and were treating the hapless fishermen as "guinea-pigs." It was asserted that the bewildered US atomic authority, Professor Eisenbud, despatched post haste from Washington to soothe the Japanese and damp down anti-American feeling, was concerned only with ensuring the safety of tuna fish exports to the United States and with minimising Japanese compensation claims. Even the *Asahi*, the distinguished daily with a shining postwar record of courageous defence of individual liberties, joined in this hysteria.

Chips off the Dragon

Meantime, more than one hundred groups of Japanese "officials," many of them political and most of them self-appointed, got into the act, inspecting, analysing and reporting—often in contradiction—the effects of the macabre visitation. Then there was a spy scare: "shady foreigners" were furtively chipping radio-active fragments off the "Lucky Dragon." Finally, an anti-American Socialist party "expert" reported—reverently quoting, with magnificent lack of humour, "American sources"—that radio-active dust from Soviet hydrogen test explosions in Siberia was falling like the gentle rain from heaven on Japan three days every week.

The West must not miss the lesson of this fleeting insight into the twisted and fearful mentality of contemporary Japan. The country is now nearing an open manifestation of the disillusion, frustration and despair which the Emperor's surrender decree, the national instinct for obedience to authority and a benevolent and soporific occupation have so far stifled but not extinguished.

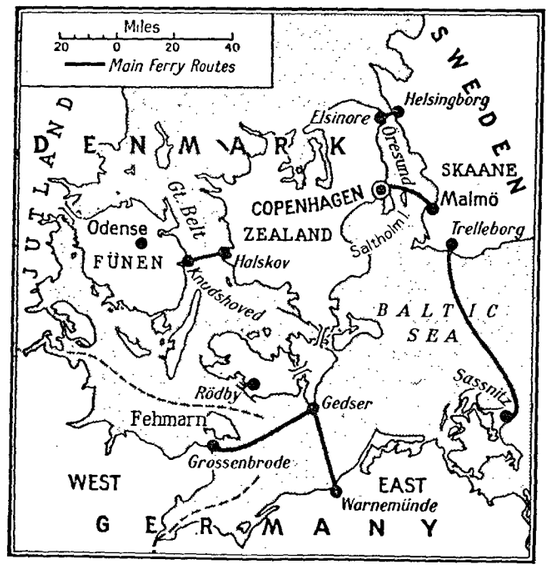
There is no political stability. There is growing and unreasoning resentment against American "interference." A half-hearted move for austerity in economy is inflaming a violent challenge by labour. The population continues to increase at the rate of a million a year. Exports are still priced out of competition. The old Japanese values have been sabotaged or sapped. Corruption scandals are—unjustifiably, by western standards—undermining the weak conservative government, with the only alternative a risky elevation of the Nenni-like Socialists. The latter appear to believe that US support—which they denounce—will still be forthcoming to build a new neutral Japan which would fondly ape Nehru's India but incline always more closely, affectionately and profitably towards its Chinese neighbours—picking up the old China trade without, it is suggested, learning any new Communist habits.

The popular political line hardens: kick out the American forces and resist rearmament. Above all, the influence of the Imperial Throne has wavered—although, paradoxically and undemocratically, it may yet be the salvation of western hopes for Japan's future. Meanwhile, two years after the peace treaty, Japan's own epitaph on occupation memories and fond American delusions remains that haunting query: "Have the Americans apologised to Japan yet?"

Bridging the Baltic

FROM A CORRESPONDENT IN COPENHAGEN

JACK FROST performed a feat that has baffled several generations of Danes and Swedes when, during the February cold snap, he threw a bridge (of ice) across the Sound—the Oresund—that divides their two countries. The consequent dislocation of the Elsinore-Helsingborg and Copenhagen-Malmö ferry services, despite the valiant efforts of a small fleet of icebreakers, demonstrated once more the weakness of Scandinavian communications. Ice in the bottleneck lent added interest to the joint announcement of the Danish and Swedish Traffic Ministers that, to implement a recommendation of the Nordic Council, working parties would be set up in Copenhagen and Stockholm to study the project for bridging the Sound. Their report is unlikely to be on the council's agenda until its session in February, 1955. But although Scandinavians remain slightly sceptical, the feeling grows that the long-debated "Oresund Project" has been brought one step nearer realisation. Soviet Russia, ever alive to the strategic



significance of developments in the Sound, has reacted swiftly. An article in the Moscow paper *Communist* denounced the "war bridge" that would link Sweden with the "Atlantic aggressors."

The working parties will examine a plan produced this year by a team of Danish and Swedish contractors for a quadruple carriageway linking Copenhagen and Malmö. The Sound is here 11¼ miles wide and six fathoms deep. The road would be carried by a causeway and tunnel from Kastrup, near Copenhagen's airport, to Saltholm island. Thence a bridge four miles long, the longest in the world, would carry traffic, 75 feet above the sea, to Skaane. It would require seven years to complete at a cost of 465 million Danish kroner (£23¼ million).

The Danish and Swedish State Railways, on the other hand, favour a link between Elsinore and Helsingborg, where main line facilities already exist. Here, however, in the 3-mile-wide narrows there are depths of 20 fathoms and currents of four to five knots. Meanwhile, each summer the queues of vehicles waiting to cross the Sound grow longer. In 1946-7 the ferries carried 38,000 cars, 2½ million persons and 300,000 tons of freight. By 1952-3 the comparable figures had rocketed to 190,000, 5 million and 800,000. Now an enterprising British company is said to be planning the introduction of a motor-car air-ferry service linking Malmö directly with Odense on Fünen.

A darling project of the Danes, to eliminate another major bottleneck by bridging the Great Belt, has been shelved *sine die*. A Great Belt bridge would take 15-20 years to build and cost 1,700 million kroner (£85 million), which Denmark would have to raise alone. Instead, the Traffic Minister recently announced in the *Folketing* that new berthing facilities at Knudshoved and Halskov were planned which, at a cost of 89 million kroner (£4½ million), would cut the 75-minute Great Belt passage to 60 minutes.

The opening of the Gedser-Grossenbrode ferry service in 1951 cut by two hours the travel-time between Scandinavia and the south and west. Since 1953 the Scandinavian-Italian Express has run that way, while the Nord-Express still follows the roundabout Great Belt-Jutland route. But the Grossenbrode route is only a makeshift for the projected "Bird's Flight Route" via Rödby (Lolland) and Fehmarn Island. Denmark is ready to find the D.Kr.100 million (£5 million) necessary to complete installations on its side. The *Deutsche Bundesbahn*, however, which is chronically impecunious, has no money to construct a bridge from Fehmarn to the Schleswig-Holstein mainland. Already the *Bundesbahn* has been attacked for squandering money on Grossenbrode.

Both Denmark and Sweden have resumed ferry services to Eastern Germany. The Gedser-Warnemünde ferry carries 300-400 tons of goods daily in both directions, and a trickle of 10-15 passengers each week. The Danes ship mainly meat, fish and fats, and receive cars and chemicals. Goods traffic is heavier on the Swedish Trelleborg-Sassnitz route. Already twice-weekly train services in both directions link Stockholm with Berlin and Warsaw. There is still only a handful of passengers for these destinations. But the Swedish State Railways are ready to handle 200 passengers per train when the new "Sassnitz Express" commences the additional twice-weekly service in both directions between Stockholm and Munich this June.

Marshal of France

AT the age of 65, Alphonse Juin has been deprived of all his French posts and is expected to lose his European command within a matter of days. Yet France's only living marshal is unlikely to leave the stage. Indeed, after the Auxerre bombshell—the speech against the present form of EDC which provoked the storm—the name of Juin will be on the lips of French politicians more often than ever before. Though his hands have been freed by release from official functions, Marshal Juin has proclaimed that he does not intend to dabble in politics. But there is much in the career of this professional soldier that may rally around him important groups of the right wing.

Admittedly, his career has been purely military, the typical rise of a brilliant colonial soldier, exceptional only

in his humble origin. More intimately even than Franco's, Marshal Juin's advance is linked with North Africa. The son of a French policeman, he was born in Bône in Algeria and went from his school there to St. Cyr. Graduating with excellent results from France's Sandhurst, he immediately went to North Africa, and it took a war to bring him back to France. He was wounded in the first world war, and at its close once again returned to North Africa. There he served under France's greatest colonial soldier, Marshal Lyautey. For a brief period he followed Lyautey to France, acting as his chief of staff, only to return to Morocco to quell local revolts. His close links with the French *colons* in North Africa and his reputation as a "strong man" date from that period. As a reward for his services he was promoted general on the eve of the last war.

The second world war meant another "European interlude," but not a very long one. After an exceptionally tough defence he was taken prisoner in Lille, but was liberated in June, 1941, after the intervention of General Weygand. Back he went to North Africa, and succeeded Weygand as commander-in-chief there. His great attraction for the traditional French Right, much of which was pro-Vichy, is that, unlike General de Gaulle, he was not a resister of the first or even second hour. He joined Giraud only in November, 1942, after the allied landing in North Africa. But if he lacks the *mystique* of the resistance, once he went over he distinguished himself as a military commander ; he was head of the French expeditionary corps in Italy, and towards the end of the war relinquished this post to take over that of chief of the French general staff.

Strong Man in Morocco

In 1947 a strong man was sought for Morocco, and the then General Juin was the obvious choice for resident-general. Of his four years' stay there it may be said that it was a sustained attempt to resist nationalist pressure on French privileges and a permanent struggle with the Sultan. It was General Juin who egged on the Pasha of Marrakesh and other feudal lords against the "urban" Sultan, and although he was no longer there at the time of last year's *coup* and the sultan's deposition, the event was hailed throughout France as his personal victory. Since 1951, Juin has been in France as Nato's commander for Central Europe. In 1952 he received the marshal's baton.

It was said at the time that the baton was being placed in dangerous hands, or at least in the hands of a man with a dangerous tongue. The Auxerre speech and the subsequent snub to M. Laniel are not the first incidents. In 1952, on the anniversary of Verdun, Marshal Juin's panegyric of Pétain raised a storm. A year later, elected to the French Academy, he delivered a jingoist maiden speech on Morocco which provoked a violent rebuke from M. Mauriac. Finally, on the eve of the last presidential election, he openly showed his contempt for that institution, declaring that he certainly would not seek a post which carried more *corvées* than prestige and power (President Auriol retorted that he henceforward hoped to have one duty less: that of receiving Marshal Juin).

Can the Marshal now help becoming a centre of attraction for the French Right ? He has the backing of the North African settlers and their powerful allies at home (his wife comes from a family of wealthy Algerian *colons*). For the traditional Right, including the collaborators, he has advantages which General de Gaulle did not possess. He is also the strong man, the soldier who never flirted with the Left. For the middle classes he has the glamour of a marshal. In many circles the gendarme's son had already been described as a potential saviour from Communism and parliamentary decadence. The political rifts over EDC may provide him with new backers. Many French commentators now wonder whether this jobless Marshal may not become, in times of even greater stress, a new Boulanger.

Kenya After the Constitution

RARELY in Kenya's short but turbulent history has political argument been fiercer than in the last few weeks and months ; and no wonder. Nothing to compare in importance with Mr Lyttelton's constitutional changes has happened since European settlement began. The inhabitants of the colony, white, brown and black, are for the first time all to be given a voice in the government of their own country. Three elected Europeans, two elected Asians, and one African have now agreed to take office in the new Council of Ministers.

That agreement was reached at all is something of a miracle. The Europeans are prepared to see their representatives sit round the table with the leaders of other races for the sake of an escape from the frustrations of a perpetual opposition. But to many it must seem a sad comedown from the days of Lord Delamere, when the settlers regarded it as their inexplicably disregarded right to play a leading—or a lone—hand in the government.

The other races, too, have had to bargain hard. The Asians, with one seat each for Hindu and Moslem, have won more than many Europeans and Africans would wish, but no more than a shrewd assessment of the balance of power would accord them. Only the Africans, with a single seat in the Council, see themselves as prophets unrecognised in their own country. It is now probably impossible to establish what chances there were, if any, of a solution more favourable to the Africans—a racial representation of 4:2:2—being accepted ; but such straws of evidence as exist seem to indicate that the Asians objected quite as much as, or more than, the Europeans. At all events it is symbolic of the new plan's reception that when Mr Lyttelton left the airport, the Africans alone were not there to wave him off. Even so Mr Ohanga, who was asked to fill the African seat in the Council of Ministers, has now accepted the appointment.

The lack of enthusiasm with which the reform has been greeted may, paradoxically, be a good omen. The moderate leaders have gone too far to be upset by the normal hazards of political life. Mr Blundell, Mr Nathoo, Mr Patel and Mr Ohanga must from now on be as thick as thieves—and by their example they may bring alive a real sense of racial co-operation amongst the sceptics and the ill-disposed in their respective electorates.

They may, however, equally well relapse into lobbying for their special interests. This danger is increased by some tricky procedural questions that will have to be settled. What, for example, will be the relationship between Mr Blundell, when he becomes a Minister, and his European supporters in the Legislative Council ? If they remain on the opposition benches, little will have been gained in the way of constructive co-operation. But the alternative—that a bunch of settlers will be prepared to turn overnight into meek backbenchers behind the government—seems equally unpromising. Mr Patel has analogous difficulties with the Indian Congress. Perhaps Mr Ohanga, with, as yet, no organised electorate behind him, will find his protests turn into genuine relief as he watches the difficulties of his colleagues.

Probably the best that can be hoped for is a general lowering of the political temperature. The constitution cannot be changed, though it can be revoked, before 1960. This means that, if everyone plays the game, Kenya can look forward to a six-year lull, during which it has a chance—probably its last chance—of working out an agreed answer to its problems. Even if the business of squaring accounts with Mau Mau is left on one side, the catalogue is formidable enough. African local government must be built up again from its ground-roots. A plan for agriculture—the colony's one hope of prosperity—must be vigorously set in hand both in its European and in its African branches, and the government must do more to promote exports. Extra land must be found for Africans where overcrowding has reached intolerable proportions. The position of Africans in industry will have to be radically redefined. An immigration policy—Asian and European—will have to be thrashed out afresh. And so on.

Where the Flesh is Rawest

Unfortunately, hardly any of these problems can be settled by mere administrative efficiency. They all touch, where the flesh is rawest, on the status and the rights of Africans. And each flick on the wound will make the Africans more insistent that their advancement should again find expression in political organisations. Everyone agrees that sooner or later this must come about ; and sooner, rather than later, Africans in the Legislative Council must be elected by African constituents. But here the snowball begins. The principle of direct election is separated by only a narrow margin from the principle of counting heads. Who, when the barrier of Colonial Office rule is down, is finally to balance the rival claims of five million Africans, some hundred and fifty thousand Asians, and forty thousand Europeans ?

These are thoughts to chill the marrow of European settlers battling with their acres in the White Highlands. They are few in number ; but for all their many faults they represent the backbone of any effort to bring the colony on economically or politically—and for this reason any comparison between political progress in East and West Africa falls wide of the mark. It is the merest eyewash to suggest that a plan for increased African representation or for bringing Africans on to a common electoral roll with the Europeans and Asians could succeed without European good will. But the evidence of the recent past suggests that the Europeans will not be dogs in the manger if they are given a feeling of security. Is it not too much to expect that Africans on the East Coast will learn to show as much understanding of the part played by European agriculture in Kenya as Africans of the West Coast are now showing of the importance of European capital and commerce ? If six years can bring a return of confidence on those lines, then Kenya has everything to hope for.

The Voice of the Pheasant

FROM A CORRESPONDENT

A TURKEY was once given the job of grading the eggs for a collective incubator. Suddenly he refused to accept one on the grounds that it might be mistaken for a duck egg. The hen who had laid it expostulated, but to no purpose. "*You* wouldn't think it was a duck egg," he told her. Neither would I. But there may be a pheasant who would think so—and worse."

When this story of Mr Malishevsky's appeared in the Soviet weekly *Ogonyok* a few years ago, his pheasant must have brought back to his readers a touch of old Russia, where the *fazan* symbolised the man in authority who acted according to no rules ascertainable in advance.

Unfortunately for him the *fazan* was not altogether a thing of the past. Some pheasant mistook Malishevsky's pleasantry for a duck egg ; it proved to be his swan song, Or so it appeared until a week or two ago. *Ogonyok* meanwhile smothered any further tendencies to satire beneath pictures of open Russian faces, brimming with admiration and gazing (before Stalin's death) at skeletons of vast hydro-electric plants and canal locks and (since Malenkov's accession) at seven-inch television screens and fringed silk lampshades the shape of a camel's hump. Recently, however, Mr Khrushchev lowered his bull head and charged the hitherto sacred walls of comforting but misleading statistics ; and through the resultant breach the once-browbeaten intellectuals entered a more realistic world behind him. So at the end of March it was not unduly surprising to find even Mr Malishevsky back in his old corner in *Ogonyok*.

His first little fable (he himself calls them a cross between a fable and a fairy story, and has invented the meaningless name of *skirli* for them) was a comment on the new situation in which Soviet artists find themselves.

The wolf, he says, gave the hare a document assuring him of safe passage and promising not to catch him. But he did catch him. The hare produced the document, and the wolf asked to see the signature.

"It is your signature," said the hare.

"What of it ?" answered the wolf. "Show me what is written above it."

"That is yours as well."

Having read it, the wolf said he could never have given his signature to such a promise ; and he tore up first the paper and then the hare.

"Others say," adds the author, "that he tore up the hare first, and some that he did not even bother to tear up the paper."

The second story tells, in seven lines only, of the tribulations of a bear who went in for farming. He wanted to make a *duga*, the round wooden arch that in Russia connects one shaft of a cart to the other over the back of the horse. He took a growing birch and began to bend it so that the trunk should form a semicircle ; but before it had done so, the tree broke. The bear thought this over, but told himself that he had done the right thing. "You must first do a thing and think about it afterwards," he said to himself. "How do you know whether it will succeed or fail until you have done it—or failed to do it ?"

The last of these good-mannered stories has the bland title of "The Benevolent Ant," and tells how a man resting on an old tree stump put down the book he was reading.

An ant who was living there walked over to the open page and read the words "Giant Mushroom" underneath a picture. The ant, who had never been further afield than his tree stump, had never seen any other mushrooms than the fungi growing there. So he cut out the word Giant and the word Mushroom, saying as he did so that it was not right the reader should be exposed to such palpable lies.

Ever since the priests of Delphi threw Aesop over a precipice, infuriated by the relevance of his wit as well as its irreverence, the lot of the fabulist has always been a hard one. How loudly is the voice of the pheasant to be heard in the land of the Soviets in future?

Pakistan Rounds the Corner

BY OUR KARACHI CORRESPONDENT

LAST year, on the occasion of the presentation of the Budget, the clouds of anxiety hung heavily over the Pakistan Assembly. The foreign exchange situation had deteriorated to an alarming extent and there was strong evidence that famine conditions could only be averted by heavy purchases from overseas. The postwar boom, extended beyond its time by the Korean war, was over and, as a country which depended primarily on its export of raw material, Pakistan had to face the reckoning, husband its resources, and face up to its problems.

In the event, as the Finance Minister's current budget speech has revealed, the revenue estimates were exceeded by over Rs. 9 crores. The view that the clouds are beginning to lift is also supported by the fact that Chaudhri Mohammad Ali has estimated an increase of revenue for the coming year of Rs. 5.76 crores. The increase will come mainly from customs, central excise and sales tax. The enhanced estimated revenue has enabled the minister to embark on overdue schemes of basic development and also to make provision for the necessary gearing-up of the civil administration.

The revenue expenditure during the year 1954/55 is put at Rs. 111.37 crores as against Rs. 107.83 crores last year. Most of the increased amounts are for basic development schemes. The minister's buoyant assessment of the future is exemplified in his new proposals which give a modicum of relief to the taxpayer and enhance the value of real wages. The increase in the purchasing power and productivity of the populace must be the keynote of Pakistan's policy for some years to come.

The import duty and excise duty on motor spirit has been reduced by 8 annas, which should in its turn considerably reduce the cost of distribution of goods. The reduction of the duties on coconut oil, copra and spices to 30 per cent will bring much needed relief to the man in the street and the man in the field, in whose budgets such items bulk large. A step which will be welcomed by business men and industrialists is the proposal to readjust the taxation on capital goods and machinery. A great deal of difficulty has been experienced in the past over the import of machinery and spare parts owing to the fact that capital goods two years ago were exempted from import duty and sales tax. The main trouble arose from the definition of the term "capital goods." The Finance Minister now proposes that all machinery, including capital goods and spare parts required by industry, should be liable to an import duty of 5 per cent and should be exempted altogether from sales tax.

The proposals relating to income tax provide a measure of relief to the sorely pressed middle classes, who have probably been the hardest hit over the past two years. The maximum not liable to income tax has been raised from Rs. 3,600 per annum to Rs. 4,200 per annum and it is anticipated that no less than twelve thousand persons will be affected thereby. To encourage savings the exemption on account of insurance premia and contributions to provident funds is to be raised to one-fifth of total income subject to a maximum of Rs. 8,000.

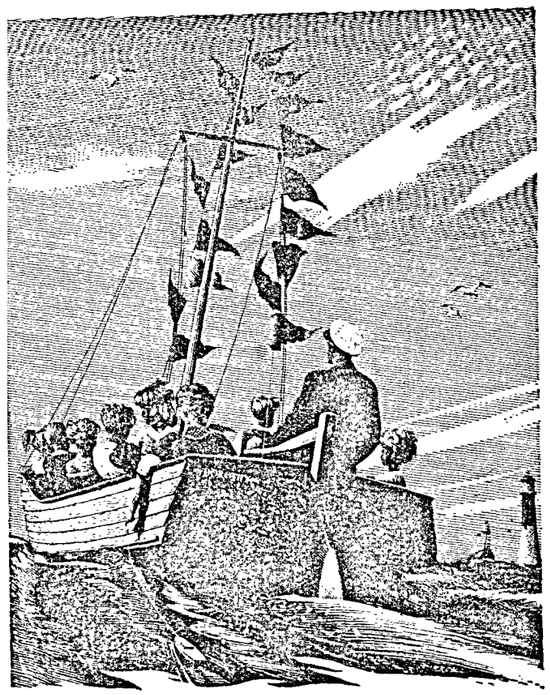
The government is only too well aware that there are certain dangers inherent in the process of rapid industrialisation. Two proposals which may go some way to lessening the possibility of the creation of slum areas and of a discontented labour force are the raising of the initial depreciation allowance to 25 per cent for buildings constructed by industrial undertakings for their employees, and deduction against profits of expenditure on schools and hospitals for employees.

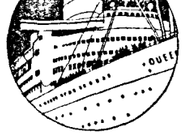
All these proposals, broadly speaking, are aimed at providing relief to the lower income groups and it is certainly there that relief is most needed. Undoubtedly there will be some murmurings that the business profits tax has been retained and that income tax and super tax remain very high, but on the whole the minister has been just and humane with the limited funds at his disposal.

Turning to the capital provisions which are, in essence, the mainspring of the country's future development effort, the Finance Minister has followed the classical economic line and refused to drink the heady wine of deficit financing. (Although India has more industrial resources than Pakistan there are many who doubt the wisdom of Mr Deshmukh's proposal to meet his huge deficit of Rs. 250 crores by increasing the Treasury bill issue.) Chaudhri Mohammad Ali's proposal to raise the capital expenditure in the coming year from Rs. 82.99 crores to Rs. 96.72 crores is bold and imaginative, although his methods are conservative. It is true that in last year's budget there was an element of deficit finance in that the cash balances were drawn down from Rs. 32.64 crores to Rs. 19.67 crores, but that drain has now been stopped and the forecast of the cash balance at the close of the coming year is Rs. 20.61 crores. Credit has been taken in the capital section for internal loans, Rs. 15 crores and external loans, Rs. 12.7 crores, as well as Rs. 15.78 crores on account of foreign aid. A windfall comes from the proceeds of the gift wheat, estimated at about Rs. 16 crores.

It is interesting to consider the protean appearances of the wheat gift in the finance of the country, and in some ways it might be considered almost as the fulcrum of both last year's and this year's budget. In the first stage the gift saved Pakistan some Rs. 20 crores of foreign exchange; in the second stage the 70 per cent free distribution relieved the government of heavy internal expenditure; and in its third and final stage the balance accruing from the sale of the remaining 30 per cent is to make a substantial contribution towards the development programme in the coming year.

Ending on a personal note, the most cheering feature of Pakistan's seventh budget day was the appearance and bearing of Chaudhri Mohammad Ali himself. He delivered his very lengthy speech with authority and vigour and he now seems, like the country, to be well on the road to recovery.





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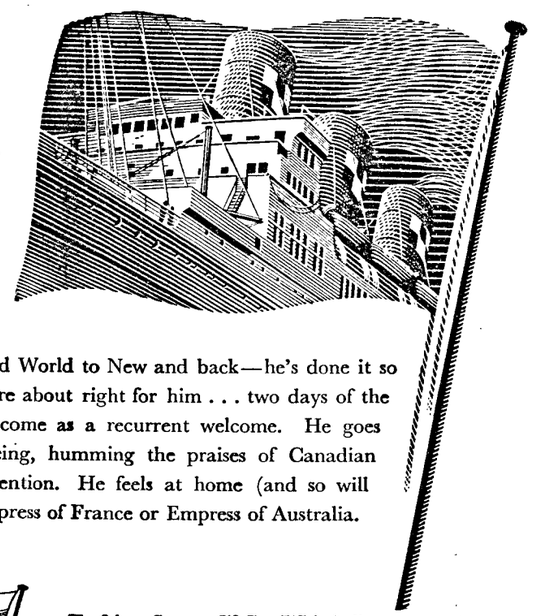

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THE BUSINESS WORLD

The Budget Analysed

MR BUTLER aptly described his budget last Tuesday as a "carry-on" budget—the nearest approach to a literal no-change budget that has been seen since the closing years of the war. He made no more than five proposals for tax changes, all of them concessions; but only one of them will affect his revenue by more than £1 million this year, and the total effect will be a mere £4 million—apart from £19 million to be distributed, outside the budget proper, to those who inherit postwar credits.

This budget is therefore by far the easiest of postwar budgets to describe; but, to judge from the misplaced public optimism of recent weeks, many people may find the underlying policy particularly difficult to understand. To the ordinary observer it appears paradoxical that in 1953, after a year of business recession and falling government revenues, the Chancellor was able to give large tax reliefs; yet in 1954, after a year of record output, rising gold reserves and a general air of prosperity, he has virtually nothing to spare. But this contrast is in fact the whole reason for the change in Mr Butler's tactics. Last year, when business activity was running below capacity, it was both wise and safe to give it the stimulus of tax relief; this year it is likely to run so close to capacity that any further general stimulus would be imprudent—though the Chancellor has emphasised his readiness to alter his fiscal policies later in the year if this assumption proves seriously wrong. As it is, the one vital sector of the economy in which spare capacity is thought to exist does get a special stimulus through the ingenious device of the new "investment allowance".

This shift from reflationary budgeting to carry-on budgeting followed naturally from the wider economic changes portrayed in the Economic Survey. Thanks to the rise in business profits last year and to the increased level of wages and salaries that will obtain in the current year, Mr Butler was able to reckon upon an additional yield of £69 million from income tax, despite the £50 million loss of revenue that was expected to result from last year's reintroduction of the initial allowances. In other tax revenues the expected increases, mainly from customs, were almost precisely offset by expected decreases, mainly from profits tax and EPL. But non-tax revenues promised almost £100 million more, in consequence of the expected liquidation of trading stocks of the Ministry of Food. On the existing basis of taxation, therefore, total above-line revenue was estimated at £4,537 million, or £169 million more than the actual receipts of 1953-54. This prospective increase in revenue was, however, wholly swallowed by the estimated rise in expenditure. Total above-line expenditure, after taking credit for the reduction shown in the recent revision of the first estimate for the Ministry of Food (thus allowing for the effects of the annual review of agricultural prices) is estimated at £4,522 million.

The Chancellor was therefore confronted with a prospective above-line surplus, on the conventional accounting, of £14 million, compared with a realised surplus of £94 million in 1953-54. By contrast, the prospect before him twelve months ago was for a conventional surplus of £278 million (at 1952-53 tax rates), compared with a realised surplus of £88 million in the old year. The true contrast, moreover, is even more marked than this, because of the big capital receipts that have been brought into the estimates for 1954-55. If all capital items—in expenditure as well as revenue—are excluded from the above-line reckoning, as is done in the official "alternative classification," the realised surplus of 1953-54 comes to £234 million and the 1954-55 prospective surplus is £181

1953-54 OUTTURN AND 1954-55 BUDGET ESTIMATE
COVENTIONAL FORM OF ACCOUNTS
(£ Million)

ABOVE THE LINE

Revenue	1953-54 Estimate	1953-54 Outturn	1954-55 Estimate	Expenditure	1953-4 Estimate	1953-4 Outturn	1954-5 Estimate
Inland Revenue	2,436	2,340	2,384	Interest on Debt	580	580	570
Customs and Excise	1,725	1,764	1,782	Sinking Funds	35	35	36
Motor Duties	69	73	77	Northern Ireland	48	50	51
				Miscellaneous	10	9	10
TOTAL TAX REVENUE	4,230	4,177	4,243	TOTAL CONS. FUND SERVICES	673	674	667
P.O. (Net Receipts)	2	—	—	Supply:—			
Broadcast Licences	16	17	21	Defence	1,497*	1,365*	1,555*
Sundry Loans	25	38	24	Civil	2,045	2,190	2,254
Miscellaneous	95	136	245	Tax Collection	44	45	47
				TOTAL SUPPLY	3,586	3,600	3,856
Total Revenue	**4,368**	**4,368**	**4,533**	**Total Expenditure**	**4,259**	**4,274**	**4,523**
				Surplus	**109**	**94**	**10**
	4,368	**4,368**	**4,533**		**4,368**	**4,368**	**4,533**

BELOW THE LINE*

Receipts				Payments			
Interest outside Budget	88	87	105	Interest outside Budget	88	87	105
Export Guarantees:— Repayments	2	3	4	Export Guarantees	1	—	4
				Post-war Credits	16	17	38
				Excess Profits Tax Refunds	4	7	3
Housing Receipts from Votes	21	21	24	War Damage	80	72	28
				Scottish Special Housing	9	9	8
Local Authorities:— Repayments	20	21	25	Armed Forces — Housing	7	—	10
				Loans to Local Authorities	400	299	300
Raw Cotton Commission:— Net repayments	10	42	25	Loans to Northern Exchequer	4	3	1
				Loans for New Towns Devel'm't.	34	30	36
Coal Nationalisation:— Repayments	4	5	5	Loans to Film Corporation	1	1	1
				Loans for Development of Invent'ns.	—	1	—
Film Corporation:— Repayments	1	1	1	Town & Country Planning—Issues to Central Land Board	1	1	—
Anglo-Turkish Armaments Credit:— Repayments	—	1	1	Coal Nationalisation:— Working Capital, &c.	43	41	89
Other repayments	1	1	1	Overseas Resources :— Colonial Development	8	5	7
Total Receipts	**147**	**182**	**191**	**Total Payments**	**696**	**573**	**598**
Net Sum borrowed or met from Surplus	**549**	**391**	**407**		**698**	**573**	**598**
	696	**573**	**598**				
Total Receipts	**4,515**	**4,550**	**4,724**	**Total Payments**	**4,955**	**4,847**	**5,121**

* After crediting sterling "counterpart" receipts of defence aid—£125 million in 1953-54 and £85 million in 1954-55.

EFFECT OF TAX CHANGES

	Exchequer Receipts in 1953-54	Estimates for 1954-55 at 1953-54 Tax Rates	Estimates for 1954-55 at New Tax Rates
Ordinary Revenue :	£'000	£'000	£'000
INLAND REVENUE			
Income Tax	1,730,991	1,800,000	1,800,000
Sur-tax	132,400	132,000	132,000
Death Duties	164,500	165,000	164,375
Stamps	56,700	55,000	55,000
Profits Tax and Excess Profits Tax	188,400	172,000	172,000
Excess Profits Levy	65,850	60,000	60,000
Special Contribution and other Inland Revenue Duties	1,390	1,000	1,000
	2,340,131	2,385,000	2,384,375
CUSTOMS AND EXCISE			
Customs	1,042,396	1,062,500	1,062,500
Excise	721,975	722,500	719,000
	1,764,371	1,785,000	1,781,500
MOTOR VEHICLE DUTIES	73,115	77,000	77,000
TOTAL RECEIPTS FROM TAXES	4,177,617	4,247,000	4,242,875
Broadcast Receiving Licences	16,409	21,000	21,000
Receipts from Sundry Loans	38,014	24,000	24,000
Miscellaneous	136,099	245,000	245,000
Total Ordinary Revenue	**4,368,130**	**4,537,000**	**4,532,875**
Self-Balancing Revenue :			
Post Office	232,000	237,800	237,800
Income Tax deducted from Excess Profits Tax, Post-war Refunds	5,940	2,500	2,500
Total Self-Balancing Revenue	**237,940**	**240,300**	**240,300**

million less than that, at £53 million. Both forms of above-line accounting, moreover, take credit for the sterling counterpart of the dollars expected to be received in defence aid; if these credits are excluded, the Chancellor has an above-line deficit on either basis.

On the below-line account, of course, a substantial deficit is again expected, despite the steep contraction that has occurred in the new borrowings of the local authorities from the Public Works Loan Board, and despite the rising trend of below-line receipts. On the conventional accounting, these receipts, mainly repayments to the Exchequer of various types of advances made by it in earlier years, totalled £182 million in 1953-54; they are expected to rise to £191 million in 1954-55. New loans to local authorities are provisionally put at the virtually unchanged figure of £300 million, but payments for war damage settlements will be substantially reduced. On balance, net outgoings below-line are expected to fall slightly, from £391 million to £388 million (in contrast with £524 million in 1952-53). The prospective deficit on the Exchequer finances as a whole was therefore estimated at £374 million at 1953-54 tax rates, compared with £297 million last year.

The Chancellor made it very plain, however, that his decision to make no major tax changes was not dictated by this tautening in his own finances:

> The budget's aim must, of course, always be to maintain the balance of the economy as a whole, whatever the mathematics above or below the line. Its aim, in short, must be to maintain employment and encourage production, while avoiding inflation and ensuring a healthy balance of payments. The realities of our situation may therefore call for either a surplus or a deficit on the conventional budget.

But Mr Butler's conclusion, as the Economic Survey had foreshadowed, was that the economy is enjoying already just the "right sort of general climate" and seemed likely to continue to do so. The benefits of last year's reliefs, he thought, were still working themselves out according to plan, and therefore ought to be given "more time to produce further beneficial effects." On a somewhat longer view, he was seriously concerned about the rising trend of expenditure, and about the risk that further increases in wages and profit margins might price British goods out of export markets; but at present he saw no need to "strain after any significant surplus" on the conventional budget.

Given the absence of any general slack in the national economy, he was therefore unable to pursue the basic aims of raising productivity, industrial investment and exports by giving any broad "incentive" reliefs in taxation. Any assistance given for these purposes had to be both modest and specific. For exports, a little aid has been contrived by non-budgetary means—by arranging that the facilities of the Export Credit Guarantee Department shall be rather more freely available to facilitate the granting of extended credit terms to overseas buyers of major items

of capital goods. And industrial investment is to benefit from an interesting departure, discussed in detail below, from the postwar system of initial allowances. By this device the Chancellor is giving significant relief at no immediate cost to the Exchequer, and at only slight cost over the next few years, but at "considerable cost" in the longer run. Professional men and the "self-employed" who had hoped for pensions with similar tax reliefs as are enjoyed by the employed have been disappointed. Mr Butler wanted more time to study Mr Millard Tucker's report and declared that "in any event the cost of the proposals would make it impossible for me to implement them in present circumstances."

His other proposals were all minor ones; and they, too, were specialised, being mainly designed to alleviate particular anomalies. The most costly one, involving an additional charge of £19 million "below-line" this year and £2 million a year in future, concerns the postwar credits. In future, anyone who inherits unpaid credits will receive payment in the year in which the deceased owner would have reached the qualifying age, instead of having to wait until he (or she) reaches that age himself; a beneficiary may also claim payment if the original owner has died at over the qualifying age but without claiming payment.

Investment Allowances

Last year the Chancellor of the Exchequer restored the initial allowances (which his predecessor had suspended from April, 1952) at 20 per cent. Last Tuesday, he acknowledged that this was a limited step in the right direction of encouraging industry to put more money into productive investment—an interest free loan which on certain reasonable assumptions given by the Financial Secretary in last year's debates on the Finance Bill might eventually grow to a stable figure of £675 million.

The Chancellor has decided (and this presumably without the benefit of advice from the Royal Commission on Taxation of Profits on the point) to sweep away the present system of initial allowances by a new system to be called "investment allowances." The initial allowance confers no permanent benefit upon the industrialist, but only enables him to bring forward, in point of time, tax allowances that he will be eventually entitled to; thus it may encourage him to undertake investment when his cash resources are short and additional present relief from tax is helpful. The investment allowance is different in kind. It will give an immediate addition to the full annual depreciation allowances, amounting to the tax on 20 per cent of new plant and machinery and on 10 per cent of new industrial and agricultural buildings with no countervailing reduction in the allowances in later years. For approximate purposes, the cash relief will thus represent about 10 per cent of the cost of plant and 5 per cent of the cost of buildings.

The investment allowance is in the nature of a subsidy to new investment, and it calls for the marginal comment that, for all its merits, it is an expedient no more welcome than other subsidies, and one that would hardly be called for if the principles of replacement cost accounting had ever obtained a hearing among accountants and Chancellors. Investment allowances will certainly help to mitigate the erosion of industrial capital caused by wrong pricing and penal taxation, and industry will welcome them precisely because they carry no fiscal hangover to be paid for in future years. But industry will also have in mind the possibility that if initial allowances could be varied from 40 per cent to nil and back to 20 per cent in three years, investment allowances, too, may vary with the length of the Chancellor's foot.

★

Among the immediate beneficiaries, shipping companies and investors in other large capital goods stand out. Investment allowances apply to capital expenditure incurred (that is, which becomes due and payable) from April 7th; initial allowances (apart from the exceptions noted below) cease at the same time. On plant and machinery (20 per cent) and industrial buildings (10 per cent), the new investment allowances are at the same rate as the old initial allowances. Expenditure on agricultural buildings (10 per cent) and on plant and buildings used for scientific research (20 per cent) will now qualify for investment allowances. Mining works may choose either a 20 per cent investment allowance or a 40 per cent initial allowance. The old initial allowances will be kept for secondhand plant or machinery and for "ordinary" motor cars.

The cost of changing from initial allowances to investment allowances is estimated to be negligible in the coming year, and about £4 million in 1955-56. This follows from the fact that the new allowance will not be deducted in computing the written down value of the asset for the purpose of annual allowances, as the following figures for £100,000 expenditure on plant incurred on April 7, 1954, or after, will show. It should be noted that in general the first allowances on such expenditure will not begin to affect tax payments until January 1, 1956. Thereafter the cost will increase year by year, depending on the level of new investment:—

	Allowances	Written down value		Allowances	Written down value
Year I	£	£		£	£
Initial	20,000		Investment	20,000	
Annual (10%)	*10,000*		*Annual*	10,000	
		70,000			90,000
Year II					
Annual	7,000	63,000	Annual	9,000	81,000
Year III					
Annual	6,300	56,700	Annual	8,100	72,900
Eventual Total	**100,000**	**Nil**	**Eventual Total**	**120,000**	**Nil**

The projected total benefit of the new allowance depends upon assumptions about the rate of new investment in the assets that qualify for it. The following table shows the course of investment by industries in the main categories:—

GROSS FIXED INVESTMENT
(£ Million)

	1950	1951	1952	1953
Vehicles, ships and aircraft (20%)..	267	273	267	312
Plant and machinery (20%).....	630	742	790	815
Buildings and works (excl. housing).	394	428	473	516

If for the sake of assumption, half the expenditure on buildings and works ranks for industrial and agricultural investment allowance of 10 per cent, the total allowances (including initial allowances for " ordinary " cars) would be of the order of £250 million, and the cash value of the relief of, say, £125 million. This compares with £84 million estimated cost in a full year of last year's restored initial allowances. But this higher scale of investment incentive will be compensated in part by the expiring benefit of and the emerging tax liability under the old initial allowances on investment expenditures incurred in past years. The new investment allowances will not distort the tax relief in time as did the initial allowances; and since the written down value of the assets will be higher, the new system will involve fewer complications about balancing charges.

The inclusion of plant and buildings for scientific research in the 20 per cent class of investment allowance should perhaps finally lay the myth that research in British industry is directly hampered by the taxation system. Its treatment is already very favourable. All non-capital expenditure on research and contributions to other bodies doing research in a company's field, is allowable; capital expenditure on research by or for industry can already be written off over the short period of five years, 60 per cent being allowed in the first year and the remaining 40 per cent over four years. Direct comparisons with the United States are difficult; but the Advisory Council on Scientific Policy concluded last year that the treatment of research seemed to be as favourable in Britain as in America, and the new allowance may provide an extra fillip.

Cessation and Company Reconstructions

In the Finance Bill debates last July the Economic Secretary, Mr Maudling, declared that the Government was studying "deliberately and carefully" methods of dealing with legitimate tax avoidance through company reconstructions. In 1952-53 a large number of cotton textile companies, whose profits had been falling, dissolved and reformed themselves to gain the tax advantage under the cessation provisions of the tax code, whereby tax is assessed on the profits of the final year, and not (in general) on the profits of the preceding year. The "abuse" of which so much complaint was made is more apparent than real, for the cessation provisions, confusing though they undoubtedly are, are matched by the charging to tax of commencing profits more than once. And if, after a reconstruction of this kind, taxable profits again rise, the device recoils on the head of the tax avoider.

But Mr Maudling insisted that the use of this device ought not to be exploited by any reputable company—indeed, that it would not necessarily be to its advantage if it did so—and that drastic action would follow if the revenue should suffer. Mr Butler now proposes that the cessation and commencement provisions should not be available to any company reconstruction in which three-quarters or more of the interest belonged to the same persons before and after the change.

Help for Small Industry

At a very small cost to the revenue, the Chancellor has decided to tidy up, and make some limited concessions in, estate duties designed to give assistance to family businesses. The lengthy series of memoranda on estate duty anomalies has had its effect, and proposals for dealing with a number of anomalies, particularly those arising on the valuation of a controlling interest in a private company, will appear in the Finance Bill. The Bill will also grant two major concessions to controlling shareholders in family businesses, which are mauled most severely when death duty assessments are made. Together with the postwar surtax concessions, the special treatment for death duty now to be accorded to family businesses must surely be regarded as a reasonable answer to their difficulties.

In general, the Chancellor intends to maintain the principle of valuing a "controlling" shareholding in a private company on the basis of the worth of the company's net assets. But where part of a controlling shareholding that has been valued on the assets basis is sold to an independent purchaser, "the estate duty valuation of the shares actually sold shall be brought into line with the sale price." This is an important change in the principle that shares, whether those of a public or private company, should be assessed for death duties at their value on the day of death. Purposely, it seems, the Chancellor has limited this concession. It is not apparently to be granted, as might reasonably be argued, to minority shareholdings in a private company or to shareholdings in a public company. If only part of the controlling interest is sold to pay off the duty, the remaining shares will presumably be assessed according to asset values. In that case, will two estate duty values, possibly very different, emerge for the same shares?

The controlling shareholder in a private company may perhaps gain more from the second concession, for "where industrial premises or plant and machinery

are used for the purpose of trade carried on by the deceased—or, where the assets basis applies, by the deceased's company—the estate duty on these assets will be reduced by 45 per cent." This reduced rate of 55 per cent will be the same as that charged on agricultural land. The Chancellor estimates the cost of this new relief in 1954-55 at £500,000 and in a full year at £1,500,000. The concession will help the one-man business, the partnership and the director-controlled family business—and, apparently, no one else. Minority shareholdings in a private company are still, apparently, to be left out in the cold; their shares will still be valued on earnings and yield considerations. Some critics, remembering the facts *in re Holt*, may argue that these minority shareholders should have at least been granted the protection of an independent tribunal to consider appeals on share valuations.

The concession is limited in yet another way, for it will specifically apply to "industrial premises or plant and machinery." Presumably, the definition to be adopted for such premises and plant will be that already established in income-tax law and practice. In that case, it would exclude, for example, retail shops and other buildings employed in the distributive trades and the concession would not then be extended to those trades where the family business is most common.

Export Credit Plans

The Chancellor's references to the freer use of export guarantees do not really mark a sharp departure in the Export Credit Guarantee Department's recent practice. The object is to enable manufacturers of heavy capital goods to accept orders where long credit is involved without affecting their normal borrowing powers. Certain of the insurances that the department has recently made with bankers already have that effect.

It is proposed that in future the department should more readily enter into direct insurance contracts, not with the manufacturer, but with the banker who is to provide the finance. This form of contract will start normally at the point of acceptance of the goods by the foreign buyer; but occasionally at the point of shipment. At that point, therefore, the banker will look to the foreign buyer and to the ECGD guarantee and, to the extent of that guarantee, will have no recourse against the manufacturer. Securities or promissory notes thus guaranteed may be readily saleable to institutional investors.

This system of insurance does not replace the Export Credit Department's existing methods. Two alternative forms of contract, one between the manufacturer and the department and the other between the banker and the department, will run side by side. Indeed if the manufacturer wants his pre-acceptance or pre-shipment risks covered he will have to cover them with a policy between himself and the department even if he is not to be a party to the later insurance. The new system is likely to be of use when the contract is long and big and when the manufacturer's normal finances would be distorted unless the transaction could be clearly separated from his normal borrowing powers.

City experts in export finance are irritated by the decision that not more than 85 per cent of the credit element in any transaction can be covered by the contract between the banker and the department, whereas up to 90 per cent can be covered when the contract is with the manufacturer. The manufacturer's finances remain at risk for the uninsured portion of the contract. It is argued that to say "85 per cent can be insured if you do the business one way and 90 per cent if you obtain the money from the same banks under a different contract" is a mistake. This decision, based presumably on the department's view that a special risk is being accepted, comes at a time when the Treasury appears to be anxious to encourage more business under Section 2 of the enabling Act—that is business that the department accepts for reasons of high policy and not as purely commercial risks. The recent substantial contracts with Turkey are an example.

Half Way Down Wardour Street

The concession in Entertainments Duty on cinema seat prices is about half of what this industry has been asking, though nearly twice as much as some people in Wardour Street expected to get. The Chancellor promised last year to look closely at the trend of cinema admissions and box-office receipts, which have declined sharply in recent years, apparently under the impact of competition from television. The cinemas contribute some £37 million out of the total of £44 million raised in Entertainments Duty—a rate of about 35 per cent on their gross takings.

That decline in admissions has meant that the cinema exhibitors, and to a smaller extent the film distributors and producers, have benefited less from increases in seat prices and certain concessions in duty than they or the Customs and Excise Department had forecast; and the industry's united plea for a reduction of £7 million in duty was "merely to achieve the figures aimed at in 1951." The Chancellor, though impressed by the exhibitors' evidence that their increasing costs were not matched by increasing receipts, did not feel it necessary to go as far as that, "and in any case . . . could not afford to do so." He has put up the limit of exemption from duty on the cheapest seats from 8d. to 9d., and reduced duty farther up the scale by from ½d. to 1½d.; this should give away about £3,500,000 a year. The new scale might, incidentally, make for greater flexibility in seat prices, but the cinema trade is unlikely to pass any of the cuts on to its audiences. Reductions of ½d. a seat in duty on live theatres and sport, which pay much lower rates than the cinemas, will cost about £450,000 in a full year; these are not likely to be passed on to the spectator, either. Together, therefore, the concessions may cost perhaps £4,100,000 in a full year, and in 1954-55 (starting from May 30th) about £3,500,000.

The Foreign Balance in 1953

ONE of the turning points in Britain's postwar economic history will surely be the interruption in 1953 of the sequence of its odd-year balance of payments crises. Last year provided a balance of payments surplus and an accretion to the gold and dollar reserve that the most optimistic did not dare to envisage at the beginning of the year. In 1952 the balance of payments showed a surplus of £255 million, of which £121 million came from defence aid from the United States. That surplus owed much to an improvement in the terms of trade almost as dramatic as the deterioration of 1950-51. At the beginning of last year, ministerial speeches held out a target of £300 million as the desirable surplus and were judged absurdly optimistic. The actual surplus of £225 million for 1953, which includes £102 million of defence aid from the United States, is highly gratifying. How was this surplus achieved, how was it distributed, how was it financed and how did it fit in to the wider pattern of sterling area transactions with the non-sterling world? On these main questions, the Balance of Payments White Paper for 1953 sheds light in dazzling detail.

The main change in the balance of payments last year was a reduction of £151 million in earnings from exports and re-exports. This drop in export earnings between 1952 and 1953 tends to convey a misleading impression of the course of exports over the last two years. In the first half of 1952, export earnings still benefited from the tail-end of the post-Korean boom of trade in the rest of the sterling area; they fell sharply in the second half of 1952, but the first half of last year saw a slight recovery which gathered considerable momentum in the second half of 1953. A reduction of £71 million in payments for imports represented a drop in total cost of 4 per cent, but it veiled an actual increase of 9 per cent in the volume of imports compared with 1952. Once again the terms of trade contributed powerfully to Britain's balance of payments; import prices in 1953 were 12 per cent lower than in 1952, while export prices fell by only 3 per cent, and the overseas balance benefited to the extent of between £200 and £250 million from these relative price changes.

A second item that handsomely assisted the balance of payments last year was a further increase in invisible earnings. The main contribution in this category came from increased sales of oil to non-dollar countries and reduced purchases from dollar countries; these accounted for most of the rise of £49 million in "other receipts." British expenditure on shipping services to other countries fell by £51 million because of lower freight rates, and since British shipping earnings fell by £35 million there was a net gain of £16 million from shipping services. Tourist expenditure also brought in more last year, the net result of a substantial expansion of both sides of the tourist account. With the increased travel allowance more Britons went and spent abroad, but the Coronation drew to this country a record number of overseas visitors. Given the policy of greater freedom in the exchanges, the reopening of the gold and commodity markets, and the increased confidence in sterling which has brought to Britain a greater volume of the world's merchanting and financing business, the prospect for invisible earnings seems promising. If the Persian oil dispute is settled, overseas oil income should recover further ground.

The regional distribution of the balance of payments shows some notable and welcome changes over the past three years. In its payments with the dollar area, the United Kingdom had a deficit of £431 million in 1951 which was reduced to £172 million in 1952 and last year, at a mere £4 million, almost vanished. Exports to the dollar area last year rose from £411 million to £446 million, while imports from it fell from £605 million to £516 million; invisibles also made a marked contribution, for the deficit of £121 million in 1952 was reduced to £56 million. The improvements in the direct UK-dollar area balance of payments was matched by an impressive improvement in the account with OEEC countries which showed deficits of £201 million in 1951 and £26 million in 1952, but a surplus for the UK of £104 million in 1953. The balancing factor in the total account was a much reduced surplus in the British payments account with the rest of the sterling area, which fell from £367 million in 1952 to £179 million in 1953. On these figures, the long sustained complaint that British exporters were too ready to wallow in the easy markets of the sterling area and not prepared to fight for hard-currency earnings must surely lose some of its substance. Last year saw a considerable diversion of British exports to the dollar and OEEC areas; import restrictions applied by Australia and other sterling countries played some part in this switch, but British industry was sufficiently competitive to steer more trade into the more difficult markets.

Last year's balance of payments surplus is only one element in the criss-cross pattern of the United Kingdom's capital account. The main totals in this account are the current surplus of £225 million, the addition of £240 million to the gold and dollar reserves, a net capital investment of £207 million overseas and an increase of £222 million in UK short-term sterling liabilities to the rest of the world. Table II gives a detailed break-down of these changes.

The most notable item in that table is the investment of £158 million in the rest of the sterling area during a period when Britain's sterling liabilities to the area rose by £253 million. In 1952, capital investment in the sterling area had been estimated at £94

Sources of the Surplus

TABLE I
UK BALANCE OF PAYMENTS
(£ Million)

	1951	1952	1953 1st Half	1953 2nd Half (prov.)	1953 Year (prov.)
With non-sterling countries					
Exports and re-exports	1,471	1,503	719	746	1,465
Imports, f.o.b.	2,226	1,701	770	788	1,558
Govt. expenditure (net)	− 46	− 42	− 23	− 22	− 45
Other invisibles (net)	+ 69	+ 7	+ 65	+ 17	+ 82
Current balance	−732	−233	− 9	− 47	− 56
Defence aid (net)	+ 4	+121	+ 55	+ 47	+102
Current bal., inc. def. aid	*−728*	*−112*	*+ 46*	—	*+ 46*
With rest of sterling area					
Exports and re-exports	1,275	1,323	599	611	1,210
Imports, f.o.b.	1,249	1,242	695	619	1,314
Govt. expenditure (net)	−107	−131	− 52	− 57	−109
Other invisibles (net)	+424	+417	+170	+222	+392
Current balance	*+343*	*+367*	*+ 22*	*+157*	*+179*
Total					
Exports and re-exports	2,746	2,826	1,318	1,357	2,675
Imports, f.o.b.	3,475	2,943	1,465	1,407	2,872
Govt. expenditure (net)	−153	−173	− 75	− 79	−154
Other invisibles (net)	+493	+424	+235	+239	+474
Current balance	−389	+134	+ 13	+110	+123
Defence aid (net)	+ 4	+121	+ 55	+ 47	+102
Current balance inc. def. aid	**−385**	**+255**	**+ 68**	**+157**	**+225**

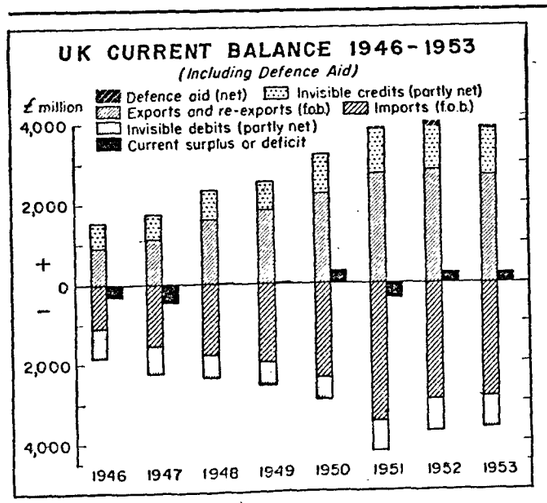
	1951	1952	1953 Jan.–June	1953 July–Dec.	1953 Year
Regional distribution					
Dollar area	−431	−172	+ 30	− 34	− 4
Other Western Hemisphere	+ 8	+ 94	− 19	− 2	− 21
OEEC countries	−201	− 26	+ 54	+ 50	+104
Other non-sterling countries	− 96	− 2	− 10	− 10	− 20
Rest of sterling area	+343	+367	+ 22	+157	+179
Non-territorial organisations	− 8	− 6	− 9	− 4	− 13
Total	**−385**	**+255**	**+ 68**	**+157**	**+225**

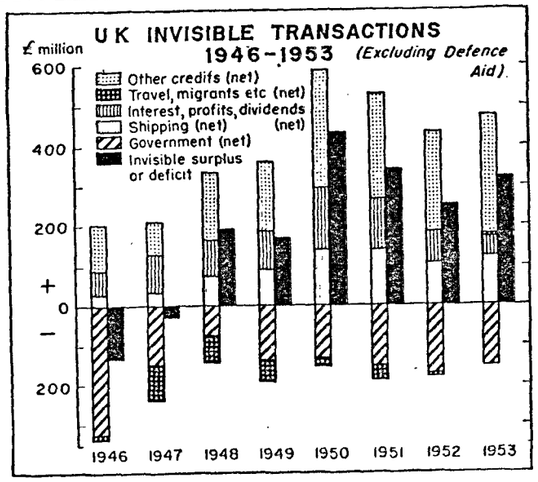
TABLE II
INVESTMENT AND FINANCING ACCOUNT

	1951	1952	1953 Jan.–June	1953 July–Dec.	1953 Year
Overseas investments					
Dollar area	48	*Dr. 36*	*Dr. 15*	19	4
Other Western Hemisphere	*Dr. 25*	5	*Dr. 6*	*Dr. 13*	*Dr. 19*
OEEC countries	61	17	5	37	42
Other non-sterling countries	75	1	7	14	21
Rest of sterling area	177	94	59	99	158
Non-territorial organisations	4	3	*Dr. 2*	3	1
Total	**340**	**84**	**48**	**159**	**207**
Sterling liabilities					
Dollar area	− 41	− 4	+ 8	+ 20	+ 28
Other Western Hemisphere	+ 12	− 51	+ 29	+ 5	+ 34
OEEC countries	+297	− 58	− 22	+ 14	− 8
Other non-sterling countries	+ 22	−123	− 58	+ 31	− 27
Rest of sterling area	+ 59	−111	+210	+ 43	+253
Non-territorial organisations	− 11	+ 1	− 1	− 57	− 58
Total	**+338**	**−346**	**+166**	**+ 56**	**+222**
Change in gold and dollar reserves	**−344**	**−175**	**+186**	**+ 54**	**+240**

TABLE III
BRITAIN'S STERLING LIABILITIES
(£ Million)

	31st Dec., 1949	31st Dec., 1950	31st Dec., 1951	31st Dec., 1952	30th June, 1953	31st Dec., 1953
Dollar area	31	79	38	34	42	62
Other W. Hem.	80	45	57	6	35	40
OEEC countries	439	395	409	321	304	305
Other non-sterling countries	514	492	514	394	336	366
Total—non-sterling countries	1,064	1,011	1,018	755	717	773
Colonies	582	754	968	1,076	1,134	1,161
Other sterling area countries	1,771	1,980	1,825	1,606	1,758	1,774
Total—sterling area countries	2,353	2,734	2,793	2,682	2,892	2,935
Total sterling liabilities to all countries	**3,417**	**3,745**	**3,811**	**3,437**	**3,609**	**3,708**
Non-territorial organisations	576	577	566	567	566	509
TOTAL	3,993	4,322	4,377	4,004	4,175	4,217





million, while the sterling liabilities to the area had risen by £111 million. There is a hint of " borrowing short and lending long " in these figures, though last year it should be disarmed by the fact that the gold and dollar reserve, which is held by the United Kingdom as banker's cash reserve for the use of its depositors, rose by £240 million.

★

Last year, the balances held for dollar area and other Western Hemisphere countries increased by £62 million, conceivably because of the attraction of relatively high money rates in London ; but the sterling liabilities to other non-sterling countries continued to shrink. Since the end of 1945, they have fallen by £459 million and the latest figure of £773 million itself includes an appreciable amount of sterling which is immobilised in some degree—for example, the balance in the Egyptian Number 2 account, and the Portuguese sterling loan to the United Kingdom, the repayment of which does not begin until next year. These figures are thus in conformity with other evidence of a growing shortage of sterling in the hands of non-sterling countries. That evidence includes purchases of sterling by a number of countries from the International Monetary Fund—£44 million sold to Japan last year, £10 million to Brazil and £2 million to Turkey ; these purchases are reflected in the fall in the sterling held by non-territorial organisations. Excluding these liabilities to international organisations, the total of sterling held abroad at the end of 1953 amounted to £3,708 million. This total shows an increase of £271 million in two years, largely composed of an increase

in balances held by sterling area countries. Britain's liabilities to the sterling area are at first sight ominous, but, in fact, the entire overseas holdings of sterling at the end of 1953 would cover less than a year's current expenditure by the holders in the United Kingdom—roughly as it was before the war. In 1945 the comparable total represented about two years' such expenditure.

But it should not be forgotten that before the war the gold reserves were approximately equal to the United Kingdom's short-term external liabilities, and that happy balance, unfortunately, no longer exists. Against a gold reserve of close on £1,000 million, the United Kingdom now has short-term sterling liabilities of £3,708 million ; it owes about £2,000 million on longer term to countries outside the sterling area, mainly the United States and Canada ; and it owes £200 million to EPU. This makes a total of over £5,900 million on the liabilities side. On the other side of the account, the valuation that might be placed on British overseas investments (capitalising last year's investment income of £272 million at 7 per cent) would be about £3,800 million which, together with the gold and dollar reserves would yield a total of about £4,800 million. On capital account the United Kingdom is now a debtor on a substantial scale, whereas before the war it was a substantial creditor. That is a major transition of which the implictions are too often ignored. It will need many more surpluses on the balance of payments comparable with those of the past two years to make good the damage to Britain's external strength that resulted from six years of World War II and the years of peace during which Britain was content to live on its fat.

Business Notes

Unprickable Bubble

THE Stock Exchange staged a budget revel ; it staged it before budget day—on Monday. All the traditions of the pre-budget quiet period were broken. The *Financial Times* index of ordinary share prices reached a new peak at 141.9 and the number of bargains recorded in the Stock Exchange official list rose by 4,673 to 16,847, the highest since February 8th. Many jobbers reported their busiest day in postwar markets. The small man and the big institution were in it together. There was buying of those long-dated gilt-edged stocks which are tax free to residents abroad because sterling was strong and seemed headed for greater freedom, buying of both industrials and gilt-edged because bank rate would be reduced, buying because there would be 6d. in the £ off income tax, and buying because there would be 6d. a gallon off petrol. [illegible] deed was foreseen—everything except the Chancellor's decision to introduce a no-change budget.

The extraordinary sequel was that even Mr Butler could not prick the bubble. The morning after was not quite as good as the night before, but the afternoon after was even better. There was no break in the steady progress of the *Financial Times* Industrial Index, which reached fresh peaks of 142.6 on Budget day and 143.4 on Wednesday. A little rather hesitant marking down by jobbers on the Wednesday morning and a little rather timid selling by the disappointed speculators of two days earlier soon brought

buyers in again and as the accompanying tables show that the general level of prices of industrials and of gilt-edged on Wednesday evening had been maintained. Cinema shares did not respond to the cut in entertainments tax but rightly some of the shares in the capital goods industries where gains from the new investment allowance, added to the depreciation allowance, may be significant have forged further ahead. By Wednesday afternoon market people were reporting good steady buying. The institutions have not—at least not yet—made any change in investment policies. Investment by non-residents in non-tax deducted gilt-edged is still in progress as sterling maintains its strength ; the general public are certainly not sellers.

GILT-EDGED NET PRICES

	Sept. 16, 1953	Sept. 17, 1953	Jan. 1, 1954	April 5, 1954	April 6, 1954	April 7, 1954
1½% Ser. Fund. Nov., '54..	99 $\frac{8}{32}$	99$\frac{8}{32}$	99$\frac{11}{32}$	99$\frac{23}{32}$	99$\frac{13}{32}$	99$\frac{24}{32}$
3% Ser. Fund. Nov., '55....	100$\frac{18}{32}$	101$\frac{6}{32}$	101$\frac{1}{32}$	100$\frac{31}{32}$	101$\frac{1}{32}$	101$\frac{2}{32}$
2½% Nat. War Bonds, 54/56	99$\frac{31}{32}$	100$\frac{3}{32}$	100$\frac{2}{32}$	100$\frac{1}{32}$	100$\frac{1}{32}$	100$\frac{1}{32}$
2½% Exch. Feb., '55	99$\frac{10}{32}$	99$\frac{18}{32}$	100	100$\frac{1}{32}$	100$\frac{1}{32}$	100$\frac{2}{32}$
3% Sav. Bonds '55/65.....	96$\frac{8}{32}$	96$\frac{11}{32}$	99$\frac{18}{32}$	96$\frac{7}{16}$	96$\frac{8}{32}$	96$\frac{2}{32}$
2½% Funding '56/61	97$\frac{7}{32}$	97$\frac{17}{32}$	97$\frac{8}{32}$	97$\frac{12}{32}$	97$\frac{13}{32}$	97$\frac{13}{32}$
3% Funding '66/68	93$\frac{1}{4}$	93$\frac{3}{8}$	94$\frac{3}{8}$	94$\frac{13}{32}$	94$\frac{13}{32}$	94$\frac{7}{16}$
% Funding '60/90	100$\frac{1}{32}$	100$\frac{7}{32}$	100$\frac{13}{32}$	101$\frac{5}{16}$	101$\frac{5}{16}$	101$\frac{5}{16}$
% Sav. Bonds '65/75.....	86$\frac{1}{2}$	87$\frac{7}{16}$	87$\frac{3}{8}$	89$\frac{3}{8}$	89$\frac{5}{16}$	89$\frac{5}{16}$
% Elect. '74/77	86$\frac{5}{16}$	87$\frac{1}{16}$	87$\frac{1}{8}$	89$\frac{1}{4}$	89$\frac{1}{16}$	89$\frac{1}{16}$
% Trans. '78/88.....	81$\frac{1}{4}$	82$\frac{15}{32}$	84$\frac{3}{32}$	85$\frac{13}{32}$	85$\frac{7}{16}$	85$\frac{7}{16}$
% Gas '90/95	81$\frac{1}{8}$	82$\frac{1}{32}$	84$\frac{1}{32}$	85$\frac{3}{8}$	85$\frac{3}{8}$	85$\frac{13}{32}$
3½% War Loan after '52...	£2 18$\frac{5}{8}$	84$\frac{5}{8}$	84$\frac{11}{32}$	86$\frac{17}{32}$	86$\frac{3}{4}$	86$\frac{7}{8}$
2½% Consols.....	61$\frac{11}{16}$	63$\frac{13}{32}$	64$\frac{5}{8}$	65	64$\frac{7}{8}$	64$\frac{27}{32}$
2½% Treasury	61$\frac{3}{32}$	63$\frac{1}{16}$	63$\frac{13}{32}$	64$\frac{23}{32}$	64$\frac{11}{16}$	64$\frac{3}{4}$
EQUITY SHARE PRICES						
Anglo-Iranian £1.....	7$\frac{1}{2}$	7$\frac{1}{2}$	8$\frac{7}{16}$	11$\frac{1}{2}$	11$\frac{11}{32}$	11$\frac{5}{16}$
Assoc. British Picture 5/-..	6/10$\frac{1}{2}$	7/6	8/1$\frac{1}{2}$	9/6	10/-	10/-
Assoc. Elect. £1	78/9*	78/9*	42/6a	45/6	45/6	47/6
Assoc. Port. Cement £1....	60/-	60/-	67/6	73/9	73/1$\frac{1}{2}$	73/1$\frac{1}{2}$
British Motor 5/-.....	7/1$\frac{1}{2}$	7/-	6/6	7/7$\frac{1}{2}$	7/7$\frac{1}{2}$	7/7$\frac{1}{2}$
Courtaulds £1.....	44/3	44/9	51/-*	27/6b	27/6	27/6
Distillers 4/-.....	16/6	16/9	17/6*	19/6	19/6	19/3
Dunlop £1.....	50/-	50/-	57/6	20/-c	20/9	21/-
Guest Keen £1.....	51/-	51/-	51/6	57/6	57/6	57/6
Hawker Sid. £1	43/6	43/-	48/-*	58/9	59/6	59/9
Hoover 5/-	25/9	25/9	26/6	34/3	33/9	33/-
Imperial Chemical £1	46/9	47/6	54/-	58/6	58/6	58/9
Imperial Tobacco £1.....	56/-	56/9	57/6	52/-	52/-	52/-
Lancs. Cotton £1	48/7$\frac{1}{2}$	48/11$\frac{1}{2}$	50/-*	55/3	54/6	54/6
Leyland £1.....	86/3	86/3	83/9	85/-	85/-	86/3
Marks & Spencer 'A' 5/-..	60/-	62/-	74/3	92/6	92/6	92/6
Pye 5/-.....	19/-	19/-	16/-	23/6	23/6	23/6
Tate & Lyle £1	63/-	63/-	64/-	66/3	66/3	66/3
Turner & Newall £1	55/-	55/6	70/9*	76/9	76/6	76/6
Unilever £1.....	49/4$\frac{1}{2}$	49/4$\frac{1}{2}$	57/-	66/6	66/6	66/-
Vickers £1.....	49/6	50/-	48/1$\frac{1}{2}$	55/7$\frac{1}{2}$	55/7$\frac{1}{2}$	56/10$\frac{1}{2}$
Woolworth 5/-.....	57/9	58/9	68/-	74/3	74/3	75/6
"Financial Times" Ord. Share Index.....	123·2	124·8	131·1	141·9	142·6	143·4

* Ex. dividend. (*a*) After 100 per cent share bonus September 11, 1953. (*b*) After 100 per cent share bonus December 15, 1953. (*c*) After one for two share bonus and capital reorganisation January 5, 1954.

Two possible deductions can be drawn from this remarkable display of underlying strength, each containing a part of the truth. The City holds many important investors who think that the decision to have substantially no fresh budget was right [illegible] sent times and who rather enjoy their malicious deduction that it goes to show that no early election is contemplated. Secondly, it can be argued that the pre-budget speculation was a mere veneer and that investment markets draw their present strength from much larger and deeper forces quite capable of absorbing any small selling from disappointed speculators. The strength of sterling, the inflow of foreign money that it is bringing and the heavy flow of institutional investment in which the pension funds play so big a part, certainly does add up to a much greater force, though that too is a force of incalculable duration.

More Gold Flows In

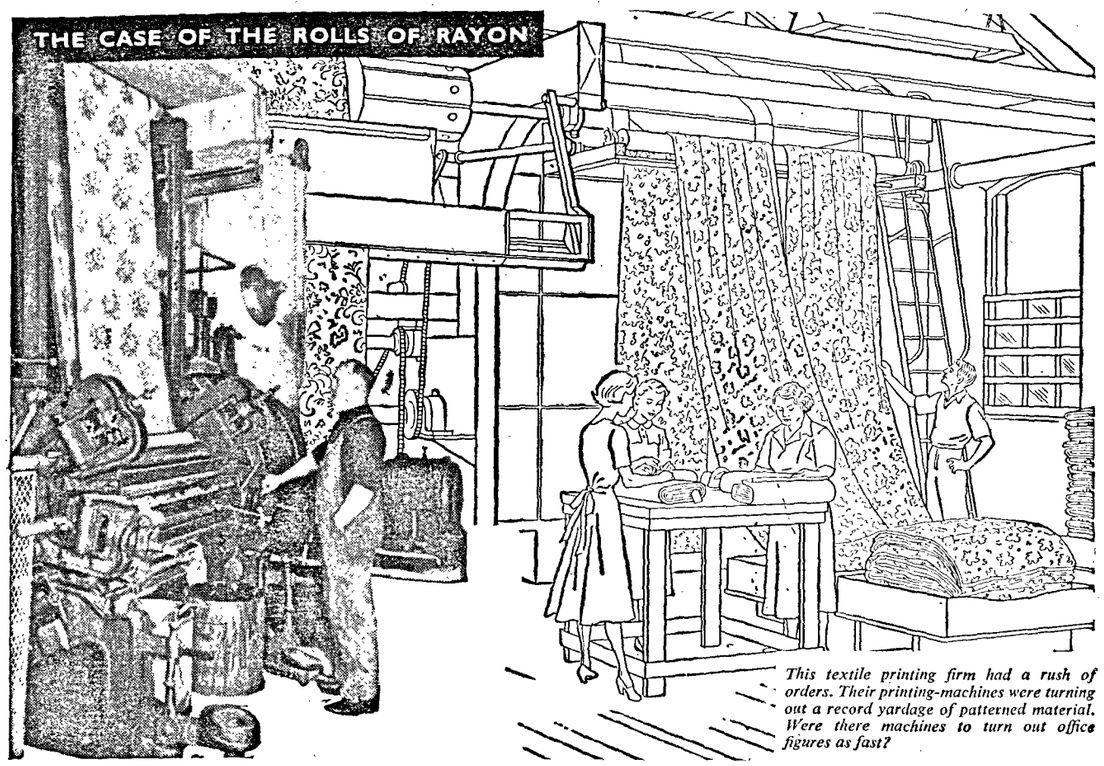
THE sterling area achieved a gold and dollar surplus of $102 million during March ; this was the biggest surplus since April of last year, and brought the gold and dollar reserves up to $2,685 million on March 31st, their highest since November, 1951. Special items in the $102 million surplus last month were $14 million of American defence aid and $2 million from the settlement of the February EPU surplus. Excluding those two items the sterling area trade and payments transactions during the month brought a credit of $86 million. This is the season when payments should be moving in favour of the sterling area, and during March the United Kingdom built up a surplus of £4.8 million with EPU. This will be settled in mid-April as to 50 per cent in gold and 50 per cent by reduction of the UK overdraft, bringing it down to £194 million.

The seasonal influences favouring the sterling area balance of payments in March were accompanied by special factors which helped the build-up of the gold and dollar reserves. One of these was the receipt of further consignments of Russian gold, both direct to the Bank of England and, by more circuitous routes, to the London gold market. Another factor has been the attraction to London of a considerable volume of foreign money temporarily employed here on arbitrage operations. At prevailing short money rates in London, New York, Amsterdam and Zurich, it is profitable for operators in the foreign centres to use money in London and cover the exchange risk by forward transactions. It is estimated that as much as £40 million may be thus employed in London. The immediate impact of that influx of money is to increase the Exchange Equalisation Account's holding of dollars and other currencies.

Though the gold market has been less active in the first week of April demand has outstripped supply and the price has touched 248s. 11½d. per ounce. In the last few days less newly mined sterling area gold has been offered in the market. There has also been less Russian gold on offer. The Russian authorities appear to be unwilling to accept a price below the American parity of $35 per ounce. They could obtain that figure on the Continental markets, while transferable sterling was below $2.79. To the Russians it is immaterial whether they are paid in registered or transferable sterling. The rate for transferable sterling then strengthened to 2.79\frac{5}{8}$, a movement that put an effective stop to shunting of Russian gold from the Continent to London. The rate has now come back to 2.79\frac{1}{8}$-$\frac{1}{4}$. Russian sales of gold in London restarted on Thursday and the reserves of the Exchange Equalisation Account should again be fortified from that source.

CDFC's First Report

THE Commonwealth Development Finance Company has issued its first report and accounts. They cover the year to March 31st last and must be amongst the promptest on record. At that date £2,850,000 (that is 10 per cent of the " A " shares and 30 per cent of the " B "



This textile printing firm had a rush of orders. Their printing-machines were turning out a record yardage of patterned material. Were there machines to turn out office figures as fast?

"Finished"—
but the office work was only starting . . .

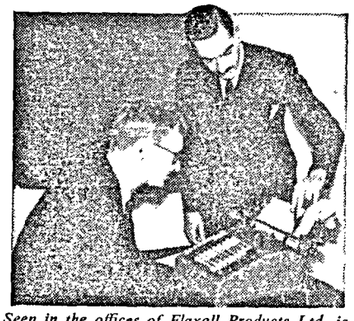
Flaxall Products Limited, of Belfast, Northern Ireland, have become a thriving business since the end of the war. Their main business is printing and finishing textiles—especially rayon and the famous Irish linen.

But production in their offices, they found, was not keeping pace with production at their Carrickfergus factory. Bookkeeping was being done by hand, and monthly statements frequently went out late. Control over an increasing volume of postings to Sales, Purchases, and Nominal Ledgers was becoming more difficult every day.

Not wishing to engage more office staff. Flaxall put the problem to Burroughs.

After investigation, Burroughs suggested that the firm should install one of their electrically-operated Desk Bookkeeping Machines to handle all Ledger work, Statements (and Purchase Tax computations), and some Commodity Analysis. This course was adopted.

Result: With this Burroughs machine at work, Flaxall Products Limited have solved their bookkeeping problem without adding any new office staff. Now, their monthly statements go out on the dot, and their accountant can control all figure-work without being directly involved in its production.



Seen in the offices of Flaxall Products Ltd. is Mr. T. R. W. Dark, the Chief Accountant. With him is Mr. B. McM. Thomas, the Burroughs man who installed their Burroughs Desk Model Bookkeeper—the machine that helped to solve the Case of the Rolls of Rayon.

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FOR EXPERT ADVICE ON BUSINESS FIGURING CALL IN Burroughs

the Monopolies Commission hoped. The majority of the Commission held that since it might not be possible to amend the earlier agreements fundamentally without injuring British Match's interests overseas, the agreements should be left alone, subject to certain minor changes; and could suggest only a rigid price control system. The President of the Board of Trade would not accept price control, but urged British Match to amend its quota arrangements, and to carry out certain minor recommendations of the Commission. The company has now done both.

British Match has in fact obtained the new agreement with the Swedish combine without disturbing their existing arrangements to co-operate in certain overseas markets. It has had to concede the Swedes the power to end the agreement at one year's notice, while itself remaining bound until 1961 and then having to give three years' notice, and the payment for technical help, while reasonable in itself, is perhaps a reminder that the Swedish company was perfectly satisfied with the old agreements as they stood. Abolition of the quota arrangements, as the Commission's minority observed last year, may not of itself ensure "vigorous competition" between the two major groups; but it leaves other makers or importers wholly free to compete, if they want to.

Air Corporations' Out-turn

THE full accounts of the nationalised air corporations for 1953-54 are not likely to be published for another six months, but it has already been stated that during the year, British Overseas Airways Corporation earned a substantial profit, and British European Airways a substantial loss. In the previous year, 1952-53, BOAC made a small operating profit of £10,000, before payment of interest, but was left, after meeting all charges, with a deficit of £800,000. The past year's operating profits seem likely to leave the corporation with a small balance after meeting interest charges. These results are far better than seemed possible at one time in the year, for costs were rising during the summer, but long-distance traffic seems to have recovered from the check it received in 1952, and to have caught up with the increased capacity that the airlines were offering for sale.

British European Airways' traffic also expanded during the year, but not sufficiently to offset the widespread introduction of tourist fares (at an average discount of 20 per cent) on most of the corporation's routes. This experience is shared by most European operators, and BEA's earnings per ton mile dropped 8 per cent during the year. The net result is expected to be a big increase in the £1.5 million deficit, after meeting all charges, of 1952-53. The interest charges to be met by BEA will have been increased substantially by the £10 million loan raised during the summer to pay for the corporation's new fleet, but the real and persisting difficulty lies in the nature of the corporation's operations, where booking and passenger handling costs are no lower than on long-range operations, but the value of the ticket sold is one-eighth that of BOAC's average. A drastic overhaul of booking and handling methods to cut these high costs may not be possible within the present structure of international air transport—other airlines have already turned down suggestions that a cancellation fee should be charged on bookings not taken up—but it would certainly be worth attempting.

Nine-Year Export Credits

MUCH longer export credits are now being arranged for British firms accepting approved export orders, if it is considered necessary in order to hold foreign competition in check and if the nature of the capital goods involved justifies long credit. The nine-year financing arranged between Lazard Brothers and English Electric to cover an important order from the Turkish Government is the most recent and most outstanding example. The arrangements, approved by the exchange control authorities and flanked by an insurance from the Export Credits Guarantee Department, will enable the bonds which the Turkish Government will deposit to be placed privately among the City's financial institutions, who will thus be the real providers of finance.

English Electric Company and George Wimpey have jointly agreed the principles of a contract for a hydro-electric project at Hirfnli on the Kizilirmak, Turkey's largest river, about 65 miles from Ankara. A rock-filled dam will be built by George Wimpey 280 feet high, and a 100,000 kilowatt electric power station to feed power into Turkey's national grid will be supplied by English Electric. The total expenditure is estimated at 90 million Turkish liras (£11½ million); the sterling payment to this country will amount to about £6 million.

Although the total sterling cost is £6 million and the maximum period of credit nine years, the effective amount outstanding and the effective length of the credit will both be much less. The incidence of the payments on account will keep the total debt well below the maximum figure and the fact that there are to be substantial early payments means that it will be about two years before any part of the credit is used. As it will take approximately four years to complete the project, Turkey will have had five years' use of the new works before the final payment is due.

Radioactive Sales

THE four new buildings formally opened this week at the Radiochemical Centre at Amersham form the first part of a project to put the supply of radio-active materials on what scientists consider a "quantity production" basis. Amersham is a branch of the Department of Atomic Energy, and its function is to handle the sales of radio-active materials produced in one or other of the atomic piles. Materials that give off powerful radiation are a new and intriguing scientific tool, but their growing use depends to a large extent on the assurance of a reliable source of supply.

The commercial importance of Amersham lies in supplying these materials in forms that can be used by customers—and this means not only extracting and purifying the radio-active element itself, and supplying it to a given assay, but frequently in making a specially-tailored compound containing the radio-active element. Radio-active carbon, or radio-active strontium, are frequently useless to the industries, hospitals or laboratories that want to use them. But benzene, sugar or amino-acids in which all the carbon atoms are radio-active, or strontium bonded on to foil or wire that

can be installed in industrial or medical equipment, become so valuable that customers are prepared to pay as much as £350 for a single microcurie, which represents a fragment of a gram of material.

The processing and preparation of these materials is not easy, not because the operations are at all complicated, but because they have to be carried out by remote control as a protection from the lethal quantities of radiation given off by some of the materials in bulk. The Centre is sending out about 12,000 consignments a year; its total turnover in 1953 was £114,000, and at this rate the Centre is breaking even. As soon as arrangements have been completed for transferring some of the business that is at present being transacted from Harwell, the rate of despatch is expected to double, and the Amersham centre will begin to show a profit. Investment in plant and buildings is about £500,000, which is—atomically speaking—very small beer, but the potential business likely to be done at Amersham may be much greater than present figures suggest, now that it has the facilities for supplying a really wide range of compounds in considerable quantities. One effect of the new Atomic Energy Bill may be to expand Amersham's range of commercial activities quite considerably, especially in the direction of industrial applications. There is still a big barrier of prejudice to be overcome against factory use of unshielded radiation sources, but Amersham may be in a better position to break it down than the one or two companies that have tentatively attempted to develop this field.

The Londoner's Ride

RAILWAY and 'bus services in the London area are today contributing some £5 million a year less than they should to the central charges of the Transport Commission, and the Commission's application for a rise in London Transport and British Railways fares in the area has been inevitable ever since the last increase in wages. Against the rising trend in costs, the London Transport Executive is now experiencing a continuing decline from the postwar boom in travel; television and the growth of private motoring, Sir John Elliott said last week, are affecting travel in London today to "an ever-increasing extent." The cheap evening fares introduced recently "are not doing badly"; but the total revenue on evening travel is only about £500,000 a year out of London Transport's total receipts of £71 million, and Sir John felt that cheap fares at other times—say mid-day—could not possibly attract enough extra passengers to outweigh their cost.

The increases asked for should amount to about £5 million; under the normal procedure of public inquiry, they can hardly be brought into force, if granted, before the autumn. A number of the increases in fares could have been dealt with under the emergency procedures laid down in last year's Transport Act, under which the Tribunal may grant an increase in charges without a public inquiry or the Commission may order increases before the Tribunal examines the reasons for them; but other items could not, and the Commission decided against two bites at this unpalatable cherry.

Trends in Sweden

Sweden has been Britain's largest European customer over the last four years. What are business prospects there? Will the present prosperity continue? Which sectors of demand are expanding? How susceptible would the Swedish economy be to a world recession? Such questions are discussed in our ninth report* on economic conditions in Sweden issued this week. Let us tell you more about this service for businessmen.

* Fifty three-monthly reports on over seventy countries are available

THE ECONOMIST INTELLIGENCE UNIT,
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Whitehall 1511. Extension 129.

Treasury Loans to Industry

THE unsuccessful venture in manufacturing hard glaze china in Durham, in which the Treasury appears to have lost more than £200,000, obtained this loan from the State under the Distribution of Industry Act, 1945. That Act empowered the Treasury to make loans, and indeed grants, to companies beginning operations in development areas; no grants have in fact been made, but the Treasury had lent nearly £3,500,000 by the end of March last year, and had written off about £150,000; loans totalling £2,716,682 were outstanding. The Durham China Company, which was set up in 1948 and was put into the hands of the Official Receiver last October, has stated that the Treasury's loan, with accrued interest, amounted to £215,000, of which perhaps £12,000 may be repaid; a roughly similar amount to the Treasury's loan had been invested by the bankers, Montagu Samuel.

The Treasury has confirmed the fact of this loan but not the amount lent; its policy is not to reveal the names of borrowers or the amounts that it lends, though some of these are disclosed by the companies concerned. Its loans under this Act are incidentally separate from those to the actual industrial and trading estate companies by the Board of Trade, which at present amount to some £4,700,000. Some indications of the scale of the Treasury's present lending, and of the loans that may go into individual ventures, may be drawn from the appropriation accounts for 1952-53. During that financial year it lent some £270,000, which was about £1,630,000 less than it had estimated. This saving, it reported, was due to "delay by the promoters in commencing two large projects." Whether the details of loans of the magnitude that this seems to suggest should remain undisclosed seems open to question.

Coping With Surpluses

THE recent meeting in Washington of the FOA working party on the disposal of farm surpluses achieved little. This was partly because disposal, when rightly circumscribed by a desire to avoid harming normal exports, has little scope. The value of the meeting was also diminished by uncertainty about the fate of the American Administration's new farm policy in Congress. The most important results were thus negative—a closer exchange of views between the United States and other countries represented (Argentina, Britain, Egypt, France, India, Holland and New Zealand), and the decisions neither to set up any new international machinery nor to espouse any grandiose schemes. The report, which will be considered in Rome next June, is no doubt right in saying that the long-term solution to the surpluses lies in higher consumption through increased incomes and the growth of population, together with adjustments in production; but in the meantime, as it points out, action is needed to dispose of existing surpluses and prevent the accumulation of new ones. Sales on concessional terms, or grants, in aid of development are considered to offer better prospects than any other form of special disposal for moving substantial amounts of surpluses into truly additional consumption. It is emphasised that the mere segregation of stocks cannot provide a real solution unless it is accompanied by other measures to bring supply and demand into balance.

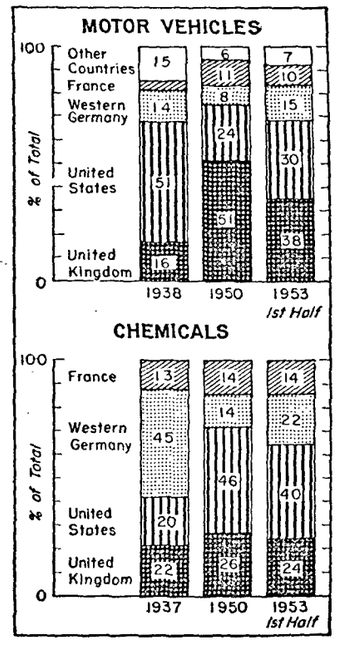
Such action really devolves on the United States, where the bulk of the surpluses is concentrated. The American Administration cannot hope for much success in reducing farm output, but there are signs that it is becoming a more aggressive exporter of its surpluses against payment in local currencies. The recent sales of American wheat and barley to Japan and of wheat to Spain are examples. Though the money will, in Japan, be used to finance off-shore procurement, defence and development, and in Spain for the construction of military bases, it is understandable that the chairman of the Australian Wheat Board should call these sales "dumping." Definitions of "development" and "normal exports" can seldom be precise. The policy may be extended. The American Secretary of Agriculture favours a "dynamic' export policy, and wants to send abroad salesmen directly answerable to his department. The State Department wants such representatives to be under the ambassador, thus subordinating their activities to general foreign policy considerations. Other exporting nations may well pray that the views of the State Department will prevail.

Shell-Royal Dutch Scrip Issues

THE long-awaited capitalisation of reserves by "Shell" Transport and Trading and Royal Dutch follows hard on the heels of the report of the Gedge committee on no par value shares. That committee's dictum that a scrip issue from capitalised reserves "adds nothing and detracts nothing from the shareholders' aliquot share of the equity of a company" is relevant. The important event for the investor is whether or not the amount distributed as dividend goes up. The distribution of free shares itself means nothing.

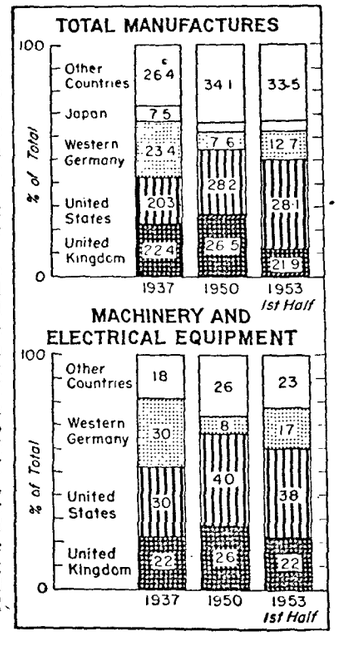
With the consent of the Treasury, Shell intends to capitalise £10,902,939 from its share premium account (amounting to £25,847,869 at the end of 1952) and to issue one new free £1 ordinary share for every £4 of stock held. Royal Dutch is to capitalise fl. 202,727,600 from its capital surplus account (totalling fl. 224,277,000 at the end of 1952) and to issue new free ordinary shares in the same one for four ratio. The new shares do not rank for the 1953 dividends, which will soon be declared. The directors of

Britain's Share of Trade



How have British exports fared in comparison with those of the rest of the world? An analysis by the Board of Trade gives a disquieting answer. Britain's share in the total exports of ten main exporting countries (excluding commodities and the strategic shipments of the United States) was probably a trifle higher in 1953 as a whole than in the first half; hence the decline in its share in the previous two years seems to have been arrested. If so, it halted at about the prewar level of 22 to 23 per cent, compared with 26.5 per cent in 1950.

While Britain's share has fallen back, the share of other countries, apart from Japan, has remained well above the prewar level, and for Germany and Canada it is still increasing. The share of the United States in 1950 was 8 per cent larger than in 1937, and it was still 8 per cent larger in the first half of 1953. Excluding Germany, the share of other European countries was 6 per cent larger in 1950 than before the war, and had only shrunk to just under 5 per cent in 1953. The share of Germany, which since the war means only half Germany, albeit the predominantly industrial half, forged ahead from 7.6 per cent in 1950 to 12.7 per cent in 1953, which is still only half the share held by Germany before the war, and just over half the present and prewar share of Britain. The sobering conclusion seems to be that Britain, which ended the war with its industrial machine intact, has failed to consolidate a larger share of world markets.



both companies add that "the company's dividend policy will continue to be governed, among other considerations, by the necessity of maintaining its finances on a sound basis." This comment echoes a similar statement made by the directors of Shell in 1952 when they issued a similar number of shares in a scrip issue.

Nevertheless these latest issues caused excitement in the stock market. Reports from Amsterdam that a scrip issue was to be made sent up the price of the Shell and Royal Dutch ordinary shares well before the announcement was made. And after it became known the Shell £1 ordinary stock units put on another 5/16 to 5 11/16 and the Royal Dutch fl. 100 ordinary shares another 1¼ to 44. If Shell were to maintain its current dividend rate of 15 per cent tax free on the increased ordinary capital the £1 ordinary units, allowing for the new issue, would yield £6 3s. 4d. per cent and the Royal Dutch units on the basis of the current price of 42¼ and the current dividend rate of 16 per cent would yield £4 8s. 10d. per cent.

No Dealings in Dawes

THE only paradoxical feature of the formal publication of the German debt settlement in this country was that jobbers last Friday suspended dealings in the Dawes loan. This odd result arises because under the debt arrangements the Bank of England is appointed the agent only for the British tranche of the loan, but when the sterling issue of the Dawes bonds was made these bonds were issued in France, Belgium, Holland and Switzerland as well as in this country. Up to now no distinction between the various tranches has been made in dealings. British residents hold bonds of all the tranches, and jobbers cannot always tell in which they are dealing. But British bondholders can assent to the German offer only in respect of bonds of the British issue.

It seems that nothing can be done—unless the German government agrees to some new arrangements—until the debt offer has been formally made in the other countries where the bonds were issued. The offer has already been published in France and its publication in Belgium and Switzerland is expected shortly. But Holland has still to ratify the settlement, so dealings in Dawes wait on the Dutch.

The Watchdog Barks

A COMPANY'S auditor is the servant of the shareholders, not of the directors. He is also the shareholders' last line of defence. Fortunately the occasions when he has to issue the kind of qualification which cuts at the very roots of his own certificate are rare. But such occasions, as past history shows, are not to be lightly disregarded. Last week the accounts of Hide and Company, the store group, carried a serious reservation by the company's auditors about some notes on the balance sheet.

> . . . We have not been able to obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. In consequence we are unable to state whether in these respects the balance sheet and the said notes give the information required by the Companies Act, 1948, in the manner so required or give a true and fair view of the state of the company's affairs in regard thereto. . . .

The notes referred to describe a share transaction in 200,000 "A" ordinary shares in Hide and Co., with special voting rights. In the course of buying two businesses, during the year to January 31, 1953 covered by the accounts, Hide and Co. gave, as part of the purchase consideration, 200,000 "A" ordinary shares of 1s. each and 8,744 ordinary stock units of 1s. each of the parent company which had previously been held within the group. The "A" ordinaries are unquoted; in the purchase consideration given by Hide and Co., they were taken at a value of 5s. per unit. The chairman, Mr L. P. Jackson, with the approval of the board, is now seeking to buy them back from third parties at a price which he has not yet revealed to the shareholders. The auditors asked for details and have qualified their report because information was not forthcoming. This share transaction is to be put up for the approval of the shareholders at the annual meeting on April 30th. Is there any reason why shareholders should have to wait until this date before they are given adequate information by which to judge it?

Edible Oils Firmer

PRICES of some edible oils have recovered slightly from their sharp fall in the last two months. Copra, which fell by some £25 to £67 a ton, is now about £70 a ton, c.i.f. Continent for nearby shipment, and coconut oil, which fell from £135 a ton, is about £102 a ton. Palm kernels, which fell by some £20 to £48 a ton, have risen to about £51 a ton, and palm kernel oil, which also fell by some £20, is slightly higher at about £97 a ton. The decline has been checked by covering purchases by some sellers and by the temporary withdrawal of offers of palm kernels by the marketing boards in British West Africa; demand from consumers has also improved a little since the market became steadier. The firmer trend may be temporary, for the surpluses of copra, palm kernels and of American cottonseed oil—which produced the earlier decline—are likely to press on the market for some time. The Commodity Credit Corporation apparently intends to sell about half—200,000 tons or more—of its huge stock of cottonseed oil this year. In the last two months it has reduced the price by £6 to about £100 a ton, cif Continent, but so far its sales have been small.

A further decline in the market would no doubt be welcomed by manufacturers of margarine and cooking fats and other users in Britain, but would be less agreeable to the Ministry of Food. The Ministry is still the sole importer of most oils and oilseeds, and when private imports are resumed on June 1st it will have some outstanding contractural supplies from abroad, as well as stock, to sell at prices based on the world market.

Prices of palm oil and groundnut oil, on the other hand, have been fairly steady at about £78 to £82 and £150 to £160 a ton respectively, and may remain roughly within this range. Supplies of groundnut oil are still tight, owing to the ban on exports from India and China. Though consumers will presumably try to replace it with other oils at current prices, there are some uses, such as certain brands of margarine and salad oil, for which it would be difficult to displace groundnut oil. The better qualities of palm oil are meeting a good demand, and producers are well sold forward.

Chile—A Reluctant Seller?

THE resumption of sales of Chilean copper has had no effect so far on the London market, where prices are still steady at or above £235 a ton for standard prompt metal, and some £227 a ton for three months. Little is known about the Chilean sales to Britain and the Continent, but Chile still appears to be a reluctant seller, despite the reduction in output and the accumulation of stocks. The Central Bank is believed to be asking about 30 cents a lb (£240 a ton) for electrolytic, cif Continent; the Continental price is just over £240 a ton and the price charged in London by the Government broker—the only source of electrolytic in the market—is about £238 a ton, or some £3 above the standard price. As Chilean copper takes two months or more to reach Europe, a price of 30 cents is virtually equal to the present prompt price for what is in fact forward copper. On the other hand, Chile may have made some sales on the basis of average market prices in the month of delivery.

Whatever the price, its sales up to now are estimated at not more than 15,000 to 20,000 tons. Whether buyers will raise their bids, in view of the continuing tightness of electrolytic, or whether Chile will lower the price, is an open question. Buyers are evidently able to obtain their marginal requirements at present prices, and Chile may be prepared to await the probable revival of industrial activity in America to stimulate demand from that country. American demand could hardly absorb all of Chile's output, but it would certainly help. It is even conceivable that following the new American policy on strategic purchases, which may include Chile as a "neighbouring" source of supply, Chile is hoping to sell more copper to the stockpile (in addition to the 100,000 tons sold last month). By withholding supplies Chile missed the best of the market, but it has not yet had to pay dearly for that loss.

SHORTER NOTES

A final payment of £1.2 million to Britain by UK-Dominion Wool Disposals Limited marks the liquidation of the most profitable of inter-government trading organisations. The organisation was set up after the war to dispose of over 10 million bales of Commonwealth wool on behalf of Britain, Australia, New Zealand and South Africa. It made a net profit of £171.5 million which, with the balance of wartime profits, brought the total distribution to the four governments to £199.5 million. Britain has received half of this sum; the other half was paid to the wool growing Dominions in proportion to their sales.

★

In discussing the decision of Roan Antelope Copper Mines to build an electrolytic copper refinery the impression was given in a recent issue of *The Economist* that the Rhodesian copper belt will have only three electrolytic refineries and the Anglo-American group only one. While this is partly correct there is an electrolytic tank house at Nchanga Copper Mines, which is being extended and from which cathodes of 99.9 per cent purity, go on to Rhodesia Copper Refineries to be turned into commercial shapes.

★

The Casablanca High Draft Company of Salford, which builds high draft equipment for cotton spinning and preparatory machinery, has completed an agreement with the Whitin Machine Works of Whitinsville, Massachusetts, the largest American builder of spinning machinery, by which Whitin will incorporate in its cardroom and spinning machinery the latest developments of the English high drafting equipment.

Company Notes

HUDSON'S BAY. The Governor and Company of Adventurers of England trading with Hudson's Bay hold a unique place in the London Stock Exchange, not merely because they are the oldest British company still alive. "Bays" have also provided a sterling route for British investment into Canada. In the last few years it has been an expensive route. The shares were forced up to new peaks when investors staked a claim in the Canadian oil boom through "Bays" and when an American syndicate were active buyers. At this time the company was under pressure to transfer its domicile to Canada, but the directors resisted it. As a result the price of the shares looks high. Investors have therefore to weigh long term prospects, which remain unblemished, against the short term consideration that the company's principal interest is in the wholesale and retail trade in Canada, where prosperity will presumably fluctuate with the general level of prosperity in the Dominion.

Bigger returns for shareholders are, however, beginning to percolate through. In the year to January 31st last, profits before tax advanced from £2,764,095 to £3,060,842, and after tax from £1,394,104 to £1,530,842. This advance gave the directors the opportunity to raise the effective gross return to ordinary shareholders from 14¾ per cent to 17 per cent. For 1953-54, a final dividend from trading of 8½ per cent and a final tax free distribution of 1¼ per cent from land sales has been added to an interim trading dividend of 4 per cent and a tax free distribution of 1¼ per cent from the land account. In 1952-53, the full year's trading dividend was equivalent on the present capital to 10 per cent and the tax free distribution from land sales was equivalent to 2½ per cent. In all, the latest distributions absorb £492,214, compared with £396,264 in 1952-53. The yield on "Bays" is usually calculated by lumping the trading and land distributions together, and on this basis the £1 ordinary shares at the current price of 104s. 3d. yield 3¾ per cent.

On this price, the "rights" issue of 623,056 new £1 ordinary shares at 70s. each (in the ratio of one for eight) offers a substantial turn to shareholders. In announcing this issue the directors have not gone beyond the general statement that "the company requires additional finance for the purposes of its business."

The full report at the end of this month will undoubtedly specify in which directions this new money is to be used.

★

SAVOY HOTEL. The £1 ordinary stock units of the Savoy Hotel now stand at 50s., having lost 1s. 6d. following the preliminary report for 1953. The 7 per cent £1 preference stock units stand at 25s. This preliminary report does nothing to prove that the ordinary units are worth the 62s. 6d. and the preference units the 31s. each that the directors' friends paid Mr Samuel in order to keep control. They have not found the anodyne for the headaches of the morning after a share bid.

All they have done is to add a bonus of 5 per cent to the 10 per cent ordinary dividend, bringing, as the market had expected, the full year's distribution up from 10 to 15 per cent. This dividend is paid out of a net profit which has risen by £42,933 to £202,460. The gross trading balance rose from £477,829 to £525,684. The dividend is covered about 1½ times by earnings. In addition the directors propose to issue one free new ordinary stock unit for every £8 held and one free new preference share for every £10 held.

The scrip issue of preference shares is subject to a modification of voting rights bringing them "into line with modern practice." At the moment the preference stock votes equally with the ordinary. Presumably, the directors' intention is to limit the votes on the preference units to any occasion when either the dividend is in arrears or when resolutions are proposed which affect that class's rights.

The plan reduces the size of the investment needed to control the company on matters affecting its normal activities, including the disposal (subject to the rights of debenture holders) of its assets. In the market it is believed that once the proposal is carried through the directors will sell off (apparently at a loss) the preference units that they bought from Mr Samuel. But it is not at all clear how much further forward this proposal brings the directors' promise to submit the company's future plans at the general meeting, probably including "proposals intended to benefit preference and ordinary holders."

★

LINER HOLDINGS. A year ago the chairman of Liner Holdings, then known by its more familiar name of Elder Dempster, described the 1952 profit of £4.9 million as "exceptional and unlikely to be repeated in normal times." Investors ignored the warning and looked forward to a substantial increase in the ordinary dividend in 1953. In one sense, they were right, for profits in 1953 advanced to £5.8 million—an improvement that must owe something to the new ships brought into service on the West African routes in 1952. The ordinary dividend was also increased. But the increase fell well short of expectations, and after its announcement the £1 ordinary stock units fell by 2s. to 32s. 6d., to offer a yield of 5½ per cent.

Effectively the dividend has been raised from 7½ to 9 per cent. The 9 per cent dividend is payable on a capital of £6,871,490 as increased by last year's 100 per cent scrip bonus. In 1952 and 1951 a dividend of 15 per cent was paid on the original capital of £3,435,745. Thanks to the increase in the tax charge from £1,992,814 to £2,662,526, the rise in net profits has been limited to £103,408—to £2,110,415. And the directors still show themselves anxious to appropriate the greater part of these earnings to the reserves of subsidiaries, presumably to meet the cost of the ships now under construction. It will be interesting to see whether the chairman in the full report also describes the latest profit as "exceptional." If he does investors will have another reason for disappointment.

A QUARTER'S CAPITAL ISSUES

(Excluding Conversions)

First Quarter	Old Basis*		New Basis†	
	1953	1954	1953	1954
	Total Borrowing (£ million)			
Br. Govt.‡	113·0	92·5	113·6	92·9
Br. Corp.(*a*)	27·8	4·9	27·8	4·9
Br. Cos ...	29·3	57·2	41·7	64·6
Br. Total ..	*170·1*	*154·6*	*183·1*	*162·4*
Empire ...	9·9	12·2	13·1	12·6
Foreign ...	Nil	Nil	Nil	Nil
Total ...	**180·0**	**166·8**	**196·2**	**175·0**
Indices ...	107	99	263	234
	Total Company Issues (£ million)			
Deb.	20·6	31·8	23·2	35·6
Pref.	2·0	14·7	4·4	15·9
Ord.	6·7	16·5	17·3	18·9
Total ...	**29·3**	**63·0**	**44·9**	**70·4**

First Quarter	Old Basis*		New Basis†	
	1953	1954	1953	1954
	Analysis of Issue Applications (£ thousand)			
Br. Govt.‡ ..	112,998	92,451	113,557	92,857
Br. Corp. (*a*)	27 753	4,900	27,753	4,900
Dom. & Col. Govt.	9,900	6,414	9,900	6,849
For. Govt. ..	Nil	Nil	Nil	Nil
Bank & Ins.	50	2,210	50	2,210
Oil	19,700	Nil	19,700	Nil
Eng'ing, etc.	1,851	851	3,759	1,911
Electrical ..	Nil	93	Nil	782
Textiles	150	46	150	1,057
Motors, etc..	189	383	3,232	383
Breweries ..	823	Nil	1,564	Nil
Shipping ...	1,645	Nil	2,363	350
Mines	720	6,086	2,540	6,086
Others	4,264	53,366	11,613	57,643
Total	**180,043**	**166,800**	**196,181**	**173,028**

* Only includes direct offers to the public and to shareholders; (index 1928=100). † Includes direct offers to the public and to shareholders, "permission 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.

LONDON STOCK EXCHANGE

Next Account begins: April 21st.
Next Contango Day: April 21st.
Next Settlement Day: April 27th.

THE "stand-still" Budget brought only a very minor and temporary check to the advance in the stock market. The *Financial Times* ordinary share index, having crossed its earlier peak of 140.6 recorded in January, 1947, went blithely on to stand at 143.4 when the market closed on Wednesday. The most active day was Monday when 16,847 bargains were marked. Gilt-edged securities, particularly the longer dated issues, shared in this advance. With interest concentrated largely on the equity market, the foreign market was quieter than of late and though there was some activity in German issues on Tuesday this sector of the market was in general overshadowed by the suspension of dealings in the Dawes loan.

Gains were scattered freely throughout the industrial market and by the close on Wednesday many of the market leaders were quoted at their highest prices for the year, with Woolworth at 75s. 9d., "Gussies" at 79s. 9d. and Ford at 56s. 6d. Engineering and capital equipment shares had been strong before the Budget and after it went ahead still further with Alfred Herbert, the machine tool manufacturers gaining 6s. (to 115s.) on Wednesday. When the market opened on Thursday ICI, which has a large capital development programme in front of it, put on 4s. 6d.

Cinema shares improved a little in response to the cut in entertainment duty and then slipped back to close with hardly any change on balance. In the shipping P. & O. climbed to a new peak in anticipation of the forthcoming dividend but Liner Holdings were marked down on disappointment with the latest dividend. English Electric and George Wimpey were marked up on the news of the Turkish contract. Hector Powe rose 3s. 9½d. to 8s. 0½d. in response to the bid from Hope Brothers for the shares. Bradford Dyers gained another 2s. 9d. (to 37s. 9d.) after the announcement of the scrip issue. One of the few issues to fall in this strong market, which included oils and to a lesser extent Kaffirs, was Thomas Tilling which were marked down on the repetition of the dividend.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
Mar. 31...	138·9	112·58	3·87	5·27
April 1...	139·8	112·64	3·86	5·33
„ 2...	140·8	112·63	3·86	5·19
„ 5...	141·9	112·69	3·85	5·15
„ 6...	142·6	112·69	3·85	5·13
„ 7...	143·4	112·69	3·85	5·10
				Total bargains
1954, High.	143·4 (Apr. 7)	112·69 (Apr. 5)	1954 Mar. 31	11,049
„ Low..	131·1 (Jan. 1)	111·78 (Jan. 5)	April 1	12,556
1953, High.	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 2	12,957
„ Low..	113·9 (May 20)	105·68 (Jan. 5)	„ 5	16,847
			„ 6	13,246
			„ 7	9,716

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Apl. 7 High	Prices, 1954 Jan. 1 to Apl. 7 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, Mar. 31, 1954	Price, April 7, 1954	Net Yield, April 7, 1954 § £ s. d.	Gross Yield, April 7, 1954 £ s. d.
100¼	99⅞	Exchequer 2½% 1955	100	100⅛	1 0 6	2 4 2
102⅝	101½	Exchequer 3% 1960	101⅞	102	1 6 3	2 13 6
100⅜	99	Exchequer 3% '62-63....	100	100⅛	1 12 9	3 0 10
99	99⅛	Serial Funding 1¾% 1954.	99	99	1 9 0	2 2 3
99⅜	99	Serial Funding 2½% 1957.	99⅛	99	1 6 11	2 6 7
101¼	101	Serial Funding 3% 1955..	101	101	1 0 9	2 5 11
100	100	War Bonds 2½% '54-56...	100	100	1 4 0	2 7 10
100	100	Funding 2½% '52-57.....	100	100	1 2 9	2 9 10
100	100	Nat. Def. 3% '54-58.....	101	101	1 3 10	2 12 1
102⅛	101⅛	War Loan 3% '55-59.....	101⅜*	101⅜	1 6 9	2 13 5
97	95	Savings Bonds 3% '55-65.	96	96	1 19 9	3 7 9
98⅛	97⅛	Funding 2½% '56-61.....	97⅛*	97	1 14 5	2 17 2
94	92	Funding 3% '59-69.....	93*	93	2 3 2	3 11 2
95	93	Funding 3% '66-68.....	95	95	2 1 7	3 9 11
102	100	Funding 4% '60-90.....	101	101	1 18 11	3 14 2
92⅛	90⅜	Savings Bonds 3% '60-70.	92	92	2 4 1	3 12 7
91	90	Savings Bonds 2½% '64-67	90⅜*	90⅜	2 4 1	3 7 8
103	101	Victory 4% '20-76.....	102	102	2 0 1	3 15 11
89⅞	87⅜	Savings Bonds 3% '65-75.	89	89	2 5 6	3 14 7
95⅛	93	Consols 4% aft. Feb. '57..	95	95	2 6 2	4 4 3
87⅜	84⅜	Conv. 3½% aft. April '61.	86⅜	86	2 4 4	4 0 7
99⅜	99	Con. 3½% 1969	99⅜	99	1 19 8	3 11 7
64⅛	63	Treas. 2½% aft. April '75.	64	64	2 2 5	3 17 3
76¼	74	Treas. 3% aft. April '66..	75*	76	2 3 5	3 19 0
95⅝	92	Treas. 3½% '77-80.....	94⅛	95	2 3 5	3 16 6
95⅜	92	Treas. 3½% '79-81.....	94⅛	95	2 3 3	3 16 0
86⅛	83	Redemption 3% '86-96...	85⅛	85	2 3 3	3 13 3
87⅜	84	War L'n 3½% aft. Dec. '52	86⅛	87	2 4 3	4 1 0
65⅛	63	Consols 2½%	64*	64	2 2 5	3 17 1
90⅛	88	Br. Elec. 3% '68-73.....	90	90	2 5 8	3 14 5
89⅛	87⅛	Br. Elec. 3% '74-77.....	89⅜	89	2 4 9	3 13 9
105⅛	103⅜	Br. Elec. 4½% '74-79.....	104	104	2 1 1	3 18 4
96⅛	93	Br. Elec. 3½% '76-79.....	96⅜	95*	2 3 0	3 15 3
86⅛	83⅜	Br. Trans. 3% '78-88.....	85⅞	86	2 4 11	3 15 2
90⅛	88	Br. Trans. 3% '68-73.....	90	90	2 5 9	3 14 6
102⅜	100	Br. Trans. 4% '72-77.....	102⅜	102	2 2 0	3 18 3
86⅞	84	Br. Gas 3% '90-95.....	85⅜*	85	2 3 7	3 13 5
98	96⅜	Br. Gas 3½% '69-71.....	97⅜	97	2 2 1	3 14 3
102⅜	99⅞	Br. Gas 4% '69-72.....	102⅜	102	2 0 10	3 16 9

Prices, 1954 Jan. 1 to Apl. 7 High	Prices, 1954 Jan. 1 to Apl. 7 Low	Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, Mar. 31, 1954	Price, April 7, 1954	Yield, April 7, 1954 £ s. d.
		% %	STEEL & ENGINEERING			
49/6	41/4½	12½ *c* 15 *c*	B.S.A. £1.....	49/-	48/-	6 5 0
15/6	13/1½	15 *c* 5 *a*	Cammell Laird 5/-....	14/9	15/-	6 4 0
58/6	49/9	10 *b* 5 *a*	Guest Keen N'fold £1.	57/9	57/6	5 4 4
24/10½	22/1½	2½ *a* 7½ *b*	United Steel £1	24/6	24/6	7 6 11
57/6	47/6	12½ *b* 2½ *a*	Vickers £1	55/-	56/10½	5 5 6
			TEXTILES			
38/-	32/-	4 *a* 11 *b*	Bradford Dyers £1...	34/6*	37/6*	8 0 0
29/-	24/9	12 6 *a*	Brit. Celanese 10/-....	28/-	28/-	5 14 3
56/6	49/4½	7½ *b* 5 *a*	Coats (J. & P.) £1....	53/-	54/6	4 11 9
28/-	25/2½	6½ *b* 6½ *a*	Courtaulds £1	28/-	27/6	5 1 10
56/-	47/4½	5 *a* 10 *b*	Lancs. Cotton £1....	54/6	54/6	5 10 1
69/3	64/-	20 *c* 5 *a*	Patons & Baldwins £1	66/-	67/-	5 19 5
			ELECTRICAL			
48/3	41/9	7½ *a* 7½ *b*	Assoc. Elect. £1.....	44/6	47/6	4 14 9
44/-	38/-	10 *c* 2½ *a*	B.I.C.C. £1	41/-	42/6	4 14 1
44/6	38/6	5 *a* 6⅔ *b*	English Elect. £1.....	40/-	42/6	4 14 1
43/9	37/9	7½ *b* 3½ *a*	General Elect. £1.....	39/4½	42/6	5 5 11
			MOTOR & AIRCRAFT			
20/6	18/6	6⅔ *b* 3½ *a*	Bristol Aero 10/-.....	19/6	20/-	4 18 9
7/9	6/3½	4 *a* 6⅔ *b*	British Motor 5/-.....	7/6	7/7½	6 17 8
30/3	26/-	7½ *c* 7½ *c*	De Havilland £1.....	27/9	30/-	5 0 0
56/3	35/9	7½ *c* 12 *c*	Ford Motor £1.....	49/9*	55/-*	4 7 3
60/-	47/7½	6 *a* 9 *b*	Hawker Siddeley £1..	57/-	59/9	5 0 5
97/-	80/6	25 *c* 25 *c*	Leyland Motors £1...	83/9	86/3	5 15 11
38/9	31/-	2 *a* 8 *b*	Raleigh Ind. £1.....	37/6	38/6	5 3 11
73/10½	66/-	10 *b* 5 *a*	Rolls Royce £1.....	67/6	72/6	4 2 9
6/9½	5/5½	12 *c* 12 *c*	Standard Motor 5/-..	6/3	6/4½	9 8 3
			SHOPS & STORES			
26/-⅜	22/9	20 *c* 10 *a*	Boots Pure Drug 5/-..	24/9	25/3	3 19 2
36/10½	32/-	15 *b* 7½ *a*	Debenhams 10/-.....	33/9*	35/6*	6 6 9
101/-	92/9	17½ *b* 5 *a*	Lyons (J.) "A" £1....	99/9	99/9	4 10 3
93/6	73/10½	35 *b* 20 *a*	Marks & Spen. "A" 5/-	88/-	92/6	2 19 6
75/-	64/-	20 *a* 40 *b*	Woolworth 5/-.....	70/3	75/-	4 0 0
			OIL			
11⅜	8⅛	30 *b* 5 *a*	Anglo-Iranian £1.....	11⅜	11⅜	3 0 9
82/9½	56/10½	12½ *b* 2½ *a*	Burmah Oil £1.....	77/6	81/3	3 13 10
£44⅛	£33⅜	12 *b* 4 *a*	Royal Dutch 100 fl...	£43	£41⅜	3 12 6
115/-	93/4½	10† *b* 5† *a*	Shell Reg. £1.....	107/6	110/7½	4 18 8
21/-	17/6	5† *a* 15† *b*	Trinidad L'holds 5/-..	19/3	20/9	4 7 7
			SHIPPING			
43/9	37/9	13½ *b* 2½ *a*	Cunard £1	43/-	42/6	7 10 7
86/-	62/6	14 *b* 6 *a*	P. & O. Def. £1.....	82/-	85/6	4 13 7
35/3	32/-	10 *c* 10 *c*	Royal Mail £1.....	34/6	34/6	5 15 11
			MISCELLANEOUS			
78/-	67/9	22½ *b* 5 *a*	Assoc. Port. Cem. £1..	70/7½	73/1½	4 0 0
55/3	44/-	15 *c* 16 *c*	Bowater Paper £1....	52/6	55/-	5 16 4
40/-	35/3	4 *a* 6 *b*	Brit. Aluminium £1..	35/7½	36/3	5 10 4
43/3	36/3	12½† *c* 4⅛† *a*	Brit. Amer. Tob. 10/-.	38/-	38/6	5 18 0
$47½	$38⅜	3 *a* 3 *b*	Canadian Pacific $25.	$43⅜	$44	6 3 6
6/10½	5/1½	6½ *a* 11½ *b*	Carreras "B" 2/6.....	5/3	5/3	8 6 8
39/9	32/6	35 *c* 5 *a*	Decca Record 5/-.....	36/6	37/-	4 14 7
21/6	18/5	17½ *c* 17½ *c*	Dunlop Rubber 10/-..	19/6	21/-	5 11 1
59/1½	53/-	8 *b* 6 *a*	Imp. Chemical £1....	57/9	58/-	5 3 5
58/7½	49/9	8½ *a* 11½ *b*	Imp. Tobacco £1.....	52/-	52/-	7 13 10
$71¼	$63½	$2·60 $2·35 *c*	Inter. Nickel n.p.v....	$68	$68⅛	6 1 11
57/-	51/6	7½ *a* 9 *b*	London Brick £1.....	55/-	56/3	4 19 6
67/9	63/6	3½ *a* 12½ *b*	Tate & Lyle £1.....	66/3	66/3	4 16 10
68/9	60/6	7½ *a* 7½ *b*	Tube Investments £1.	63/3	65/-	4 12 4
77/3	69/-	2½ *a* 15 *b*	Turner & Newall £1..	74/9	76/6	4 11 6
66/9	57/6	8½ *b* 6 *a*	Unilever £1	64/3	66/-	4 15 5
			TEA & RUBBER			
6/6	5/6	5 *c* 7½ *c*	Allied Sumatra £1....	6/-	6/3	24 0 0
24/-	20/3	4 *c* 2½ *a*	Jhanzie Tea £1.....	21/6	21/6	3 14 5
49/3	37/9	12½ *b* 5 *a*	United Sua Betong £1	45/-	46/3	7 11 4
			MINES			
6⅛	5⅛	20 *a* 40 *b*	Anglo-Amer. 10/-	6⅜*	6⅛*	4 16 0
37/-	32/6	53½ *b* 53½ *a*	Blyvoor 2/6	36/3	36/6	7 6 1
76/6½	70/-	60 *a* 60 *b*	Daggafontein 5/-.....	72/9	73/1½	8 4 4
83/-	68/3	80 *a* 120 *b*	De Beers 5/- Bearer..	80/6	81/-	12 6 11
52/-	42/-	17½ *c* 17½ *c*	Johannesburg Con. £1	43/9	46/3	7 11 6
20⅜	16⅛	175 *b* 50 *a*	Rhokana £1.....	20½*	20⅜*	10 19 6

(*e*) *To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan.1 to Apl. 7 High	Prices, 1954 Jan.1 to Apl. 7 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Mar. 31, 1954	Price, April 7, 1954	Yield, April 7, 1954 £ s. d.
92	84⅜	92 1⅜	90½	Aust. 3½% '65-69....	91½	92½	3 18 0
95⅜	91	95⅝	94½	N. Zealand 3½% '62-65	95⅜	95⅜	3 15 0
99⅛	93⅜	99⅜	97½	S. Africa 3½% '54-59..	98⅛	98⅛	3 16 9
73⅜	66½	74⅜	71⅜	L.C.C. 3% aft. 1920..	74	74	4 1 1
95⅜	90⅜	96⅜	95	Liverpool 3% '54-64..	96	95*	3 12 2
94⅜	88⅜	95½	93½	P.L.A. 3½% '66-71...	93½	93½	4 0 10
104½	101⅛	103½	101⅜	Agric. Mort. 5% '59-89	103	103	4 6 5
77½	66½	80½	75⅜	Austria 4½% '34-59...	80	80	4 4 5
21½	8	19⅜	11⅜	Chinese 5% 1913.....	17½	16½	Nil
102⅜	65	142	102	German 4½%.....	134	130½	...
139⅜	119	159⅜	132⅜	Japan 5% 1907.....	151	157	...

Prices, 1954 Jan. 1 to Apl. 7 High	Prices, 1954 Jan. 1 to Apl. 7 Low	Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, Mar. 31, 1954	Price, April 7, 1954	Yield, April 7, 1954 £ s. d.
		% %	BANKS & DISCOUNT			
46/-	42/3	7 *a* 9 *b*	Barclays £1	43/6	44/6	4 9 11
52/6	58/9	6 *a* 8 *b*	Lloyds "A" £5, £1 pd.	60/6	60/6	4 12 7
81/6	74/9	8 *a* 8 *b*	Midland £1, fully pd..	76/-	76/-	4 4 3
81/-	72/7½	8½ *a* 8½ *b*	N. Prov. "B" £5, £1 pd.	74/6	75/-	4 10 8
80/-	79/6	9 *a* 9 *b*	Westminster £4, £1 pd.	80/6	81/-	4 8 11
100/-	92/-	7½ *a* 17½ *b*	Alexanders £2, £1 pd..	96/6	96/6	5 3 10
45/-	40/10½	5 *a* 5 *b*	Nat. Disc. "B" £1....	43/-	44/-	3 8 2
51/6	44/6	5 *a* 5 *b*	Union Disc. £1.....	46/-	46/-	4 6 11
41/-	37/9	4 *a* 4 *b*	Barc.(D.C.&O.)"A"£1	38/6	38/6	4 3 1
45/7½	40/3	7 *a* 7 *b*	Chart. Bk. of India £1	42/6	43/-	6 10 3
			INSURANCE			
10 3/16	9⅛	50 *a* 85 *b*	Leg. & Gen. £1, 5/- pd.	10⅜	10⅜	3 2 9
22½	20⅜	20† *a* 40† *b*	Pearl £1, fully pd.....	22	22	4 19 3
40½	35⅛	105† *c* 112½† *c*	Prudential "A" £1...	39⅜	39⅞	5 2 5
			BREWERIES, ETC.			
29/-	126/-	10 *a* 33 *b*	Bass £1.....	127/6	128/1½	6 14 3
19/9⅜	17/4½	15 *b* 7½ *a*	Distillers 4/-.....	19/-	19/3	4 13 6
33/6	31/-	7 *a* 11 *b*	Guinness 10/-.....	31/6	31/6	5 14 3
8/9⅜	8/2½	4 *a* 8 *b*	Ind Coope 5/-.....	8/4½	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 75½% of face value. (*e*) To earliest date. (*f*) Flat yield. (*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 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution, not included in yield. (*q*) Yield basis 15% as forecast by Company. (*r*) Yield basis 15% after capital bonus. (*s*) Yield basis 15¾%, as forecast by Company. (*v*) Yield basis 7¼%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11¾%. (*z*) Yield basis 11¼%.

* Ex dividend.

New York Closing Prices

	Mar. 31 $	Apr. 7 $		Mar. 31 $	Apr. 7 $		Mar. 31 $	Apr. 7 $
Balt. & Ohio.	20¼	19½	Am. Smelting.	33½	34½	Inter. Paper..	62	63⅝
Can. Pac.....	24⅜	24½	Am. Viscose ..	34⅜	35	Nat. Distill...	17⅝	17⅝
N.Y. Cent....	23½	22½	Cel. of Amer..	20½	20½	Sears Roebuck	60½	61
Pennsyl.	16⅛	16⅛	Chrysler	63½	61½	Shell	91	92⅜
Amer. Tel. ...	165⅜	163⅜	Gen. Elec.....	105⅜	106⅛	Std. Oil of N.J.	80⅜	80⅜
Stand. Gas...	12⅜	13	Gen. Motor....	65⅜	66½	U.S. Steel....	42⅜	43
United Corp..	5½	5⅜	Goodyear	61½	60⅜	Westinghouse.	61⅞	62⅜
W. Union Tel.	39½	40⅛	Inter. Nickel .	38⅜	38½	Woolworth...	43½	42¾

Statistics

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

British		Overseas	
Prices and Wages	April 3rd	Western Europe:	
Production and Consumption	This week	Production and Trade	April 3rd
Manpower	Mar. 20th	British Commonwealth	This week
External Trade	Mar. 27th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Mar. 20th
Industrial Profits	Jan. 23rd	United States	Mar. 27th
		World Trade	Jan. 23rd

UK Production and Consumption

M = Monthly averages or calendar months. W = Weekly averages. Stocks at end of period.

		Unit	Monthly averages			1952	1953				1954	
			1951	1952	1953	Dec.	Jan.	Feb.	Nov.	Dec.	Jan.	Feb.
INDUSTRIAL PRODUCTION												
Index:												129—
All industries		1948=100	117	114	121	112	118	122	133	121	126	130*
Mining and quarrying		„	108	109	109	104	118	116	119	108	117	...
Building and contracting		„	101	103	109	94	99	109	119	106	...	...
Gas, electricity and water		„	124	127	132	151	153	151	146	148	162	...
Manufacturing, total		„	121	115	123	113	119	123	136	123	129	...
Engineering, shipbuilding, electrical goods		„	127	127	129	124	129	132	143	130	...	...
Vehicles		„	124	124	138	128	128	139	151	136	...	...
Chemical trades		„	134	132	...	136	143	149	...	...	...	...
Textiles and clothing		„	116	99	114	100	111	121	122	106	...	...
BASIC MATERIALS												
Production of:												
Coal (1)	W	'000 tons	4,275	4,332	4,300	4,055	4,630	4,557	4,691	4,251	4,595	4,609
Pig-iron	W	„	186	202	215	206	214	214	229	225	230	222
Steel, ingots and castings	W	„	301	310	339	314	346	352	363	339	360	357
Sulphuric acid	M	„	133·8	125·5	156·3	156·7	149·5	138·3	171·2	178·5	174·8	...
Newsprint	W	„	10·13	10·32	11·60	10·57	11·64	11·79	12·71	10·99	11·92	...
Electricity (1)	M	mn. kwh	4,964	5,166	5,459	6,525	6,609	5,802	6,099	6,533	7,122	6,609
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb	20·71	14·82	17·97	15·79	16·84	17·70	20·59	18·63	19·80	20·06
Worsted yarn	M	„	16·61	14·84	18·41	17·73	19·26	17·58	20·00	18·85	19·27	...
Rayon and synthetic fibres, total	M	„	32·00	23·59	34·94	29·22	34·38	32·74	36·13	34·86	37·24	34·80
„ „ „ „ staple fibre	M	„	13·93	10·59	16·85	14·88	17·12	15·87	17·54	16·69	18·68	17·18
Cotton cloth, woven	W	mn. yds	42·3	32·5	35·2	31·1	32·9	34·5	41·0	36·5	39·1	39·5
Wool fabrics, woven	M	mn. sq yds	34·8	31·5	34·3	34·6	37·5	33·9	36·0	33·4	36·8	...
Engineering production:												
Passenger cars and chassis	W	'000s	9·15	8·62	11·44	8·99	10·21	10·06	13·35	12·11	13·40	14·04
Commercial vehicles and chassis	W	„	4·96	4·66	4·61	4·61	5·15	5·03	5·20	4·71	5·00	5·06
Metal-working machine tools	M	'000 tons	11·09	12·58	12·63	14·30	17·47	11·94	11·93	11·06	10·09	...
Internal combustion engines	M	'000 BHP	353	331	311	334	311	307	312	303	330	...
BUILDING ACTIVITY												
Permanent houses completed: (1)												
Total	M	'000s	16·24	19·99	26·56	23·40	20·58	20·12	29·38	33·51	24·60	19·79
For private owners	M	„	1·88	2·86	5·24	3·99	3·51	3·20	6·47	6·80	5·60	4·73
For local housing authorities	M	„	13·55	16·11	19·91	18·50	16·08	16·05	21·05	24·42	17·14	13·97
Other	M	„	0·81	1·03	1·41	0·91	0·99	0·87	1·85	2·29	1·86	1·09
WHOLESALE SALES (1)												
Textile houses:		Av. value										
Total home sales		1950=100	104	90	95	98	58	87	116	87	53	86
Women's and children's wear		„	100	90	96	92	56	91	109	85	52	92
Men's and boys' wear		„	104	82	91	99	52	71	120	86	48	69
Piece-goods		„	103	68	66	66	51	80	59	57	46	79
RETAIL SALES (1)												
Large retailers:		Weekly										
All merchandise		av. value	109	117	124	156	112	112	132	162	118	...
Clothing and footwear		1950=100	110	110	113	165	85	83	124	175	99	...
Household goods		„	108	102	110	129	104	94	126	133	112	...
Independent retailers:												
Clothing and footwear		„	100	95	94	134	83	72	99	131	90	...
Household goods		„	112	109	120	142	114	113	137	149	120	...
STOCKS												
Basic materials:												
Coal, distributed (1)		'000 tons	16,115	16,311	18,185	16,311	14,179	13,074	19,021	18,185	15,956	13,957
Steel		„	640	817	1,112	817	853	850	1,100	1,112	1,086	...
Copper (2)		„	113·4	132·0	50·6	132·0	135·2	146·9	50·4	50·6	60·4	...
Sulphur		„	99·4	211·8	66·8	211·8	203·8	180·5	89·7	66·8	53·8	...
Newsprint		„	109·9	189·7	110·6	189·7	189·6	183·1	115·4	110·6	111·6	...
Softwood		'000 stds.	724	616	749	616	644	635	760	749	664	...
Textiles:		Av. value										
Wholesale houses, total (1)		1950=100	129	74	89	74	81	89	94	89	101	118
Large retailers, clothing and footwear (1)		„	106	92	102	92	87	100	118	102	95	...

(1) Great Britain. (2) Provisional estimate. (3) Excluding government stocks from August, 1953.

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	1,526	74	...	363	2,180	...	118	478
1952	1,617	1,153	3,025	2,302	646	14·7	975	5,149	517	301	1,045
1953	1,545	1,030	...	...	897	15·2	...	5,457	...	...	1,112
1953, September	1,755	1,010	2,972	2,691	1,092	12·9	1,130	5,089	576	300	1,122
„ October	1,746	1,247	2,937	2,416	960	16·6	1,156	5,510	583	300	1,149
„ November	1,735	1,219	2,677	2,284	1,010	...	1,140	5,548	563	282	1,123
„ December	1,318	1,194	...	...	1,075	...	...	5,718	...	277	1,101

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
1952	17·2	25·1	8·0	48·7	5·24	137	275	132	103	81·9	373	983·3
1953	16·0	28·4	7·8	47·9	5·20	171	306	...	107	...	339	994·7
1953, October	12·7	31·6	7·5	49·4	5·87	188	324	133	106	88·6	285	1,015·9
„ November	12·3	30·6	8·0	48·4	4·31	182	297	147	105	...	273	1,002·6
„ December	13·1	27·9	10·5	52·6	4·92	166	273	...	98	...	275	1,021·1
954, January	11·9	26·6	6·5	50·1	5·10	169	259	...	108	...	...	1,015·2
„ February	...	...	4·0	44·0	...	...	...	...	...	...	...	979·7

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
1952	87·5	55·7	336	363	550	482	21·04	19·98	178·3	167·4	34·83	28·02
1953	42·5	70·9	365	348	...	...	...	...	...	...	...	...
1953, September	53·1	59·7	368	344	464	494	14·23	13·98	115·3	88·2	33·98	29·43
„ October	50·5	86·1	358	348	455	481	13·90	15·28	104·8	92·5	36·20	31·60
„ November	50·7	85·2	351	355	390	478	...	15·00	92·1	99·6	32·83	29·61
„ December	58·7	79·3	338	361	394	505	...	...	...	...	...	...
1954, January	...	...	282	265	...	...	...	...	...	...	...	...

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	71
1952	944	1,864	1,729	120	381	170	121	105	128	101	126	133
1953	...	1,825	1,765	204	291	178	120	...	134	...	130	137
1953, October	...	1,791	1,720	210	260	180	121	110	138	113	133	137
„ November	...	1,813	1,737	207	266		121	...		112	131	137
„ December	...	1,825	1,765	204	291		120	...		...	130	137
1954, January	...	1,840	1,789	207	230	...	120	...	...	...	...	138
„ February	...	1,860	...	...	272	...	120	...	...	...	...	...

(1) Petroleum production in Canada in 1938 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 and tin refer to metal production. (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 and S. Rhodesia relates to Europeans only and for S. Africa includes direct tax s

Financial Statistics

EXCHEQUER RETURNS

For the eleven days ended March 31st, there was an "above-line" deficit (after allowing for Sinking Funds) of £51,770,000 compared with a deficit of £68,768,000 in the previous week and a deficit of £78,301,000 in the corresponding period of last year bringing the cumulative surplus to £93,638,000 (£88,124,000 in 1952-53). There was a net "below-line" receipt of £44,217,000 which brought the total cumulative deficit to £285,586,000 (£435,694,000 in 1952-53).

£'000	Estimate 1953-54	April 1, 1952 to Mar. 31, 1953	April 1, 1953 to Mar. 31, 1954	10 Days ended Mar. 31, 1953	11 Days ended Mar. 31, 1954
Ord. Revenue					
Income Tax	1782,250	1736,233	1730,991	56,880	60,095
Sur-tax	127,000	131,200	132,400	5,600	6,000
Death Duties	160,000	151,850	164,500	4,500	6,000
Stamps	52,000	50,250	56,600	1,600	2,000
Profits Tax & EPT	214,000	376,100	188,400	9,400	7,200
Excess Profits Levy	99,500	2,950	65,850	750	2,700
Special Contribution and other Inland Revenue	1,000	2,020	1,390	30	70
Total Inland Rev.	2435,750	2450,603	2340,131	78,760	84,065
Customs	1044,300	1024,498	1042,396	24,085	22 768
Excise	680,480	739,093	721,975	19,735	10,935
Total Customs and Excise	1724,780	1763,591	1764,371	43,820	33,703
Motor Duties	69,000	67,658	73,115	...	310
					Dr.
PO (net receipts)	2,685	...	...	...	*3,659*
Broadcast Licences	16,000	14,800	16,400	1,200	1,350
Sundry Loans	25,000	24,681	38,014	...	79
Miscellaneous	95,000	117,382	136,099	10,475	25,272
Total	**4368,215**	**4438,715**	**4368,130**	**134255**	**141120**
Ord. Expenditure					
Debt Interest	615,000	576,411	579,760	2,773	736
Payments to N. Ireland Exchequer	48,000	44,662	50,064	2,904	2,568
Other Cons. Fund	10,000	10,483	9,324	461	312
Supply Services	3586,286	3683,809	3599,719	205940	188995
Total	**4259,286**	**4315,364**	**4238,867**	**212078**	**192610**
Sinking Funds	...	35,227	35,625	478	280
"Above-line" Surplus or Deficit	+ 88,124	+ 93,638	− 78,301	− 51,770	
"Below-line" Net Expenditure	523,818	379,224	+ 55,251	+ 44,217	
Total Surplus of Deficit	**435,694**	**285,586**	**23,050**	**7,553**	
Net Receipts from:					
Tax Reserve Certificates	− 53 773	54,764	11,593	11,234	
Savings Certificates	20,800	19,050	1,700	50	
Defence Bonds	− 56,759	− 38,088	− 2,098	− 708	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Mar. 31	4 406·2		303·6	3·8	4,713·9
Dec. 31	4,853·5*		250·1	...	5,103·6
1954					
Jan. 9	3,110·0	1,679·9	249·6	...	5,039·5
" 16	3 110·0	1,570·0	265·6	...	4,945·7
" 23	3,090·0	1,669·9	266·1	...	4,846·0
" 30	3,060·0	1,442·6	243·4	...	4,746·0
Feb. 6	3,040·0	1,362·5	236·0	...	4,638·5
" 13	3,040·0	1,303·8	265·7	...	4,609·5
" 20	3,040·0	1,331·9	293·5	...	4,665·4
" 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
" 13	3,080·0	1,345·5	301·7	0·3	4,727·4
" 20	3,100·0	1,359·7	369·6	...	4,829·2
" 31	4,491·4		327·9	...	4,819·4

* In consequence of official purchases of tender bills in connection with cash subscriptions to the Exchequer Stock issued in October, it was impossible to calculate the division between tap and tender bills until all the bills purchased had passed their original maturity date.

THE MONEY MARKET

CREDIT continued generally short in Lombard Street in the week covered by the Bank return, though active intervention by the authorities saved the market from a repetition of the previous week's penalty borrowing at the Bank. Before the week-end considerable official purchases were made directly as well as indirectly through the banks; though on Saturday there was a sharp turn-round to a marked credit surplus; balances were offered down to 1 per cent and remained unlent. In the first three days of this week conditions tightened again, but official help on a significant scale was needed only on Tuesday.

The market maintained its bid at £99 9s. 5d. at last week's Treasury bill tender, despite the stringency of the preceding days. Total applications for the £270 million of bills offered dropped by £6 million to £399 million, so that the market's allotment rose from 52 to 58 per cent.

In the bullion market strong demand from the Continent forced the price at the fixing steadily upward during the week (as is shown in the table below). The peak price of 248s. 11½d. was reached after Wednesday's fixing, but by the close dealings were back at 248s. 10½d.

The Bank return shows a pre-Easter outflow of notes of £15.3 million. Public accounts more than reversed the previous week's exceptional increase and fell back by £17.3 million to £13.3 million and bankers' deposits increased from their exceptionally low level of £262.7 million to £284 million.

LONDON MONEY RATES

	%		%
Bank rate (from 4%, 17/9/53)	3½	**Discount rates**	
		Bank bills: 60 days	2⅞
Deposit rates (max)		3 months	2⅞
Banks	1½	4 months	2⅞–2½
Discount houses	1⅝	6 months	2½–2⅝
Money—Day-to-day	1⅜–2½	Fine trade bills:	
Short periods	1½–2⅝	3 months	3½–4½
Treas. bills 2 months	2⅝	4 months	3⅝–4½
3 months	2½	6 months	4 –4½

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	April 8	Mar. 31	April 7
Issue Department:*			
Notes in circulation	1,517·3	1,576·9	1,592·2
Notes in banking dept.	33·0	48·5	33·2
Govt. debt and securities*	1,546·8	1,621·7	1,621·8
Other securities	0·7	0·8	·07
Gold coin and bullion	2·9	2·9	2·9
Banking Department:			
Deposits:			
Public accounts	11·3	30·6	13·3
Treasury special account	39·5	1·0	1·0
Bankers	280·3	252·7	287·0
Others	74·1	72·9	64·0
Total	405·2	367·2	365·3
Securities:			
Government	359·0	303·4	319·4
Discounts and advances	18·4	15·2	13·6
Other	10·8	15·9	14·0
Total	388·2	334·5	347·0
Banking department reserve	34·8	51·3	36·0
	%	%	%
"Proportion"	8·5	13·9	9·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

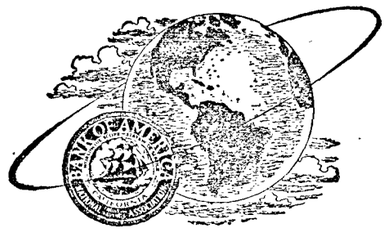
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: s.	d.	Allotted at Max. Rate %
1953						
April 3	230·0	322·8	230·0	48	3·93	60
1954						
Jan. 1	250·0	316·6	250·0	42	8·29	73
" 8	230·0	319·3	230·0	42	7·90	64
" 15	220·0	335·5	210·0	42	7·72	51
" 22	210·0	343·8	210·0	41	11·78	58
" 29	220·0	382·0	220·0	41	11·04	36
Feb. 5	220·0	386·4	220·0	41	3·68	49
" 12	230·0	369·9	230·0	41	4·00	58
" 19	240·0	398·9	240·0	41	3·56	45
" 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	412·9	270·0	41	3·83	53
" 12	270·0	414·6	270·0	42	2·61	45
" 19	260·0	365·6	260·0	42	3·64	60
" 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58

* On March 26th tenders for 91 day bills at £99 9s. 5d. secured about 52 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	April 7	April 1	April 2	April 3	April 5	April 6	April 7
United States $	2·78–2·83	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅛–2·81⅜
Canadian $	...	2·75⅜–2·75⅝	2·75⅜–2·76	2·75⅜–2·76⅛	2·75⅜–2·76⅛	2·75⅜–2·76⅛	2·75⅜–2·76⅛
French Fr.	972·65–987·35	983½–983⅝	984–984½	983½–984	983½–983⅝	983½–983½	983½–983⅝
Swiss Fr.	12·15⅛–12·33⅛	12·22½–12·22⅝	12·22½–12·22⅝	12·22½–12·22½	12·22½–12·22½	12·22–12·22½	12·21⅝–12·21⅞
Belgian Fr.	138·95–141·05	140·25–140·35	140·30–140·40	140·30–140·40	140·30–140·40	140·35–140·45	140·35–140·45
Dutch Gld.	10·56–10·72	10·65½–10·65⅝	10·65⅝–10·65⅝	10·65⅝–10·65⅝	10·65½–10·65⅝	10·65½–10·65⅝	10·64⅞–10·65⅛
W. Ger. D-Mk.	11·67⅛–11·84⅜	11·72⅛–11·73⅛	11·73⅛–11·73⅛	11·73⅛–11·73⅝	11·73⅛–11·73⅛	11·73⅛–11·73⅝	11·72⅞–11·73⅛
Portuguese Esc.	79·90–81·10	79·90–80·10	79·90–80·10	79·90–80·10	79·90–80·10	79·90–80·10	79·90–80·10
Swedish Kr.	14·37½–14·59½	14·54½–14·55	14·55½–14·55½	14·55⅜–14·55½	14·55½–14·55⅝	14·55½–14·55⅝	14·55–14·55½
Danish Kr.	19·13½–19·48½	19·43–19·43½	19·43½–19·43⅞	19·43½–19·44	19·43½–19·43⅞	19·42½–19·43½	19·42–19·42⅝
Norwegian Kr.	19·85–20·15	20·01–20·01½	20·01–20·01⅛	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01⅛
		One Month Forward Rates					
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
Canadian $		⅛–⅜c. dis	⅛–⅜c. dis	⅛–⅜c. dis	⅛–⅜c. dis	2-4 dis	2-4 dis
French Fr.		1¼–3½ dis	1¼–3½ dis	1¼–3½ dis	2-4 dis	2-4 dis	2-4 dis
Swiss Fr.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
Belgian Fr.		¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par
Dutch Gld.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
W. Ger. D-Mk.		1½–1pf. pm	1½–1pf. pm	1½–1pf. pm	1½–1pf. pm	1½–1pf. pm	1½–1pf. pm
Swedish Kr.		3–1o pm	3–1o pm	3–1o pm	3–1o pm	3–1o pm	3–1o pm
Danish Kr.		1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par
Norwegian Kr.		1o pm–1o dis	1o pm–1o dis	1o pm–1o dis	1o pm–1o dis	1o pm–1o dis	1o pm–1o dis
		Gold Price at Fixing					
Price (s. d. per fine oz.)		248/3½	248/5½	...	248/6½	248/7½	248/10



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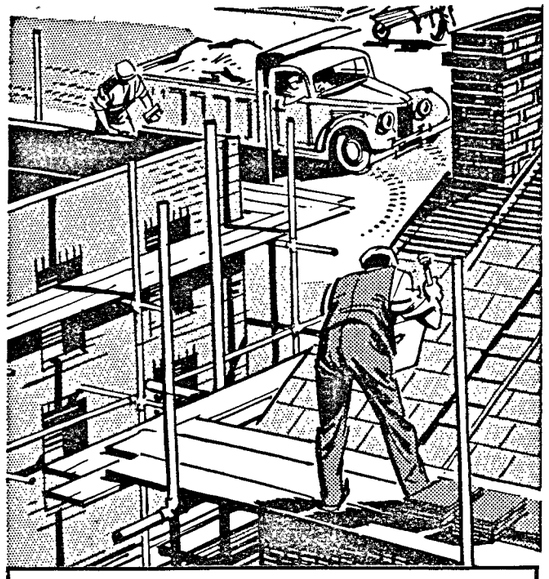

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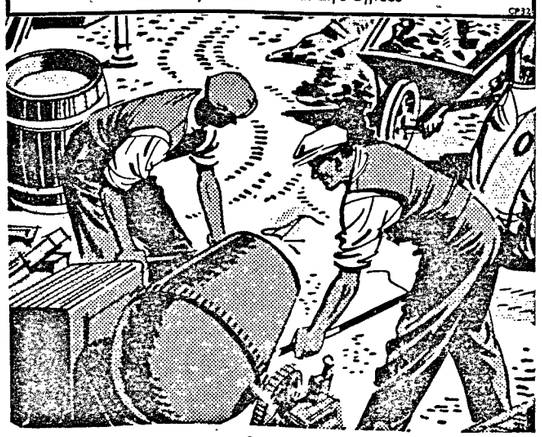

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COMPANY MEETINGS

THE BRADFORD DYERS' ASSOCIATION LIMITED

SATISFACTORY RESULTS : EXPECTATIONS REALISED

PROGRESS OF OVERSEAS SUBSIDIARIES

MR JAMES EWING'S SPEECH

The fifty-sixth annual general meeting of *The Bradford Dyers' Association Limited* was held on April 6th at the Midland Hotel, Bradford.

Mr James Ewing (the chairman), who presided, in the course of his speech said:

The trading results of our home branches in 1953 were maintained at a satisfactory level and fulfilled the expectations indicated at our meeting a year ago. We were then emerging from the textile depression of 1951-1952 and, with few exceptions, our home branches throughout the year have been fully employed. Costs were tending to rise seriously but this influence has been partly offset by the fuller capacity working, which has enabled us to meet the increasing costs without raising our prices. The prices for our services are regulated by our trade federations and are compiled after an examination by independent accountants of the costs of production of the main producers. There is no room for speculative prices in a service industry like ours, nor can we recoup ourselves if volume of yardage falls below the accepted level of activity upon which the price lists are determined. Whether they are considered in the light of their relationship to capital employed or on the basis of profit margins per yard, our prices are reasonable and fair and bear favourable comparison with charges for similar services in other large textile producing countries with which our customers have to compete. The dyeing charge rarely exceeds 5 per cent of the retail sales price of a garment, whether it be rayon, cotton or wool.

Our foreign subsidiary companies have been well employed but, owing to keener competition, the trading results are down compared with the previous year. Having regard to the circumstances prevailing in these markets, *the results are on the whole* satisfactory.

For the first quarter of this year our orders in the United Kingdom have been well maintained, although they are not quite up to the level of last year. The rayon and synthetic markets have increased in volume and orders in higher qualities of cottons are encouraging. There has been a definite fall in the wool section, but I believe this is only a temporary recession. It is difficult to forecast the future, but there is no visible sign of any immediate marked falling off in business. But as 40 per cent of our UK branches' output is for export markets we cannot ignore the effect upon international trade that any deepening of the recession in USA would have, nor the effect of the entry by Germany and Japan, not to mention India, into these markets.

BALANCE SHEET AND ACCOUNTS

The trading profits of our branches and subsidiary companies in this country show a substantial recovery from the recession which affected the previous year and are less than 5 per cent below the record figures of the year 1951. The overseas subsidiaries have had more difficult conditions to contend with and, in consequence, their trading profits show a decrease of almost 30 per cent on the previous year. Total trading profits are £2,397,520, an increase of £280,555.

After providing for depreciation, taxation and other charges, and deducting minority interests and profits retained by subsidiaries, there remains £552,191, which is the net profit for the year available to the parent company and which is more by £284,051 than the corresponding figure for last year and only about £17,000 less than for 1951.

As a result of a final settlement of our liabilities in respect of the old Excess Profits Tax and of Profits Tax for previous years, we have been able to restore to our profit and loss account £260,000 from taxation reserves. *Adding £160,501 brought forward* from last year, a total of £972,692 is available for appropriation.

While the outlook of our overseas subsidiaries is by no means discouraging, the board consider that, in present circumstances, the reserves of the subsidiaries should be maintained intact, and the item "intangible assets" eliminated from our consolidated balance sheet. The taxation of £260,000 over-provided in past years and now brought back, with an additional amount of £140,000 from the year's profits, has been applied in reduction of the book value of our investments in subsidiary companies. We consider that these investments now stand in our books at an adequately conservative *figure and that we are in a strong position to* meet any difficulties if they arise.

You will be asked to approve a provision of £50,000 for pensions. This is on account of the capital liability in respect of cost-of-living allowances to pensioners, pensions to female employees and other superannuation commitments which are not covered by annual contributions.

OVERSEAS COMPANIES

BEIDA DYERS, SAE, EGYPT

We regret to announce that in June last the chairman of Beida Dyers, Mr Elias Andraus, died in London. The company was most fortunate in being able to call upon Mr Abdel Maksud Ahmed to succeed Mr Andraus as chairman. Mr Maksud is a leading industrialist in Egypt and is chairman and managing director of the Misr Bank and other companies with which our company is closely allied.

We are pleased to report a successful year's trading on the part of the company. Its total production for the year ended September 30, 1953, was no less than 76 million yards, well up to the level of the previous year. This was no mean achievement, having regard to the difficult economic conditions prevailing in Egypt. We express our appreciation of the outstanding services rendered to the company by the staff and of the co-operation afforded to us by Beida Dyers' sister company at Kafr el Dawar.

In November last, Mr Holt and I visited Egypt. We met the Minister of Commerce and the Minister of Finance, and were privileged to have a special interview with the President, General Neguib. We discussed our project in Alexandria and our objectives with these gentlemen and received assurances that our enterprise was very favourably regarded by them and that they welcomed our assistance in promoting a sound industry, based upon Egypt's own raw material. Naturally, the political changes in that country cause us some uneasiness, but we believe that the Egyptian Government is fully alive to the necessity of encouraging foreign assistance in developing secondary industries.

BRADFORD DYEING ASSOCIATION (USA)

BDA (USA) has been able to maintain reasonably full employment during the past year for its workpeople and plant. With its fine quality work in shrunk finishes under the "Rigmel" trade mark, it has kept its place in the forefront of cotton goods finishers and progress has been made with other speciality finishes such as crease-resist and stabilised effects. A large volume of goods for the Defence Programme was processed, but this business is now tapering off. With the falling off of business in the second half of the year, the company had to meet very severe price competition and profit margins suffered accordingly. Clothing stores too are one part of the retail trade which is having poor sales experience and replacement orders are, therefore, not coming forward to the producers of textiles.

BRADFORD DYEING ASSOCIATION (CANADA) LIMITED, MONTREAL

DOMINION SILK DYEING AND FINISHING COMPANY LIMITED

DOMINION SILK PRINTING LIMITED, DRUMMONDVILLE AND MONTREAL CANADA

The textile industry of Canada has had a difficult time during the past year and our subsidiary companies in that country have been no exception. *Our wool branch has* continued to show losses, due to a drastic fall in goods available for dyeing and finishing. On the other hand, our rayon interests have weathered the storm satisfactorily despite the very marked reduction in yardage available to them for finishing. This adverse state of affairs is mainly due to heavy imports from USA and the United Kingdom. Textile manufacturing is the one big industry in Canada which has failed to share in the general prosperity of that country.

We are confident that in this great and growing country there is room for British enterprise.

Early in January this year we completed negotiations for the acquisition of the remaining 35 per cent interest in the Dominion Dyeing and Printing Companies. An offer was made to the stockholders on the basis of book value as disclosed in the audited accounts and balance sheets. We are now taking steps to consolidate the three companies into one and this will enable us to effect economies in operation. Our plans are to develop all sections of the business, mainly

based on our wider experience in the United Kingdom. Although we do not expect immediate large returns on our investment, we are confident that in years to come the investment will prove invaluable, not only in this country's general interest but also to our stockholders.

DAVIES, COOP AND COMPANY, LIMITED, AUSTRALIA

We have to report that under the terms of our agreement with Davies, Coop and Company, Limited, Melbourne, steady progress is being made to achieve our joint objective. Technologists from branches in this country are now working in Australia as members of the Davies, Coop staff.

The new dyeworks at Footscray, Melbourne, is now in process of erection. If the programme is adhered to (and we can foresee no difficulty), machinery will be installed during the months of July, August and September, by which time it is hoped that some production will have started. Full production should be reached early in 1955.

This works is being equipped to process fabrics made from cottons, rayons and synthetics, to the high standards with which BDA is associated throughout the textile world.

THE MERCHANDISE MARKS ACT, 1953

The introduction of the new Merchandise Marks Act of 1953, which involves all those who are engaged in trade in a responsibility for protecting the public from false or misleading descriptions, not only as in the past of origin or material content but now also of quality or behaviour, places an even greater emphasis than heretofore upon trade marks and upon the qualities associated with them.

The finisher's trade mark identifies the finisher with the qualities for which he is responsible. Because they are synonymous with high standards of finishing, the BDA trade marks are extensively used at home and abroad on fabrics and garments.

The new Act probably impinges most directly upon the operations of the retailer and it should be welcomed by him as a means of increasing his reliance upon the claims which his suppliers make for the goods which he handles. Where, as they so often must, these claims include finishing qualities which affect the fitness for purpose of the fabric, BDA trade marks will assume an ever-increasing importance because both the supplier and the retailer may have confidence in the qualities which they identify.

TRADE FEDERATIONS

The Piece Dyeing Industry is well served by its trade federations, which are gradually extending the scope of their objectives in maintaining still higher standards of production and in collaborating with the other sections of the industry. No one today questions the absolute necessity for combined action by producers through their trade federations, which are now an integral part of modern industrialism. A very definite lead in this direction has been recently given by the Government in the Constitution of the British Iron and Steel Board. Whilst the problems of the steel industry are not quite analogous to those of our trade, I venture to suggest that in the new steel board there is an example of a modern type of trade federation which might be copied by the larger industries, in particular our own. It has the advantage of meeting Government requirements, whilst at the same time giving adequate protection to the community, without interfering with the day to day regulation and direction of the industry.

The report and accounts were adopted.

TELEPHONE & GENERAL TRUST LIMITED

WELL-ESTABLISHED LEVEL OF EARNINGS

CAPITAL INCREASE AND BONUS ISSUE PROPOSALS

The twenty-eighth annual general meeting of the Telephone & General Trust Limited will be held on April 27th in London.

The following is an extract from the circulated statement of the chairman, Sir Alexander Roger, KCIE:

The profit of £104,820 which is arrived at after charging taxation shows an increase of £14,631.

The well-established level of earnings and the strength of the reserves built up since 1926, backed by the value of our investments, enable your directors to recommend an increase in the ordinary dividend. We have, therefore, provided for a final dividend of 7 per cent, making 10 per cent for the year on the £1 million of ordinary stock, together with 10 per cent on the "A" ordinary stock.

After providing also for the 7 per cent preference dividend, the carry forward amounts to £110,659 against the adjusted balance of £102,671 brought in.

In addition to the proposed increase in the rate of ordinary and "A" ordinary dividend we are proposing, subject to Treasury consent, to make a bonus issue from capital reserve of one new ordinary share of £1 fully paid for each £10 of ordinary or "A" ordinary stock held.

This requires an increase in capital of £110,000 beyond the £1 million of ordinary stock already authorised and issued. Your directors propose, however, that the authorised ordinary capital be increased by £600,000 to a total of £1,600,000 in order that they may be in a position to make further issues if and when necessary for the economic and proper performance of our operational and investment functions.

Capital reserve has been increased to £450,000 by the transfer of £83,000 from investment suspense account. In addition we have revenue reserves amounting to £340,659.

The valuation of £2,667,095 for quoted general investments represents an appreciation of £1,356,895 on the net book cost of £1,310,200.

GROUP ACCOUNTS

The group reserves total £1,243,919 and show an increase of £142,971 over the previous year.

The net assets of telephone operating and servicing subsidiary companies at £3,337,280 have increased by £485,580 after writing off £15,029 balance of hurricane damage expenditure—an effective increase of £500,609 in these net assets.

PORTUGAL

In 1927 the Trust obtained a substantial share investment in The Anglo-Portuguese Telephone Company and has since then remained closely associated with it.

The company is now engaged on a new and intensive expansion and development programme whereby it is hoped that before the close of 1957 the waiting list will be insignificant. The unceasing demand, however, is a measure of the healthy business which lies before the company.

Because of the broad vision of the Portuguese Government and its determination to modernise and organise its industries at home and overseas to the great advantage of its national economy, I am of the firm belief that Portugal continues to offer an attractive field for our investment.

WEST INDIES

The expansion and development of the three telephone companies in the West Indies goes on apace. In this they have the full financial and technical support of the Trust and its servicing company of consulting engineers and commercial advisers—Telephone and Associated Services, Limited—and of our associated manufacturing companies.

TELEPHONES AND THE TRUST'S INVESTMENTS

Much time and thought is devoted by the directors and executives of the Trust to its investment policy. Our general investment portfolio of market securities which has been carefully built up over the years is, of course, pre-eminent in these studies. Linked with this, too, is the company's policy in relation to the several overseas telephone undertakings in which we have an especial interest. We believe that telephones are a good investment. Indeed, as the Trust's name indicates, we have from its inception had substantial interests in this field of public utility. The steady returns we have received from participation in telephone companies have done much to provide the strength by which the Trust has progressed over the 28 years of its existence—borne out today by the asset value of the Trust's ordinary shares.

The Trust's association with the manufacturers of telephone equipment and cables, together with the consulting service offered by our engineering subsidiary, Telephone and Associated Services, means that we have within the Trust group a unique organisation covering the complete financing, construction and operation of the most modern telephone systems. This organisation has not been built up without a great deal of hard work on the part of all those connected with the Trust, and I envisage for it a future which I feel will adequately compensate for the great efforts which have gone into its making.

Friends who know our kind of business often ask me if there is any saturation point for telephone development, and I tell them that like most other things this matter is governed largely by economic considerations. It is, however, a matter of fact that nowhere does telecommunication demand seem to abate. Ten-year development plans drawn up by our engineers may become out-dated by unforeseen demand for telephone service. Better education and improved social standards the world over have led to the demand for telephone service in most homes being on a par with that for the radio and the television set. Modern living conditions obviously necessitate first-class telephone service, and the greater the number enjoying the service the greater the facilities for all subscribers.

From the foregoing you will appreciate that my confidence in this kind of public utility investing is quite undiminished, offering as it does security, a steady return and public service which is today appreciated to the full.

EQUITY & LAW LIFE ASSURANCE SOCIETY

INTERIM BONUS RATES REPEATED

INVESTMENT POLICY

SIR RICHARD HOPKINS'S SPEECH

The annual general meeting of Equity & Law Life Assurance Society was held on April 7th at the Chartered Auctioneers' and Estate Agents' Institute, 29 Lincoln's Inn Fields, London.

The Rt Hon Sir Richard Hopkins, PC, GCB, the chairman, who presided, said:

Gentlemen,—I rise to move: "That the report and accounts for the year ended December 31, 1953, be received and adopted and entered on the Minutes." These have been in your hands for several days and I assume may be taken as read.

My first duty today is a sad one, namely to refer to the death of our old colleague, William MacColin Kirkpatrick. Mr Kirkpatrick joined the Board of the Society in 1941 during the darkest days of the war, and for 13 years was most regular in his attendance at our meetings. In fact, until his last illness he was never absent owing to ill-health—we shall miss him greatly.

The first subject in the report and accounts with which I wish to deal is new business. Since the war we have rebuilt our new business-getting organisation, and the fruits of this rebuilding are shown in the figures for 1953. Within those figures there is one with which we are particularly pleased, namely new with-profit sums assured amounting to over £5 million (net).

VALUATION SURPLUS

And now the results for 1953, the first year of our new triennium. First, you will see that we are again paying interim bonuses at the same high rates as we declared at the end of 1952. You will be glad to know that the actuarial valuation which we make each year for our own internal purposes disclosed a surplus sufficient to maintain these rates with a satisfactory margin to spare. Next, the three main factors on which we rely to provide surplus—interest, mortality and expenses. The gross rate of interest rose from £5 13s. 6d. per cent per annum in 1952 (ignoring the windfall due to the liquidation of Equity & Law Investment Trust Limited) to £5 16s. 8d. during 1953. It appears to us that this higher rate of interest should at least be maintained during 1954. I would, however, draw your attention to the fact that the general rate of interest has now been falling for nearly two years and to the steady rise which is taking place in the Society's funds—£2,500,000 in 1953. The investment of a considerable amount of new money each year must necessarily affect the rate of interest which we earn on our funds.

As to mortality, we again received a substantial contribution to surplus from our life assurance policies, but the annuitant mortality experienced was very close to that which we expected.

EXPENSES OF MANAGEMENT

There are many methods by which the expenses of management of a life assurance office can be measured—one method is to express them as a proportion of the funds. It is a severe test when an organisation is expanding, since in the initial phases the expenses increase more rapidly than the funds. You will be interested to know that while this test showed our expenses of management to be increasing more rapidly than our funds during the first few years after the war, little or no relative increase has taken place during the last two years.

Before I leave the report and accounts there is one other matter on which I wish to comment, namely the margin which exists between the market values of our assets and the values at which they appear in the balance sheet. This margin is now very substantial and is, of course, due in part to the rise in security values caused by the fall in the general rate of interest to which I have already referred.

INVESTMENT POLICY

And now a word about the policy which we pursue with our investments. It is sometimes implied that institutional investors are backward in providing capital for industry, especially risk capital, and I wish to rebut such a suggestion most strongly. We seek—and this is especially true of our investments in ordinary shares—to invest in progressive and remunerative industries and to support such new issues of capital as are made from time to time. This seems to us to be the very essence of the national interest in that we direct the savings of our policyholders into worthwhile enterprise.

It cannot be stated too often that the life assurance funds of this country represent the savings of hundreds of thousands—of millions—of policyholders; they are held in a sense of trust to enable the claims of policyholders and annuitants to be met as and when they arise. They are invested in a wide spread of assets—as shown in the balance sheet in your hands—to the benefit of all concerned.

COMPETITIVE POWER ESTABLISHED

The triennium upon which we have now entered marks the successful end of the phase of rebuilding our organisation after the war and the establishing of our competitive power in obtaining new business—both these aims have been excellently accomplished. We have begun the next phase by devising a novel group pension scheme which we call the "Equity Pension Scheme." The distinguishing feature is that it introduces into this type of contract the element which, in the time-honoured language of the insurance world, is called the with-profit element, but which might perhaps be equally called the profit-sharing or bonus element. Although we are not alone in entering this field, we are glad to be among the leaders in advocating this development for, if it attains the acceptance which we hope, it will introduce into this important and growing class of insurance a degree of flexibility which it has so far lacked.

MILLARD TUCKER REPORT

Recently we have turned our thoughts to the "Report of the Committee on the Taxation Treatment of Provisions for Retirement," generally known as the Millard Tucker (No. 2) Report. The Chancellor has said that this year he does not propose any change in this part of the income tax system, but doubtless, in due course the Government will indicate their intentions regarding the far-reaching suggestions made concerning annuities, pension funds and self-employed persons. As regards pension schemes as we understand them today—that is schemes effected by employers for employees—the Equity Pension Scheme was deliberately devised in such a form that it could change with the times. In any event, however, I would emphasise this—the traditional forms of life assurance, whole life assurances and endowment assurances, will always have a most important part to play.

I would particularly like to welcome today our branch managers, members of our branch staff, and also some of our agents. In these changing times many new and intricate problems require to be solved, not only at head office, but by those who have to expound new ideas to the general public. We are confident that both our head office staff and our branch organisation are equal to these tasks.

TRIBUTE TO MANAGEMENT AND STAFF

The surplus earning capacity of the Society continues to be very satisfactory. Our bonus more than bears comparison with that of any other office, and I think that those who have effected with-profit policies with us will agree that the phrase first used by Sir Geoffrey Ellis from this chair six years ago—"outstanding value in life assurance"—is being fully justified.

The Society continues to owe a great debt of gratitude to its general manager, Mr R. J. Kirton. During the last year Mr Kirton has added materially to the range of his responsibilities. He has done so without in the least impairing the watchful and experienced skill with which he handles the various problems thrown up by a Society such as this.

I wish to close these remarks by offering my thanks to the Society's staff for a good year's work and, in particular, for the way in which they are dealing with the increased volume of business.

The report and accounts were unanimously adopted.

JOHN HOLT & CO. (LIVERPOOL) LIMITED

HIGH LEVEL OF TURNOVER MAINTAINED

The fifty-seventh annual general meeting of John Holt & Company (Liverpool) Limited will be held on April 23rd in Liverpool.

The following is an extract from the circulated statement of the chairman, Mr John A. Holt:

Although trading conditions in West Africa continue to be difficult, there was an overall improvement in the profit margins during the last few months of the financial year. Turnover continued at a high level and again the figure of £23 million, which was recorded in the previous year, has been exceeded.

At the close of the year our stocks throughout West Africa were in a sound and clean condition, and we are ready to meet the competition which faces us during the next few years. All our high-costed stocks have been sold and our textiles trade is once more making a contribution to our profits.

For the greater part of the year, produce markets have remained steady, with only minor fluctuations. The exception is cocoa.

We continue to act as Licensed Buying Agents for the Produce Marketing Boards in both Nigeria and the Gold Coast. Our trade in other produce continues to be satisfactory, and makes a useful contribution to our revenue.

In the Gold Coast and Nigeria, authoritative statements have been made by both Governments, which show clearly that they recognise that the future development of those countries depends largely upon the extent to which capital can be attracted from overseas.

The profits of The Guinea Gulf Line, Limited (formerly John Holt Line, Limited), have been put to reserve in order to build up the funds necessary to finance the replacement of its steamers in due course. We cannot, therefore, reasonably expect a dividend from this Subsidiary until its own financial status is assured.

NATIONAL PROVIDENT INSTITUTION FOR MUTUAL LIFE ASSURANCE

INCREASED INTERIM BONUS RATES

The annual meeting of the National Provident Institution for Mutual Life Assurance will be held on April 13th at 48 Gracechurch Street, London, E.C.3.

The following are extracts from the address which will be submitted by the chairman, Mr L. E. D. Bevan:

At the conclusion of the annual general meeting last year, Mr Vincent Wodehouse Yorke retired from the chairmanship after serving ten years in this capacity.

At that time and since, we have endeavoured to assure Mr Yorke how greatly we valued all he has done for the institution. I myself eagerly take this opportunity of expressing my gratitude to Mr Yorke, and I am indeed glad to be able to count upon his willingness to extend to me the benefit of his great experience.

Before I pass to the review of the past year's affairs it gives me special pleasure to tell you that our manager and actuary, Mr J. F. Bunford, has been elected president of the Institute of Actuaries. This is the highest honour that his profession has to offer.

Last year the net business was not greatly short of £5 million and it is satisfactory to observe that business in connection with pension schemes continues to account for some 20 per cent of the total.

Our funds—representing life assurance and annuity contracts—increased by more than £1,500,000 and passed the £20 million mark during 1953.

The result of investment policy over the years you may see reflected in the very satisfactory rates of interest which we show—namely, £6 6s. 3d. per cent gross and £4 15s. per cent net of tax. Even allowing for the fact that these rates are calculated on funds represented by assets standing well below their market value, they are undoubtedly outstanding rates in the life assurance world.

During the past year we have invested about £600,000 in British Government stocks, about £200,000 in Commonwealth stock, and about £1,200,000 in debentures and preference and guaranteed stocks. Moreover, we have increased our interest in real property either by purchase or by mortgage to the extent of nearly £250,000. Movements from class to class have caused reductions in some categories, for example, in foreign Government securities and home corporation loans. There has also been a slight reduction in our total investment in ordinary shares, and I would like you to know that we have in fact made considerable changes within this class during the year. Our interests in ordinary shares are widely spread.

USE OF POLICYHOLDERS' SAVINGS

You have been told by Mr Yorke in recent years of the active and enterprising policy which we try to follow in the investment of your funds, seeking as good an income as possible while preserving the security of capital. The "turnover" of ordinary shares last year illustrates well our endeavours to anticipate market changes and our constant search for "betterment" of the portfolio.

I have drawn attention to these matters because I think they are important to our own members and, indeed, to a wider public. The comments that I have made about our own investment policy and the beneficial use of policyholders' funds apply with equal force, I feel sure, to the practice of other life offices, although different offices naturally develop their policy in different ways. The factor that is certainly common to all offices is that while their first concern is to invest policyholders' funds for the security and benefit of the policyholders, investments are made with the national interest and the Commonwealth economy well in mind.

INTERIM BONUS RATES

You will have learnt with pleasure of your directors' decision to increase the rates of interim bonus on policies becoming claims by death or maturity on and after February 1, 1954, after reviewing the results of our operations for 1952 and 1953. Our mortality has been favourable and our expense ratio satisfactory, while the interest rate earned on the funds has exceeded 6 per cent gross in each of the past three years.

The new interim bonus rates represent increases of 5s. to 7s. 6d. per cent per annum over those previously ruling, so that the rates on full-profit policies become—

For whole-life assurances £2 17s. 6d. per cent per annum—with even higher rates for certain policies of long duration.

For endowment assurances £2 per cent to £2 15s. per cent per annum—according to the age at maturity.

Our profit-earning capacity has been enhanced by our policy of investing part of the funds in ordinary shares.

I am absolutely sure that those who contend—as some do, on political grounds—that the investment of life assurance funds should be under the control of some central state body are entirely overlooking the great benefits that come to policyholders through the sense of personal responsibility for their interests which lies firmly on the shoulders of directors and managers of the individual offices. I am convinced that under any form of state control an entirely different balance of responsibilities would apply, and it is difficult to see how it could be to the advantage of policyholders.

I would add one final word on this subject. Let no one talk of "wealthy insurance companies" as some are apt to do when speaking of the large life funds of insurance offices. These funds are, in effect, held in trust for millions of policyholders, and represent part of their savings—in many cases quite a large part.

The position of your office as I see it today is extremely sound. There is a comfortable margin between the market value of the assets and the figures at which they appear in the balance sheet. The excellent rates of interim bonus that we have recently announced are an indication of our confidence in the financial strength of the institution.

VINE PRODUCTS LIMITED

INCREASED DEMAND FOR VP WINES

The twenty-eighth ordinary general meeting of Vine Products Limited was held on April 2nd at Surbiton, Surrey.

Mr A. Mitsotakis, chairman and managing director, in the course of his speech, said: Lord Marchwood has been compelled, through ill-health, to resign from the chairmanship and the board of the company. I am sure I shall be voicing the general feeling if I place on record our deep regret at his resignation.

For many years now, we have been able to report uninterrupted progress in the expansion of the trade carried on by the company. This is due to the continued favour of the public which recognises the pre-eminent quality of our products, and I must add that our sales in the memorable year of 1953 have certainly been helped by the Coronation.

An increased rate of dividend on the ordinary capital is recommended in place of the previous distributions from capital profits. I venture to think that stockholders will consider this a satisfactory substitution. The capital reserves thus remain at the same figure as last year—i.e., £252,793.

The consolidated balance sheet discloses that the already strong position of the company has been enhanced by the increase of £112,387 in the total capital and reserves of the company.

The net profit, before taxation, is £47,094 higher than last year. It is gratifying to record that, although costs generally have risen, the increasing demand for your company's products this year has considerably more than offset these charges. I hope that you will consider the accounts as very satisfactory.

This home industry has reached its present success and pre-eminent position because it fills a long-felt want by providing the less affluent members of the community with good sound wines at reasonable prices.

In addition, we believe that it is now widely recognised that the British wine industry deserves support because it assists the aims of British economy in many directions, as, for instance, by contributing in both direct and indirect forms of taxation; by employing British labour and capital and by a progressively increasing export trade. In this belief we should feel confident about the future.

The report was adopted.

	Years to Dec. 31,	
CONSOLIDATED EARNINGS:—	1952 £	1953 £
Trading profit	537,619	585,886
Total income	551,358	601,224
Depreciation	34,447	37,235
Taxation	202,167	214,565
NET PROFIT	313,161	347,857
Ordinary dividends	161,350	207,450
Ordinary dividends (per cent)	17½*	22½
General reserve	100,000	50,000
Added to carry forward	35,811	74,407
CONSOLIDATED BALANCE SHEET:—		
Fixed assets, *less* depreciation	293,695	306,465
Trade investments	7,193	29,688
Net current assets	2,274,489	2,373,413
Stocks	1,281,362	1,256,523
Cash & gilt-edged stocks	800,580	890,070
Capital reserves	252,793	252,793
Revenue reserves	973,947	1,086,334
Ordinary capital	922,000	922,000

* In addition, shareholders received a tax free distribution of 2½ per cent arising from the realisation of shares in an associated company.

BANK OF SCOTLAND

PROGRESS TOWARDS COMPLETE UNIFICATION

LORD ELPHINSTONE ON AMALGAMATED BANKS' RESULTS

The annual general meeting of the proprietors of the Bank of Scotland was held on April 6th, within the head office, Edinburgh. The Right Honourable Lord Elphinstone, KT, governor of the bank, presided and in the course of his speech, said:

During the past year further progress has been made towards complete unification of the bank and the Union Bank of Scotland, Limited.

It is not yet possible to state definitely the date at which fusion of the banks will be finally achieved as this depends on factors outwith our control. I can, however, say that the directors of both banks are unanimously agreed that it should be accomplished as expeditiously as legal and Parliamentary procedure will permit.

BALANCE SHEET

Dealing first with the bank's balance sheet it will be observed that deposits are some £6 million greater and the total of over £99,400,000 is the highest recorded at balance sheet date in the bank's long history.

The consolidated balance sheet is designed to present the combined bank's position on the same basis as it will appear after the fusion of the banks has been accomplished. Total assets are in excess of £210 million, and against liabilities to the public amounting to over £201 million there is held in cash balances with other banks, money at call, et cetera, an amount representing over 33⅓ per cent of such liabilities. The combined investments of the banks, the great bulk of which are in British Government securities, amount to over £95,600,000 and their market value is in excess of that figure. Advances total £37,800,000 and obligations undertaken on behalf of customers amount to over £8,850,000.

I wish to refer to the decision of the directors to recommend that the dividend for the year be increased by 1 per cent to 13 per cent by the payment of a final dividend of 7 per cent. The former rate of 12 per cent was established when the bank's capital was reorganised in 1938. It was reduced on the outbreak of war to 11 per cent and re-established five years later in 1945 at 12 per cent. The modest increase now proposed is little more than token recognition of the change in the value of money which has occurred in the past fifteen years and the directors feel that their proposal is well justified from every aspect.

The directors' report deals this year with the combined profits of the two banks but it should be noted that the profits of the Union Bank included are only for a period of approximately eleven months.

The combined net profits on this basis after provision for taxation, contingencies and all known bad and doubtful debts amount to £578,587. Of this amount there has been retained by the Union Bank £115,986, leaving £462,601, to which is added the balance brought forward of £185,460, making available £648,061. From this there has been transferred to reserve for contingencies £100,000 and staff pension fund £40,000, leaving £508,061.

The interim dividend of 6 per cent actual less income tax required £148,500 and the final dividend of 7 per cent actual less income tax now recommended will require £173,250, together £321,750, leaving a balance carried forward by the Bank of Scotland of £186,311, to which falls to be added the balance carried forward by the Union Bank of £65,629, making a combined balance carried forward of £251,940.

I trust you will have found these results and decisions satisfactory.

While the future is not free from uncertainty we can look back on a year of solid achievement in Britain's economic recovery. Given continued political stability and some incentive to greater productivity by further taxation reliefs another stage in the long road back to economic freedom may be possible in the year that lies ahead.

CONDITIONS IN SCOTLAND

In Scotland the past year has been more prosperous in nearly every field of business enterprise. Unemployment figures have fallen and there has been a recovery in the textile trade. The importance of Scottish textiles in export markets continues to grow and the distilling trade has achieved a new record in exported output. The production of steel has again reached a new record and supplies to industry have been more nearly approaching requirements though in some special grades there is still a shortage. It is a source of satisfaction to note that there has been marked development in the lighter engineering industry and in several districts modern works are now engaged in producing machines of a type which were previously imported. The coal mining industry, however, presents a less satisfactory position. Production has again lagged behind anticipated results and the future is not free from the danger of a coal shortage developing.

The volume of support which the bank accords to the farming community and the agricultural industry as a whole continues to be extensive.

The report was adopted.

JAS. WILLIAMSON & SON, LIMITED

BETTER TRADING CONDITIONS

RECOVERY IN NET PROFIT

LORD PEEL'S STATEMENT

The annual general meeting of Jas. Williamson & Son, Limited, was held on April 2nd at Lancaster. The Rt Hon The Earl Peel (chairman of the company) presiding.

The secretary (Mr L. Beswick) read the notice convening the meeting and Mr R. W. Gorman, FCA, of Messrs Viney, Price & Goodyear, read the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 24, 1953, and was taken as read:

Those of you who have been shareholders for more than one year will notice that we are this year presenting our accounts to you in a new form. We have made this change not because the narrative form has now become more usual but because we feel that it presents the accounts more clearly.

INCREASED VALUE OF TURNOVER

You will see from the accounts that our net profit, which fell to £242,107 in 1952, has recovered in 1953 to £615,652. The profits in 1952 were reduced largely by what I regard as an exceptionally steep fall in market values, but the greater part of the increase in net profit in 1953 is due to generally better trading conditions. The selling prices of all our main products were substantially reduced at the end of 1952 and the beginning of 1953, and in spite of this we succeeded in increasing the value of our turnover and maintaining our large export trade. Australia, which has traditionally been an important market for both linoleum and table oilcloth, returned to more normal trading conditions, but the extra business which we were able to do there was unfortunately largely counter-balanced by restrictions in other traditional markets such as Brazil and Turkey.

In the course of the year we put on the market a range of printed plastic table covering which, together with plastic floorcovering, considerably widens our scope for development. Our Crestaline vinyl floorcovering which we introduced to the market a few years ago has until now only been manufactured in small quantities, but it has already established for itself a high reputation.

CRUSHING BURDEN OF TAXATION

In our production generally we are now beginning to feel the benefit of the money spent on development during the last few years, and it is our intention to continue this policy so far as we are permitted by the crushing burden of taxation. It is difficult to reconcile the rates of taxation since the war, which almost inevitably operate against savings and investment—whether by companies or individuals—with the current cries for greater productivity which can only be achieved by the creation of a greater incentive. A substantial reduction in direct taxation is the most certain way of creating that incentive.

Last year I spoke of the high cost of replacements and modernisation of plant. These costs continue to rise and your directors recommend the addition of £85,000 to plant replacement reserve—bringing the total provided for this purpose to £650,000. They also recommend the elimination of the stock depreciation reserve by transferring the balance of £50,000 together with a further addition from profits of £50,000, making £100,000 in all, to general reserve. The general reserve now amounts to £800,000 available to meet any future contingency.

PURCHASE OF RAW MATERIALS

We welcome the return of freedom to purchase our own raw materials in the open market but we must remember that this may make it necessary to hold and to finance larger stocks.

Since the company was converted from a private one to a public one in 1947, dividends have been maintained at 10 per cent, less tax, except for 1952 when the rate was dropped to 7½ per cent. Your directors feel that advantage should now be taken of the improved results and recommend the payment of a final dividend of 10 per cent, less tax, which, with the interim dividend of 2½ per cent, already paid, will make a total of 12½ per cent, less tax, for the year.

TRIBUTE TO EMPLOYEES

We have recently lost by retirement twenty-two employees who between them had served the company for 989 years, and I mention this because the loyalty expressed in those figures is not uncommon in your company, either among the staff or hourly-paid workers. I would like to thank all who have served us so well in the past year and who have helped to secure the results which have been achieved.

The report and accounts were adopted and the dividend as recommended was approved.

The retiring directors, Mr J. A. Black and Sir Cuthbert B. Clegg, were re-elected, and, the remuneration of the auditors, Messrs Viney, Price & Goodyear, having been fixed, the proceedings terminated.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

WIDER INVESTMENT POWERS SOUGHT

The one hundred and thirteenth annual general meeting was held on April 6, 1954, Mr A. H. Sayer, MC, JP, the Society's chairman, in the chair.

The chairman, in moving the adoption of the reports, said: In the Ordinary Department the Society issued policies of a total sum assured of £3,947,000, which is a record and £439,000 greater than the total for the year 1952. The premium income amounted to £3,927,000, an increase of £149,000. The total gross interest income increased by £69,000 to £1,136,000, equivalent to a rate of interest earned of £4 8s. 4d. per cent on the whole of the funds, and the net interest rate earned was £4 0s. 7d. per cent. Assets have increased during the year by over £1,250,000 and have now reached the large total of over £30 million. This money is, of course, policyholders' money which is necessarily accumulated to enable claims to be met as they fall due.

As in former years, a large part of the new funds was invested at 4½ per cent by way of advances to persons buying houses under the Society's house purchase plan. The very large amount of surplus allocated to investments reserve in 1951 and 1952 has made it unnecessary to build up the balance sheet reserves any further this year. The reserves stand at a total of £3,050,000, being 10 per cent of the assets.

ORDINARY AND INDUSTRIAL DEPARTMENTS

The liabilities under policies both in the Ordinary and Industrial Departments have been valued assuming a rate of interest of 3 per cent per annum. This is the same basis as was used at the end of 1952. But in other ways the valuations of both Departments have been strengthened, the Ordinary Department by £75,000 and the Industrial Department by £125,000.

As a consequence of improved interest earnings and favourable mortality experience, the emerging valuation surpluses have been good and the directors have declared a reversionary bonus in the Ordinary Department at the rate of 30s. per £100 sum assured.

In the Industrial Department, £70,000, as compared with £50,000 last year, has been allotted for the benefit of Industrial Department policyowners.

There are now over 130,000 policies in force in the Fire and Accident Departments. The premium income of the Departments has increased from £49,000 to over £199,000 in the past ten years. A satisfactory trading profit has been shown.

On February 24, 1954, a special general meeting of members was called to consider a Bill to amend the Society's Act of Parliament. For some time the directors had felt that the Section of the Act dealing with the powers of investment, was restrictive and contrary to the best interests of the Society.

The new Bill has as its main purpose the enlargement of the Society's powers of investment.

While seeking powers to invest in ordinary shares, the Society has no wish to obtain control of any business whatsoever. It will continue to invest policyholders' money solely in the best interests of policyholders.

It will be recalled that in 1944 the Society attempted to right the long-standing injustice that life annuities, which are composed actuarially of both capital and income, are taxed as though they were all income. In 1949, Parliament shut the door that the Society had opened, but, fortunately, the recommendations of the Millard Tucker Committee, which has recently issued its Report, come up to the highest expectations of the Society. If effect is given to them, then every person in the country may, if he or she effects a life anuity, be placed in as favourable a position as the relatively small number of persons who between November, 1948, and Budget day in 1949, took out special annuity policies with this Society.

The report and accounts were adopted.

SCOTTISH WIDOWS' FUND & LIFE ASSURANCE SOCIETY

POSTWAR RECORD OF SUSTAINED PROGRESS

The one hundred and fortieth stated annual meeting of the Society was held in the Society's head office, Edinburgh, on Tuesday, April 6, 1954, Mr Alastair C. Blair, CVO, WS (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts, which were taken as read, the chairman said:

Last year the new ordinary assurance business, before deducting sums reassured with other offices, was over £10,850,000—compared with £8½ million five years ago—and this was a record for the eighth successive year. The net figure, after deducting reassurances, was also a record and exceeded £10 million for the first time in our history. In addition, although our new group pension business was on a lower level last year, the new group insurances associated with pension schemes and the additions to existing group insurances amounted to nearly £5 million and brought our total new assurance business to well over £15 million for the second successive year.

MARKED AND RAPID PROGRESS

As we are dealing today with a period of five years, it is of interest to examine the expansion of our operations in a broad way, and you may like to have some figures illustrating the growth of the Society since before the war. First, during the five years to December 31, 1953, the total net new assurance business completed, including group assurances, amounted to more than £68 million, as compared with just over £32 million in the preceding quinquennium and with under £24 million in the five years, 1934-1938, the last complete prewar quinquennium. In the second place, as a result of the large new business, our premium income, which last year was about £6½ million, is now some 90 per cent higher than it was five years ago and more than three times what it was in 1938. Thirdly, our total assurance funds, which today exceed £66 million, are nearly 50 per cent more than they were five years ago and almost double their prewar level. Your Society has thus made marked and rapid progress since prewar days and especially since the war ended.

EMINENTLY SUCCESSFUL INVESTMENT POLICY

The problems connected with the investment of the large expansion of funds in the changing economic and financial conditions of the past five years have occupied the close attention of your directors. A comparison of the balance sheets at the end of 1948 and 1953 shows that the total assets—now over £69 million—have risen by some £20 million, of which £5 million has been invested in British Government securities and more than £10 million has been added to our holdings of ordinary stocks which now represent 30 per cent of our assets. Our investments in debenture, preference and ordinary stocks, which can be regarded broadly as our stake in industry, amount in the aggregate to over £37 million—compared with £26 million five years ago and represent 54 per cent of our assets.

It is clear from these figures that savings, which have been placed with the Society to secure life assurance cover and pension provision, have not only enabled us to take up more Government securities but have helped to provide capital for industry, directly or indirectly, and have thereby rendered a valuable service to the national economy.

The investment policy we have followed as our business and funds have expanded has been eminently successful and members must be gratified to see that we have been able to show such a high average rate of interest for the year 1953 on the whole of the assurance and annuity funds—£5 13s. 9d. per cent before deducting income tax.

ASSETS IN ORDER AND FULLY SECURED

As required by the terms of our Act on the occasion of a quinquennial valuation the assets at December 31st have been carefully examined by the directors who are satisfied that they are all in order and fully secured. The stock exchange securities have been valued at market selling prices and there is a substantial margin between the aggregate market values on that stringent basis and the values at which the investments stand in the balance sheet.

SUSTAINED HIGH LEVEL OF BONUSES

Taking the assets valued on the conservative basis I have mentioned and setting against them the total liabilities valued on a basis even more stringent than was used five years ago, the result is to show a surplus which has enabled us to declare a bonus at the high rate of 40s. per cent per annum compound. This is a result which must give much satisfaction to members and, as we have fixed the rate of intermediate bonus for the time being at the same high rate of 40s. per cent per annum compound, you will see that we have confidence in the ability of the Society to maintain its long-established reputation for a sustained high level of bonuses.

It is perhaps not always fully appreciated how rapidly a compound bonus at a high rate increases as the term of the policy lengthens. For example, if a 40s. compound bonus were allotted throughout the whole duration of a policy, the bonus to be added at the end of twenty years would be at the rate of 53s. per cent per annum on the original sum assured, while at the end of 40 years the rate of new bonus on the original sum assured would be as much as 78s. per cent per annum. Of course, no one can say what bonus rates will be in the future but the Society's great financial strength, high interest earnings, favourable mortality experience and economy of management—you will note that last year our expenses were only 10¾ per cent of our premium income—are outstanding features which enable members to look forward with every confidence to the continued prosperity of our Society.

The directors' report and the accounts as audited were adopted unanimously.

BONDOR LIMITED

FURTHER IMPROVEMENT IN TURNOVER

MR JOHN GOODENDAY'S STATEMENT

The following is an extract from Mr John Goodenday's statement circulated with the report and accounts:

The more stable conditions which have prevailed in our business and in the textile industry generally are reflected in a further improvement in turnover. The cash value of sales was 6 per cent greater than in 1952, and although exports account for only a relatively small part of the total volume they were 18 per cent higher than in 1952.

The profit from trading operations in the consolidated profit and loss account amounts to £1,209,472, as compared with £1,071,594 in 1952, and the net profit available for distribution after providing for depreciation, debenture interest, taxation and other expenses amounts to £322,602, representing an increase of £36,856 as compared with the previous year. Again a heavy burden is thrown upon us due to the incidence of excess profits levy which has cost a further £128,000. This means that in the past two years we have been penalised for our enterprise to the extent of £218,000, which has had to be provided out of our net earnings for this tax.

NEW ACQUISITION

The most important event of the year under review has been the acquisition of the business of Julius Kayser (Aust.) Pty. Limited from Julius Kayser of New York. Details of this transaction were given in the circular addressed to stockholders prior to the extraordinary general meeting held on December 3, 1953, and a separate balance sheet of that company as at December 31, 1953, together with a profit and loss account in respect of the first six months' trading of their current financial year, which commenced on July 1, 1953, is included in the accounts now submitted. In the last quarter of 1953 two of your directors visited Australia and on their return provided the board with a comprehensive review of the activities and affairs of that company. Its turnover is approximately one-third that of this company and its own production facilities are evenly divided between hosiery and underwear. In addition, it markets a large volume of gloves, which are either imported or obtained from a local source of production. We are already shipping merchandise to the Australian company, and there is every reason to anticipate that this volume will increase materially in the future.

AUSTRALIAN COMPANY'S RECORD PROFIT

It is my pleasure to report that the profits of the Australian company for the first six months of their current financial year ending June 30, 1954, which amount to £135,651, after providing for £83,990 Australian taxation, are the largest ever achieved in that company's history in the first half of its financial year. It is, however, necessary to remind stockholders that the business in Australia is seasonal and that a greater volume and a higher rate of profits are achieved in the first half of the financial year than in the second.

The investment in the Australian company cost your company £745,156, and was financed by the issue of £750,000 5½ per cent cumulative preference stock. It will be noted that the net asset value of the Australian company, without taking goodwill into account and after allowing for the small minority interest and the profits earned since December 15, 1953, referred to above, is £1,172,536. In the 1954 consolidated accounts of your company, a capital reserve of more than £400,000 will be created, representing the difference between the cost of the Australian investment and the book value of the assets, as shown in their balance sheet. Your board has every reason to believe that your company has made a good investment, which will make a material contribution to its earning capacity.

Since the buyers' market in textiles which evinced itself in 1951, the consuming public have become increasingly selective in their buying. Our executive, designers and technicians are meeting this challenge by continuously striving to improve the styling and quality of Kayser Bondor merchandise. As stockholders may have observed in our advertisements, there is a guarantee of quality attached to every garment. It is worthy of comment that despite the fact that our volume has risen every year, the number of complaints has consistently diminished. The bedrock of our policy is a continuous improvement in quality and there is a determination in all branches of our business that Kayser Bondor goods shall be regarded as the best value that can be obtained in our field. Although we never cease to seek economies in production, the search for quality is more important than increase of profits. We believe that the pursuit of such a policy places our business on the firmest foundations.

So far this year our turnover has been maintained and as far as I can foresee there is every reason to anticipate an expansion in our volume and earnings in the current year.

WILLIAM BEARDMORE & CO., LIMITED

INCREASED TURNOVER

SIR ALEXANDER WILLIAMSON'S STATEMENT

The following statement by Sir Alexander Williamson, CBE, BSc, MInstCE, accompanies the report and accounts of the company for the year ended October 3, 1953:

As mentioned in the directors' report all the property, rights, liabilities and obligations of the Iron and Steel Corporation of Great Britain were by virtue of the Iron and Steel Act, 1953, transferred to the Iron and Steel Holding and Realisation Agency on July 13, 1953, and the securities of the company previously vested in the corporation became vested in the agency. Accordingly the company is now a subsidiary company of the agency.

The trading profit for the year to October 3, 1953, covering a period of 53 weeks, amounted to £681,521, and, while showing a reduction of £62,693 compared with that in the previous year, is considered satisfactory.

Turnover was in excess of that of 1952 and the margin of profit on deliveries was maintained, but profits of a "windfall" nature arising from adjustments in the prices of our products were lower than in the previous year and more than account for the reduction shown in the trading profit.

United Kingdom taxation amounting to £481,322, representing approximately 70 per cent of the trading profit, has been provided in the accounts. This percentage is higher than last year despite the reduction in the standard rate of income tax, but it should be borne in mind that the company now has to provide profits tax on dividends payable to the Iron and Steel Holding and Realisation Agency. In the previous period no such provision was required.

The figures in the group balance sheet show little change overall on those as at September 27, 1952, and do not call for any special comment.

NEW HIGH RECORD OUTPUT

During the period covered by this review supplies of raw materials for steel making have been freer than for some years past and the output of steel from our melting shop has been a new high record to which our electric furnaces have made a valuable contribution both in quantity and quality, particularly during the latter part of the year.

The manufacture of our main commercial products, steel forgings and castings, has continued at near-maximum capacity. In the machine shops, through which the majority of our production has to pass, we have been working under pressure throughout the year, but difficulty is still being experienced in getting skilled men to replace any who leave, and we are short of heavy turners.

In the Steel Foundry we successfully completed the manufacture of the very heavy steel castings for large presses for the USA to which I referred in my review last year.

Satisfactory progress is being made with our specialised products, and we have successfully manufactured many rotor forgings in alloy steel for land and marine main steam turbines working under extreme conditions of temperature, pressure and speed, also for alternator rotors. Research in materials for gas turbines is continuing and we have developed a material for rotors which shows high promise at advanced temperatures.

Our capacity for the manufacture of Work Rolls was expanded during the year and we were able to increase substantially our deliveries. Higher production is being accompanied by higher quality and that our customers are satisfied is demonstrated by the receipt of repeat orders in increasing quantities. We are expanding further our capacity for this important product, and we are continuing research to meet increasingly exacting conditions of work.

The production of aircraft carrier steam catapult components has proceeded continuously, and supplies are in accordance with Admiralty requirements. In connection with the provision of fins for ship stabilisers we are now producing cast steel fins and flaps for the larger sizes. Some of these sets were completed during the year under review, and more are now in course of production.

Our relations with our workpeople during the period under review have been satisfactory and I would take this opportunity to thank all members of the staff and other employees for their services, loyalty and co-operation during the year.

CURRENT TRADING

You will hardly expect me to forecast the future in the uncertain and obscure conditions which surround us. While the activities on the commercial side of our business are still substantial, the volume of orders now being received has dropped and there is evidence, particularly with the falling away of demand for products connected with the shipbuilding industry, that this curtailment is likely to continue and may well be accentuated if the present demands for increased wages are pursued. On the armament side of our business orders have fallen considerably and the position with regard to potential future demand is obscure.

These factors militate against a continuance of the profits realised in the past two years which it should be realised reflected favourable trading conditions.

RALLI BROTHERS LIMITED

COMPETITIVE TRADING CONDITIONS

MR JACK VLASTO ON CURRENT PROSPECTS

The annual general meeting of Ralli Brothers Limited will be held on April 28th in London.

The following is the statement by the president, Mr Jack Vlasto, which has been circulated with the report and accounts:

The death of Mr George Euthymopulo occurred last December, less than four months after he had joined our board. We all deeply regret the passing of this old friend, who had put in over 40 years of meritorious and devoted service with the Ralli organisation in India.

Our consolidated trading profit of £1,298,110, although appreciably lower than last year's figure of £1,843,744, is nonetheless satisfactory. During the year covered by the accounts now before you, the competition encountered in all branches of our merchanting business tended to become more severe. In general, we held our position as buyers or sellers in the various markets and maintained our share of trade with a turnover of about £45 million. To do this, however, we had often to work for a smaller return than was previously obtainable. Of our subsidiaries, Ralli Estates, Limited, whose annual production of sisal fibre is now within sight of 5,000 tons, and The Maritime Shipping and Trading Company, whose strength will reach six ships next month when the 11,400-ton "Georgidore" is delivered, both showed satisfactory results although well down as compared with their previous year's record profits. Berg River Textiles, Limited, was not, unfortunately, amongst those cotton mills which found working conditions easier. Margach and Margach again did well.

RALLIS INDIA LIMITED

What is disappointing in our 1952-53 results is the need to write off £200,000 from the book value of trade investments. Last November, restrictions were imposed by the Government of India on Rallis India's business which affected an important part of their export and import trade. These arose out of the implementation of the Government bulk purchase agreement of Uganda cotton of crop 1951-52 under which Rallis India, as Indian importers working for a small fixed return, received import licences for 38,816 bales for distribution according to allocations made to the mills by the Government of India. Owing to the sharp fall in cotton prices which took place after the fixation of the bulk purchase price but before the arrival of the cotton in India, a number of the Indian cotton mills were reluctant to enter into contracts with importers in the terms of their undertaking to the Government of India, and Rallis India were obliged to start storing cotton in Bombay. The Uganda Lint Marketing Board, unable, for various reasons, to slow down following shipments as requested, offered us and other Uganda exporters the alternative assistance of deferred payment which we, in turn, offered to Rallis India. In November, the chairman of the LMB visited Delhi for general discussions with the Government of India. I understand that he, interpreting certain parts of the agreement differently from the Government of India, urged them to pay for the unsold balances and thus permit accounts to be finalised. At that time Rallis India still held about 4,000 bales unsold on which substantial storage charges had for long been accruing and which, despite various special concessions, were proving slow and difficult to sell to mills at the agreement prices. The restrictions, I understand, were imposed by the Minister of Commerce and Industry because Rallis India accepted deferred payment terms, in which I can see no offence whatsoever, and because he believed quite wrongly, that Rallis India had engineered the visit of the LMB chairman. Although, after explanations and inquiries, the restrictions were eventually lifted, Rallis India, under conditions already very difficult, suffered great harm for four months in loss of business. Much as I regret recounting this extraordinary incident, shareholders are entitled to know what lies behind the substantial write-off in trade investments.

THE OUTLOOK

Our current year's trading, which began on September 1st, does not look at all encouraging so far. Markets have been difficult to gauge correctly and, owing to the intensity of competition which has become even more severe, earnings all round are meagre. In certain articles we have lost ground but overall turnover is fully maintained because our cotton sales, despite their exclusion for a period from the important Indian market, are running ahead of last year. A welcome feature in the present bad patch, which contains several unexpected setbacks, is the receipt from Brazil of all outstanding payments due to us some of which date back for several years. This was achieved under special arrangements with the Bank of Brazil involving a substantial purchase of cotton on our part.

We are increasing our investment in Berg River Textiles, which company is raising its issued capital with a view to increasing its manufacturing capacity. We are also participating in a small further issue being made by The Crescent Jute Mills Company of Pakistan. We are making arrangements in Iraq to take a more active part in the purchasing of barley for export through a majority holding in a small local company. Our developing Dindira tea estate in Tanganyika, which was adversely affected by last year's drought, has recovered well and the latest reports are the most encouraging we have received. Both Ralli Estates and The Maritime continue to show satisfactory results.

Our thanks are again due to our staff all over the world for their devotion and unstinted efforts to promote the interests of the company under conditions which have now become very difficult.

JOHN EMSLEY LIMITED

The seventh annual general meeting of John Emsley Limited was held on April 2nd at Bradford, Mr Harold Jeques, chairman and joint managing director, presiding.

The following are extracts from his circulated statement: The trading results for the year ended November 30th last, show a considerable profit. An interim dividend of 10 per cent, less tax, has been paid on the ordinary shares and the board recommend a final dividend of 15 per cent, less tax.

Full-time running has been maintained throughout the year for all machinery in the group that could be adequately staffed and production has been maintained at much the same level as in recent years.

Our American subsidiaries have again materially helped in the distribution of our manufactures and whilst not yet contributing to the profits, have made considerable progress; their turnover has been doubled.

Buildings, plant and machinery have been maintained in good condition and the policy of modernising by electrification of the mills, new machinery, individual driving, and improved lighting is being continued so that the whole plant is capable of meeting the demands made.

I feel that there are difficult times ahead of us. The incidence of high taxation has tended to lessen production; a worker will not increase production if the reward for his increased effort is greatly reduced by taxes. Another hindrance to this country's trade is the importing of textile machinery by the countries of our customers overseas and the consequent competition with our goods.

The orders on the books of the operating subsidiaries are still sufficient to ensure full-time running for some months to come. New business is not easy to come by at present and is only being secured at margins considerably lower than were obtained during the year to November, 1953.

The report and accounts were adopted.

TRADE INDEMNITY COMPANY

PREMIUM INCOME AGAIN INCREASED

SIR JOHN MAKINS ON RAPID EXPANSION OF CREDIT INSURANCE

The thirty-sixth ordinary general meeting of Trade Indemnity Company, Limited, was held on April 8th in London.

Sir John Makins, the chairman, presided.

The following is an extract from his circulated statement:

Turning first to the underwriting accounts, the gross premium earned in 1953 came to £1,184,063 against gross claims paid, less salvages, of £268,261. After deducting brokerages and reinsurances from the premiums, our retention was £375,069, and after deducting claims recovered from reinsurers from claims paid, our share was £57,295.

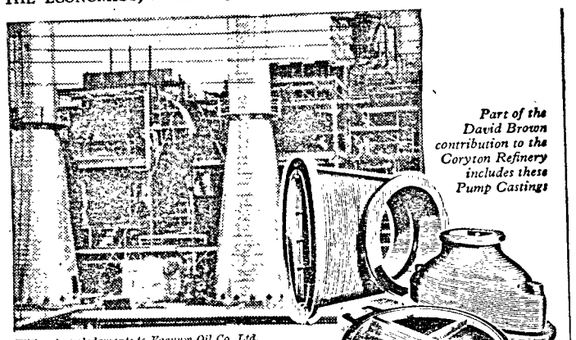
The total of claims paid, less salvages, in 1953 was £26,094 less than in 1952 on a larger premium income, but you will recollect that in the earlier year we had to deal with the aftermath of a severe recession in the textile trade. In that context I warned you a year ago that we had left behind the exceptional conditions of the war and immediate postwar years and had entered a phase when normal trade fluctuations would again have an effect on our operations. In spite of the improvement in 1953, I see no reason to revise my opinion.

The balance of the underwriting account transferred to the profit and loss account is £211,616. Interest on investments and other income (gross) comes to £33,149. The total is thus £244,765 against which taxation will absorb £137,786 (56 per cent) leaving a net profit for the year of £106,979. To this must be added the balance of £123,739 brought forward from 1952, less £50,000 capitalised and applied in paying up 50,000 £1 shares issued to members in 1953; and non-recurring items of £1,021. The result is an amount of £181,739 out of which the directors recommend payment of a dividend of 10 per cent, less income tax, which will absorb £22,000.

I will anticipate the proceedings of the extraordinary general meeting by mentioning the proposal to increase your company's capital by £50,000, thereby bringing it up to £450,000 in fully paid £1 shares.

GENERAL REMARKS

You have seen that our premium income has again increased—actually by 11.28 per cent compared with 1952. The expansion in the volume of business insured has, of



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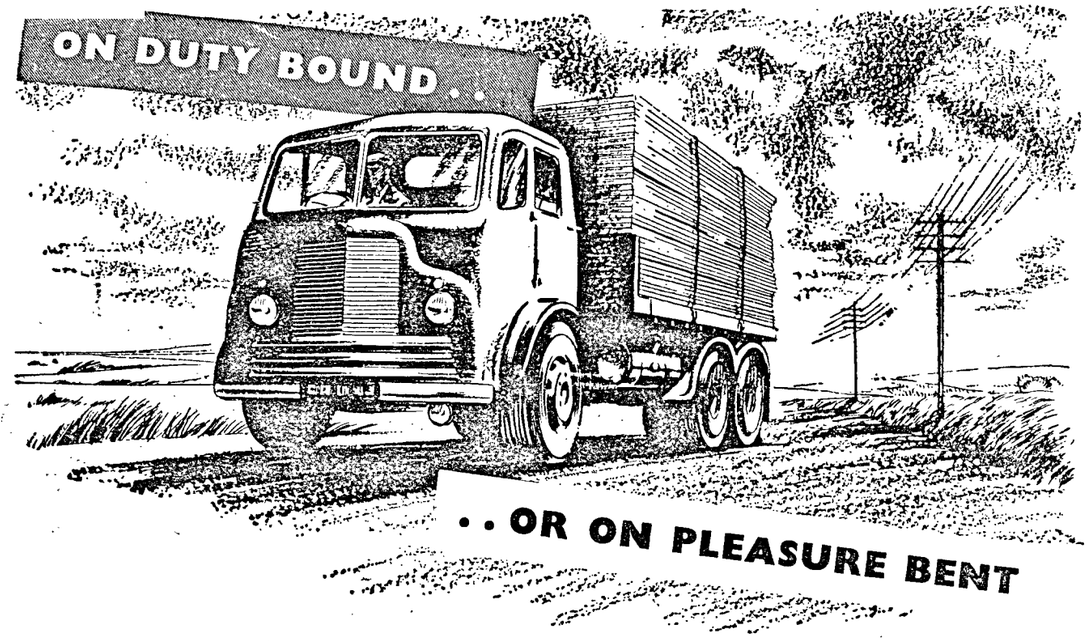

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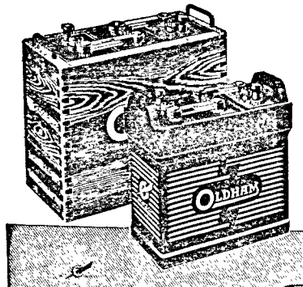

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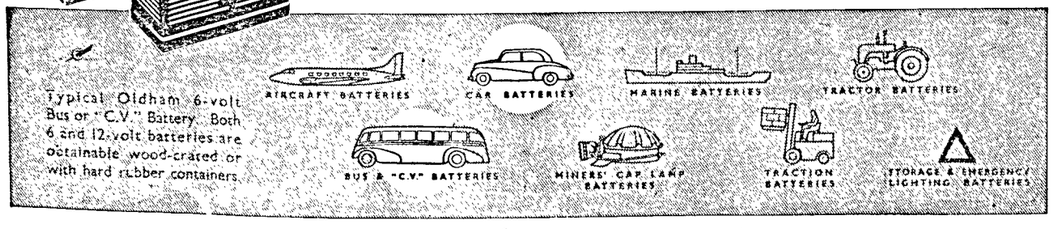

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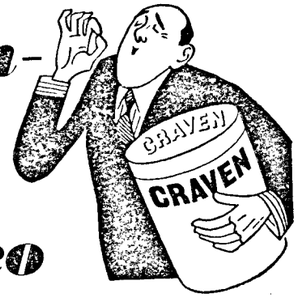

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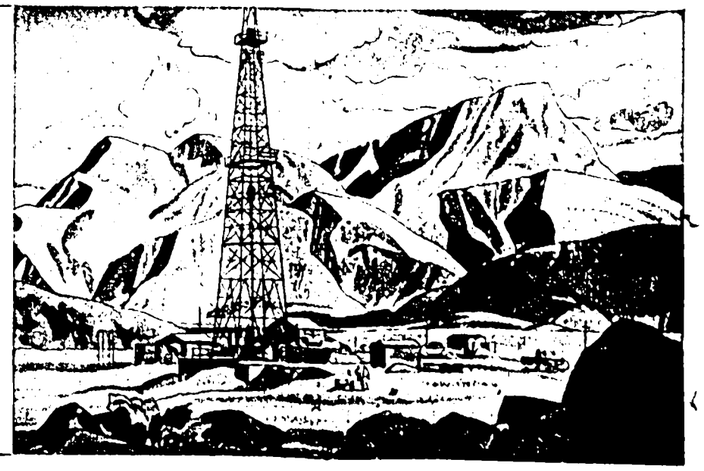

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ONE SHILLING

A Nato for South East Asia? . . 165
The Phœnix Franco 167
Europe's Currency Tangle 168
Changes on the Mersey 170

NOTES OF THE WEEK

Bevan in the Indo-China Shop; Pensioners and the Budget; Labour's Views on Transport; Mr Dulles in Paris; Last Act of EDC; Disarmament Waits for Moscow; No Surrender in Kenya; The Bomb Goes to Coventry; Malan and the Protectorates; Belgium Gropes for a Government; Higher Pay for Hospital Doctors; Graduate Wives; Soviet Germany Loses the Race; Tremors Around Lysenko; Donegall Fair; Who's Who?; Shorter Notes. 172

BOOKS AND PUBLICATIONS. . . 182
LETTERS TO THE EDITOR . . . 186

AMERICAN SURVEY

Elections Again 189
Wind out of McCarthy's Sails?; Tough on Communists; Reinsuring Health; Housing in Ruins; Bourbons Feel Their Age; Accounting for Welfare; Shorter Notes.

THE WORLD OVERSEAS

German Trade with the East . . . 197
The Sudan's British Servants; India's Opportunity; Polish Planners Change Course; New Deal for Steel Consumers?; Haiti Looks for a Wheelwright; Rumanian Oil.

THE BUSINESS WORLD . . . 205
Stores and Chains 207
Hot War in Cold Drinks . . . .

BUSINESS NOTES

Closing Arguments on EPU; Paying for the Coal Plan; Opening the Concertina; Oil Negotiations in Teheran; Crisis for the Comet; Steel Demand Remains High; A Monopoly Competes; Competition in Petrol; New Issue Activity; Jump in Exports; Confidence for Cotton; Tin's Rapid Climb; Recovery in Wool Prices; Uranium Progress; Productivity Loans Hang Fire; Shorter Notes. 211

COMPANY NOTES AND SECURITY . . 220
PRICES 223
STATISTICS 223

Portugal:
A Special Survey
PAGE 235

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A Nato for South East Asia?

THE agreement between the American and British Governments that the Foreign Secretary announced in the House of Commons on Tuesday afternoon is not, as Mr Eden was careful to emphasise, an agreement to set up a mutual defence organisation for South East Asia and the Western Pacific on the lines of the one that already exists in the North Atlantic. It is an agreement to consider jointly the possibility of doing so, and anyone who has given thought to the complex problems of that area will have no difficulty in compiling a list of awkward questions that stand in the way. There is a long road of negotiation ahead. Nevertheless, this week's decision on the route to be taken is a considerable step forward. The left wing of the Labour party, of course, is sure that it is really several steps backward. They made it clear on Tuesday that they are very angry—though perhaps their greatest anger was directed against Mr Stanley Evans for daring to dispute their claim to speak for the majority of the Labour party, let alone that "majority of people in Great Britain" whose "deep resentment" Mr Bevan was so sure he could announce. If the whole idea of a Nato for South East Asia is to emerge from the cloud of suspicion that the left-wingers and fellow-travellers will try to drape around it, it needs defending from the start, and most specifically, against the charges that they levelled at it on Tuesday.

The first of these was, in Mr Bevan's words, that it was "a surrender to American pressure." There, are, of course, some people whose anti-Americanism has become so pathological that they scream "surrender to dictation" whenever they find London and Washington in a posture of agreeing with each other on anything. But in this particular case to say that Mr Eden knuckled under to American pressure is not only untrue, it is the opposite of the truth. Let us not say it too loud, lest somebody on Capitol Hill overhear and start getting Mr Dulles into trouble, but the fact is that it was he who made the agreement possible by retreating from positions that American policy had previously taken up—the more praise to him. Mr Eden did not do what Mr Dulles wanted him to do—which was to join in an immediate minatory declaration on the specific subject of Indo-China; while Mr Dulles did do what the British Government has for a long time been hoping that successive American Administrations would do—namely, to look kindly on the idea of a comprehensive security pact for the whole of South East Asia and the Western Pacific.

Mr Eden did not yield to pressure; he performed a very adroit piece of evasive action. To say this is to confirm that there was American pressure. And now that the incident seems to be on the way to a relatively happy conclusion, it is appropriate to say that, for a day or two, there was far more pressure than there should have been. Their European allies have been trying for years to get the Americans to take South East Asia seriously, without notable success. Now that at last, suddenly, they do, they show all the enthusiasm of the convert and expect immediate agreement to a course of action which seemed in

London and in Paris to be unduly precipitous. The alarm felt in London would probably have been far less if Mr Dulles had not appeared to be threatening the Chinese with the atom bomb, in the immediate future, if they did not behave. Mr Dulles may well have been horrified to learn that such a construction had been put on his words—almost certainly there is no such intention—but the succession of his speeches over recent weeks had seemed to lead to that logical conclusion. His task in London was fully as much to allay unwarranted alarm as to stiffen resolution.

The fact is, for all the fuss that has been made of it, that the disagreement between Washington on the one hand and London and Paris on the other has been mainly one over tactics. Mr Dulles's visit may have served to reduce it to its real proportions, while giving all three governments an opportunity to affirm what is important—that all three regard the fate of South East Asia as crucial for the peace of the world, and that all three are willing to play their part, according to their means and their differing responsibilities, in defending it.

★

The second charge of the Bevanites against Tuesday's agreement is that it is "a deliberate attempt to sabotage the Geneva Conference" (the orator was Mr Donnelly). This seems to be based on a complete misreading of Communist psychology. It is true that the traditional method of bargaining between two English gentlemen is for each to try to put the other under some moral obligation, before the bargaining proper begins, by being nice to him. If you can "create a favourable atmosphere" by giving your opponent something at the start, then he will feel in honour bound to make a concession to you. The more practical wing of the Labour party could tell the intellectuals that things do not work out like that, even in English labour negotiations. Still less is this a rewarding tactic when dealing with international Communists, who are apt to take the preliminary gesture of friendly intentions as a confession of weakness. Over and over again, experience has proved that strength and firmness in dealing with them, so far from giving offence, is the way to get results.

The Communists are nothing if not realists. They will go into a huff if they think they can gain anything by it. But they will not be driven into a huff by any joint declaration that the British and American Governments may make. On the contrary, they will assess very carefully, and take into their calculations, every piece of evidence that is presented to them on the state of mind of their opponents. The more resolute we are, the more likely are they to make, after prolonged and stiff bargaining, the concessions on which a settlement can be based. The Americans, for all the occasional impatience of their diplomacy, deserve the fullest credit for always having seen this clearly. It is a legitimate complaint against American policy, especially in the Far East, that it is apparently unwilling to make any concessions at all, even for full value received; it will not consider recognition or a loosening of trade restrictions even as bargaining weapons. But if it is wrong of the Americans to refuse to give something for something, they are magnificently right in insisting that they will give nothing for nothing.

★

The third charge levelled on Tuesday was that a Nato for South East Asia would be regarded as having "the purpose of imposing European colonial rule upon certain people in that area" (Mr Bevan again). To this there are really two answers. The first is that there is no colonialism in South East Asia today of which anybody in the West should feel ashamed. In Indo-China itself the French, though admittedly only at long last and with every show of reluctance, have just about committed themselves to the policy that the states of Laos, Cambodia and Viet Nam shall be fully in control of their own destiny and free to leave the French Union if they choose. French policy in Indo-China, in short, is now virtually the same as the Attlee-Cripps policy towards India was in 1946; was that base colonialism? As for Malaya, nobody with the interests of all its three races at heart can believe that the country would be happier or better off if the British administration were withdrawn at once. Every other country in the area is already self-governing. Where, therefore, is this colonialism that so disturbs Mr Bevan? If the Americans, with their persistent blindness on this issue, have been brought to see that the European powers have no objectives or intentions in South East Asia that are not compatible with the obligations of trusteeship for developing peoples, should that not be saluted by everybody in this country as a victory for common sense?

The other answer to the charge of colonialism is that if South East Asia is abandoned to be overrun by the Chinese Communists, then the result will not only be a strategic disaster for the western nations (to which the peoples of South East Asia might be indifferent), but the subjection of these countries to a colonialism far more tyrannical in its impact on the ordinary man and far more ruthless in its exploitation of him than anything they have ever suffered at the hands of the West even in its most unregenerate days. Let Mr Bevan say: does he think the ordinary Malayan or Siamese or Vietnamese would be better off, materially or spiritually, under Soviet colonialism than under the system of government that the West holds out to him? Until the armed threat has been repelled, there is no third choice open.

Mr Dulles said, on leaving London, that he was well pleased with the results of his visit: "the best talks in forty-eight hours that I have ever had." This is gratifying—but only if the sequel proves it so. For the obstinate, intractable, complex problem of Indo-China remains. There are signs that the Communists—certainly the Russians and perhaps

the Chinese—desire a truce. But do they want a truce of a kind that would be satisfactory to the western powers and to the Associated States of Indo-China—a truce, that is to say, that would effectually prevent any further resort to arms by the Communists in the greater part, if no longer in the whole, of Indo-China? That is the question that the Geneva conference will have to answer. If the Communists agree to such a truce, they will be giving up—or at least deferring—part, and a large part, of their aims. Why should they do that unless the alternative seems to them less attractive? Is it not therefore in the non-Communist world's interest to leave Mao Tse-tung in no doubt of the unpleasant consequences for him of a deliberate choice for war? That is Mr Dulles's logic, and it is unassailable.

The Phœnix Franco

GENERAL FRANCO has recently been behaving as if he thought he ought to play a more important role on the international stage. He has been mixing high-handedness towards Britain and France, his critical rivals in the Mediterranean, with blandishments towards the Arabs, his potential supporters and clientele; and he has invited (so far without result) Marshal Papagos, the Greek Prime Minister, to Madrid in the hope of adding him to the list of distinguished visitors whose attitude towards the Spanish regime has been mellowed by Spanish hospitality.

This is not a new departure. Abuse of Britain because of Gibraltar is a hardy annual of Falangist propaganda; and Arab friendship has been assiduously—if not very effectively—cultivated for years. When Señor Artajo, the Spanish Foreign Minister, made his much talked-about tour in the Middle East in 1952, he let it be known that Spain would like to become the linch-pin of a Mediterranean defence pact; and it was not through any negligence in preparing the ground that this aspiration came to nothing. Señor Artajo followed up his Middle East pilgrimage with an extended tour of the Far East. Last summer, the signature of a concordat with the Vatican provided a real feather for the Caudillo's cap, even though he had to give a great deal to the Church in order to get it. Now the Latin Union, which embraces the Romance-speaking countries of two continents, has agreed to hold a congress in Madrid, and there is talk that it might establish its headquarters there.

General Franco, in short, has for years lost no opportunity of, as it were, showing the flag. He has worked hard, consistently and—let it be admitted—with considerable skill to improve Spain's international standing. With the signature of the agreement about American bases last September his policy seemed to have paid him valuable dividends. It is in large part this success in at last breaking out of his long diplomatic isolation and in demonstrating that Washington, at any rate, thinks it is worth while to invest good money in him, that is encouraging him to renew his efforts to put Spain on the map as a factor that counts, at least in the Mediterranean. But do Franco's hopes rest on firm foundations, or is he merely bemused by his own hot air? Is he really any more important than he was, say, five years ago, when the western powers thought it wise and safe to keep him in a back seat?

★

Spain's importance, of course, waxes and wanes according to the temperature of the cold war, for its geographical position is obviously of interest to the strategists. It watches over the passage between the Atlantic and the Mediterranean; it has excellent harbours which would be useful in western hands, and deadly if used by enemy submarines; and it can—in time—give the Americans additional bases and elbow room in Europe, that is to say, more room to manœuvre and alternative lines of communication. With the new emphasis on peripheral defence, Spain has undoubtedly acquired new importance in western strategy; if it had not, Franco would never have been able to strike with the Americans what was evidently a hard bargain. Yet the fact remains that Spain is not vital to western defence in the way that France, Great Britain and Italy are vital.

Spain's value to the West is mainly a geographical one. It does not, therefore, matter so greatly that in any present emergency, Franco's armed forces, with their obsolete weapons, ships and aircraft, could contribute little to the West's armed strength. But the country's internal political and economic stability is obviously a matter of general concern. The alliance of a country torn by civil dissension is valueless; and this remains true however much on other grounds, one may disapprove of the government in power. General Franco arrived at the top by way of revolution and civil war, and if the strong arm, stout prisons and censorship on which he relies should fail him, he runs the risk of departing by the same route. Yet it would be merely wishful thinking to maintain that the air of stability with which he has surrounded his regime is altogether spurious. The Caudillo owes his continued success largely to the skill with which he has played off the contending forces within the country—Army, Church, Falange, workers—one against the other. There is no sign that he is losing his skill or that the undoubted unpopularity of the bases agreement among some sections of the population has affected his position.

On the contrary, the agreement, with its promise of modern weapons and equipment for the armed forces and its careful safeguarding of Spanish sovereignty, must have tightened the links between Franco and the Army, just as the signature of the concordat last summer must have increased the Spanish Church's stake in the Franco regime.

Perhaps the most serious danger to the government lies in popular discontent arising out of economic instability and persistent hardships. In recent months there has been a fairly general round of wage increases, but they have not been sufficient to catch up with the cost of living. Last year's drought was almost calamitous and may well have been the factor that decided Franco to settle with the Americans. This year's orange crop, on which Spain depends for the best part of its foreign exchange, has been so seriously damaged by frost that exports have had to be stringently rationed among Spain's principal customers. The money that is beginning to flow into the country as a result of the bases agreement cannot affect the vagaries of the weather; but it could, if well used, do much to put the currency on a firmer footing. On the other hand, if unwisely used it might bring serious inflation, great economic damage and greater misery. General Franco can no longer shuffle the blame for the country's economic miseries on to foreigners who stubbornly refuse to lend a helping hand.

On the whole, however, it will be surprising if American aid does not turn out to be a blessing to the Spanish economy. In any case, now that the Americans have a stake in the country, it is a reasonable assumption that they will help it out of its more serious economic difficulties. General Franco has, indeed, some excuse for congratulating himself; it would be idle to deny it, however much some people may deplore it. He owes his improved fortunes, however, almost entirely to the fact that he has been "taken up" by the Americans because of his country's strategic position. Like other authoritarian regimes, that of General Franco has an interest in the persistence of tension and rivalries in the outside world. He has opportunities for mischief-making in the Mediterranean that will need to be carefully watched, not least from Washington.

Europe's Currency Tangle

AT the beginning of next month the Finance Ministers and some of the Foreign Ministers of Western Europe will meet in Paris to settle the fate of the European Payments Union. It is now practically certain that they will agree to extend its life for a year beyond its present expiry date on June 30th next. This may sound dull news. But it should in fact be greeted with a sigh of relief. For it will mean that a compromise agreement has been reached in a bitter controversy that has been raging in the past few months between the British and the Scandinavians on the one hand and the Germans, Swiss, Belgians and Dutch on the other. The controversy has been a complicated one; it has owed many of those complications to the fact that that darling Humpty Dumpty word of modern economic science, the word "convertibility," means something entirely different in its British/Scandinavian context from in its German/Swiss context. But since the controversy, and the continuing series of compromises that may be needed to bridge it in the coming year, have a major bearing on the level of European trade and prosperity, it is worth while for the ordinary man to tie a wet towel around his head and try to understand what the trouble has all been about.

The European Payments Union is the mechanism under which West European countries agree that their balance-of-payments surpluses and deficits with one another need not be settled wholly in gold or dollars, but can be partly financed by the grant of credits from surplus to deficit countries. The fact that deficits do not lead automatically to full payment in gold has enabled member countries to agree that they will not impose stringent licences on imports from one another. In fact, solvent countries are supposed to keep at least 75 per cent of their intra-European imports free from licensing restrictions, and all major EPU powers except France are at the moment able to live up to this rule. Thus a mechanism for settling payments has contributed towards a freer movement of trade.

There have always been two contingencies that might break up this eminently sensible system. The first danger has been that those countries that tend to be chronically in surplus in their intra-European trade—recently they have been Germany, Switzerland, Belgium and Holland—might grow weary of granting credits to those countries that tend to be chronically in deficit. During the negotiations for the renewal of EPU this year these four major creditors showed clear signs of such weariness. They put forward three propositions:

(1) That deficit countries should meet a larger proportion of their currently accruing deficits in gold so that surplus countries should not have to grant such large credits. Britain and Scandinavia opposed this proposal vehemently. They said that creditors should not be given an inducement to build up large surpluses; creditors should rather work to reduce them by removing their remaining import restrictions, by lowering tariffs and by granting greater freedom to outward movements of capital

(2) That debtors should meet some of their longest-established past accumulations of debt (and thus creditors receive payment for some of their longest-established past credits) in gold. After initial muttering, Britain has announced its willingness to accept a compromise here; briefly, it has agreed that it will pay out £30 million in gold to the four major creditors straight away (subject to satisfactory arrangements about settlement of the remaining £160 million of its debt).

(3) That countries which have not freed 75 per cent of their intra-European imports from licensing restrictions should be told plainly that they have got to live up to their obligations. France is the only major country in the dock here, and at one time it looked as if the OEEC authorities were being given a diplomatic stick of dynamite to hold. These authorities (who live in Paris) seemed likely to be charged with the task of telling France that it should subject its high-cost industries to greater foreign competition, because the Germans wanted it to. Fortunately, however, Dr Erhard, the German Minister of Economics, has recently toned down this demand; and France has now agreed to liberate 65 per cent of its European imports before the end of the year.

Throughout these controversies the British and the Scandinavians (the Swedes, though not current debtors in EPU, believe in easy credits because many of them still think there is going to be an American slump) have been the loudest opponents of the German-Swiss-Belgian-Dutch *démarches*. The British have had some good reasons for their stand, but circumstances (and a little stiff-neckedness) have combined to make them look hypocritical. The main circumstance has been that it is widely believed in Europe that—whatever happens to the sterling area's general balance of payments this year—the sterling area's particular deficit with EPU is bound to increase.

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There are several reasons for this. First, Britain's EPU deficit does not depend wholly on the sterling area's own balance of payments; about £50 million of sterling a year also gets into the EPU clearings as a result of "transferable sterling" payments from outside. These are the sterling payments made to European central banks by Iron Curtain, Latin American and some other countries; for example, a great part of Germany's exports to China is now financed by transfers of Chinese sterling (part of which might originally have reached Chinese hands as a result of Russia's recent gold sales in London). The recent extension of the transferable sterling system is expected to increase the amount of sterling that finds its way back into the EPU clearings after thus travelling round the world. Secondly, the prices of the sterling area raw materials that are most commonly bought by continental countries are lower than a year ago. Thirdly, British engineering exports are now flagging badly in Europe; in these purse-pinched markets the extra quality of many British products simply does not offset their extra cost, and servicing facilities are not good.

It is against this background that continental countries have viewed Britain's opposition to the creditors' claims. It is understandable that they should allege that the long-winded old aristocrat has simply been seeking to put off payment of his past and future tailor's bills. This charge is not strictly fair. Britain has two respectable and sensible reasons for wanting to keep EPU in being at the present time. First, if the American recession should deepen—and the British Government is not yet prepared to lay any heavy wagers against it—European trade and employment can best be kept afloat on a sea of easy credits. Secondly, if an advance is eventually to be made beyond EPU to a system of convertible currencies, Britain wants it to be from a starting point where all countries have already removed import licences as far as is politically feasible—and the EPU system holds out an inducement to creditors and an exhortation to debtors to do precisely this.

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This British attitude leads on to consideration of the second factor that might break up EPU—the threat that comes from Britain instead of from the creditors. The threat is that of sterling convertibility. In the British sense of the term, "convertibility" would mean that any foreigner who received sterling could turn all of it into gold or dollars; obviously, in these circumstances, no foreigner would bring his earnings of sterling into the EPU clearings (where only part of them would be convertible into gold or dollars), and the EPU would come to an end. The continental countries believe that Britain may in fact make an attempt at convertibility towards the end of 1954 or the beginning of 1955. They argue that Mr Butler was very enamoured of the project two years ago; that he has been pleasantly surprised at the way in which sterling has stood up to the first nine months of a moderate American recession; and that if, by next autumn, it should be clear that American activity and imports were rising again, he would show that there is life in the old love yet.

Cautious observers in Britain will hope that the Europeans are over-emphasising Mr Butler's romanticism; they may also note that the Europeans' wish is to some extent an energetic father to their thought. A year ago most European countries were opposed to sterling convertibility; they feared that such an advance might only be achieved with the aid of more licensing restrictions on British imports. Now, however, the four big European creditors would welcome sterling convertibility in 1954 and 1955; it would mean that the sterling which they now receive in such ample measure would be directly convertible into gold, and would therefore bring their worries about excessive sterling credits to an end. It may have been at least partly *pour encourager les autres* that the Germans, Dutch and Belgians have recently been making noises to suggest that they might surge ahead of Britain by making their own currencies convertible first.

These noises are apt to be misleading; the only sort of convertibility towards which Germany, Holland and Belgium may conceivably soon advance on their own is the sort of convertibility that is already enjoyed by the Swiss franc. "Swiss style convertibility" is totally different from the British concept of convertibility. It means simply:

(1) That Swiss citizens are more or less free to invest their capital in the dollar area.

(2) That Switzerland's restrictions on imports from the dollar area are no sterner than its restrictions on imports from other countries.

It will be seen that this system (which is appropriate only for a currency that is almost wholly held by its own nationals, and not—as sterling is—widely held by foreigners) does not carry with it any threat to EPU; Swiss residents who hold Swiss francs can turn them into dollars, but foreign central banks which hold Swiss francs still have an inducement to hand those francs into the EPU clearings and get part payment in gold. Holland, Germany and Belgium—in that order—are already very near to enjoying "convertibility" in this Swiss sense. They could go the whole distance, with a great fanfare of trumpets but with little real change, at almost any moment they chose.

Although a Dutch-German-Belgian advance to Swiss-style convertibility would not break up EPU, there are three reasons why Britain might suffer if such advances were made too precipitately. The first is that if these three countries ceased wholly to discriminate against dollar imports, their markets might start to re-sell dollar products to other European countries, thus increasing their EPU surpluses. The second is that if Dutch, German and Belgian nationals could transfer their capital to the dollar area, a loophole might be created through which some sterling might be transferred into dollars too; indeed, under certain conditions, and provided it can escape British exchange controls, some sterling can already be converted into dollars via D-marks and Swiss francs at a discount of only around ¼ per cent. Thirdly, if four major European currencies were called "convertible" in this misleading sense, there might be greater pressure on sterling to become convertible in the true international currency sense. This may sound absurd, but the notion that sterling was one of the few European currencies still called "inconvertible" would weigh heavily on the Bank of England's mind.

The situation, in short, is as delicate as it is complicated. Britain is certainly correct to stand by the principal tenet of its present policy: that EPU, with its credit facilities and consequent opportunity for trade liberalisation, should be kept in being unless or until the non-dollar world starts earning so many dollars—and looks like continuing to do so—that an advance to a wider international system of freer payments and trade becomes possible. But in standing by that principle, at a time when the sterling area's deficit with Europe seems very likely to widen, Britain has laid itself open to misrepresentation; and that misrepresentation may already have spread further among the Finance and Foreign Ministries of Europe than the technicians at the Treasury realise. The danger is that if the controversy at a technical level becomes too complicated and bad-tempered, the solution eventually sought at a political level could conceivably be too simple and precipitate. The EPU is now about to be renewed because, despite many squabbles about details, everybody realises that it is necessary. It would be a pity if later in the year there was an attempt to abandon it for something wider and more risky—not because the participants thought that a discontinuance of the American recession made EPU unnecessary, but because a continuance of their own squabbles made them doubtful whether EPU would still work.

Urban Rides—II

Changes on the Mersey

BY A SPECIAL CORRESPONDENT

UP in the north-west of England there is a gentleman-merchant of the old school. His counting house is on the grand scale, a little old-fashioned, but solid, and with the very latest electronic appliances unostentatious in the corners. "The old boy was a keen business man once," say his colleagues, "but a bit of a back number nowadays. His trade's fallen off and he can't keep all his people busy. They tell me his family even gets some sort of public relief." But they are only judging by the dust in the entrance hall. The merchant himself is busy with more important matters.

"Relief? Nonsense! Certainly my old trade's not what it was. I should know when the tide's changing—I've watched it long enough. But I've seen this thing coming for twenty years, and I've planned accordingly. I'm branching out into Manufacture. Panic improvisation? Fuddling consumer industries? Not a bit of it! I'm doing the thing properly. Vehicles, engineering, electrical goods. Things with a future as exports. I was feeling my way in the thirties, but I really got my hand in during the war." And sure enough, through his untidy backyard, and out on the green fields beyond, there are his modern workshops, model dwellings and new arterial roads. He suspects he may yet have the laugh on his cotton-spinning friends.

Until the second quarter of this century, Liverpool flourished as a port and market, and needed few other interests. It handled almost a third of Britain's overseas trade, took a large share of the merchanting, banking and insurance business that went with it, and also made a good thing out of processing bulky imports, such as sugar, grain and oil seeds. While other regions were specialising in manufacturing this or that, Liverpool was specialising in commerce; and its legacy of civic architecture, its fine cultural tradition, its very sophistication, show that it had chosen profitably.

But the pattern of British overseas commerce was altering in many ways before the war, and has altered even more since; and most of the changes have been detrimental to Liverpool. The soaring national values of foreign trade during the past few years have not brought automatic prosperity to all ports; the work of a port, though not unaffected by the value of its cargoes, is related mainly to their bulk. The national policy of cutting back imports has fallen trebly hard on Liverpool, which in 1939 sent out only one ton of cargo for every three brought in; in particular, the policy of relying increasingly on home-grown food has meant a permanent loss to its large grain and meat-importing business. The present export boom cannot altogether offset these losses, though while it lasts it mitigates their effects. But there was a time when Liverpool's exports were drawn largely from the North, and destined for the Far East and the New World; they were shipped through Merseyside as a matter of course. Nowadays both the origins and the destinations of Britain's exports are much more varied, and Liverpool has to compete for its share. Add to this the fact that the cream of the trans-atlantic passenger traffic has been skimmed by Southampton and Heath Row—and that the Manchester Ship Canal has given Lancashire a full-grown port in its very heart—and it becomes evident that Liverpool, as a port, has outlived its palmiest days. It still shares with London an immense superiority to all other British ports; but the era of seemingly limitless expansion is over.

TOTAL SHIPPING TONNAGE, ENTERED AND CLEARED
(Million tons)

	UK	Merseyside	*Merseyside as percentage of UK*
1937	262·4	35·4	*13·5*
1938	252·9	35·4	*14·0*
1946	149·6	22·0	*14·7*
1948	201·9	29·6	*14·6*
1950	232·3	32·5	*13·9*
1952	255·9	33·0	*12·9*

At first sight, this may seem no cause for alarm. If Liverpool can hold its present position in the commercial and shipping worlds, if it can keep its seven miles of docks busy, that is surely achievement enough in the bleak postwar world—even for Liverpudlians. But there is one good reason why they regard stability as not enough: the long-standing problem of local unemployment.

Liverpool's chronic unemployment problem is peculiarly its own. Prewar conditions have left it the legacy of a large pool of unskilled labour, hired "off the stands" and chronically underemployed, which, notwithstanding the National Dock Labour Board, will affect the character of its labour force for many years yet. Liverpool is also the Promised Land for the North Welshman drifting into urban employment and the emigrant Irishman looking towards England; and although there has also been a steady flow of migration out of Liverpool, there remains an unusually high proportion of "foreign" population in the city—much of it unskilled and unused to settled work. In 1947, over half the unemployed were said to be unskilled workers. Population, too, is growing fast. Liverpool's birth rate has long been much higher than the rest of the country's, and since this means a high proportion of young people the rate is likely to be maintained. Here again, the city's large labouring class is making its presence felt.

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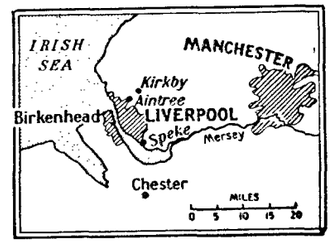
There is, indeed, a special flavour about the social composition of Liverpool that is part and parcel of its economic climate; an awareness of "the masses" that is heightened by the gulf that lies between them and the army of self-consciously white-collared office workers. The handful of administrators and business men who dominate the city council (one of the most steadily Conservative to be found among the large towns) has an almost paternalist attitude to its flock. "Our unemployed" have been regarded as a responsibility and a challenge by the city's leaders for the past twenty years. A great deal was said and written in the thirties about the need to provide alternative employment for a working population which was too dependent on dock work, transport, and the primary processing industries. No doubt there had always been many idle or semi-idle poor in Liverpool. The nineteenth century assumed they were necessary to the city's progress; the twentieth century concluded that still further progress was necessary for their elimination.



Deus haec otia fecit says the city's motto, and in 1936 the corporation decided that it should itself make an industrial zone to complete the picture. By the Liverpool Corporation Act of that year it took powers to develop industrial estates on the rural perimeter beyond the ring of suburban housing. The first result was merely that some factories moved out from inner Liverpool to more modern locations at Speke and Aintree. But the rearmament programme of the late thirties helped to bring in new industries; and during the war the building of a large Royal Ordnance Factory at Kirkby gave a flying start to yet a third industrial zone, which promises to be—at 1,800 acres—the largest trading estate in Britain. These three corporation estates, each on the edge of extensive corporation housing developments, are almost—but not quite—three satellite towns; they are intended ultimately to employ

56,000 people. In 1949, the whole of Merseyside (Liverpool and district, plus Birkenhead and district) was made a Development Area, so that the government could help neighbouring local authorities which were too small to follow Liverpool's example unaided. Since then Liverpool Corporation's efforts have been merged into those of the whole conurbation, although, of course, they still dominate it.

EMPLOYMENT IN POST-WAR FACTORIES
(mid-1952)

	Number of Workers	*Percentage of Men*
Chemical and allied trades	2,250	*66*
Engineering and electrical goods	9,320	*66*
Vehicles	3,830	*86*
Metal goods	1,010	*75*
Food, drink and tobacco	2,020	*37*
Paper and printing	1,230	*38*
Others	11,960	*58*
Total	31,620	*63*

The new estates have not been immune from criticism. It is sometimes said that too much of Liverpool's new industry is light women's work on consumer goods, although it is men who most need jobs and although exportable goods incorporating a high degree of skill are obviously Liverpool's—as they are Britain's —safest meal ticket for the future. But these gleaming new premises cannot be filled at will with ideally enterprising managements and skilful workmen; there are not enough of either in the whole country to go round. And, with almost half the workers in its postwar factories engaged on chemicals, engineering goods and vehicles, Merseyside's new manufacturing areas have a larger share of what seem to be expanding industries than many of its established rivals, which passed through their industrial revolutions a century or more ago.

The combined effect of revived port activity, new building and new factory employment was to bring down the unemployment rate on Merseyside from 5.7 per cent to 3.7 per cent between 1947 and 1952 (compared with 1.9 per cent and 2.3 per cent in the country as a whole). So far, so good. But the real test of success has hardly begun. When the whole area has achieved some sort of peacetime equilibrium, will it succeed in providing jobs for more of the "old unemployables," more of the adult immigrants, more of the flood of school-leavers? And if it does so in boom years, how will it get along in slump? All that can be said is that Liverpool has adopted the contemporary formula—diversified activities, modern road communications and heavy capital investment in industries old and new. It has done so with a gusto that deserves to succeed.

Notes of the Week

Bevan in the Indo-China Shop

ONCE again Mr Bevan has come to the rescue of the Conservative Party. The effect of his sudden arrogation of command over Labour's foreign policy last Tuesday was electric. Mr Eden's statement on his talks with Mr Dulles had been interspersed with the yelps and barks that are an automatic reaction from certain Labour left-wingers whenever a statement on Anglo-American policy is sprung on them without previous party discussion and disciplining. Mr Attlee got up and steered Labour's reply along the lines of cautious moderation to which he is accustomed; the master of the foxhounds was clearly flicking the gentle switch with which he has so effectively—and with such great advantage to his party—controlled his pack in the last few weeks. Then, as soon as he had sat down, Mr Bevan walked along the front bench and did his best to contradict his leader.

It is still too early to say whether the damage to Labour will be serious; the party's capacity for opening rifts in its own ranks is only equalled by its capacity for pretending later that the rifts do not exist. But Mr Bevan's impetuosity —if it was impetuosity—has once again manifested itself at precisely the wrong moment. Until this incident it had seemed certain that there would be a gay tilt to Labour's bonnet this Easter, and for once it was not wholly due to the bees within.

The party was excited that Mr Butler's budget had been so dull; some Socialists even realised that if they had deliberately combusted industrial workers' wage claims two months ago, the general public might now be blaming them for this need for restraining dullness. Labour was delighted that it had gained an extra 3.6 per cent of the poll at the East Edinburgh by-election last week, after seven successive swings to the Tories in each of the previous by-elections since the end of last year. It was revelling in its recent unity and newly-strengthened respect for Mr Attlee's leadership. Some of the non-Bevanites who opposed German rearmament after Berlin felt that they had exhausted their quota of revolts for this year, and even suspected that their attitude

in that quarrel might have been wrong; and the whole party now recognised that the tactics Mr Attlee adopted in the debate on the hydrogen bomb were correct. It was a delightful experience for the Opposition on that occasion to find the Government falling into Labour's own usual error of turning aside soft words by wrath. It is still not clear whether Mr Bevan's intervention on Tuesday was due to his failure to appreciate all this; or to so keen an appreciation of it that he was determined to seize back the limelight he was losing; or merely to irrepressible emotion. What is clear is that he has cast a cloud over Labour's jovial spring.

Pensioners and the Budget

THE old-age pensioners dominated the four-day debate on the Budget, and when the Chancellor of the Exchequer wound up on Monday he gave what some Tories hope was a hint that the Government may bring in a Pensions Increase Bill during the current financial year. Mr Butler was very careful. He said that to "give any undertaking would not be honourable," and reminded the House again that the old will be one to four of the working population in 1979 compared with only one to nine in 1931. "When we take our decisions, therefore," he said, "let us take them with all the gravity that that means for the younger and working population." But he also said that the position of the old-age pensioners is clearly a "first priority for this or any other Government"; and reiterated that although recent practice has been to link a pensions rise with a budget, the two are really separate operations.

The timing of any Pensions Bill should normally depend on when the Government gets the reports of the Government Actuary and the Phillips Committee; if these were to hand by the autumn, a Bill could be on the Statute Book by Christmas—but, on the present timetable, it does not seem that they will be. As Mr Butler left little doubt that national insurance contributions will have to go up too, a pensions increase may not be the political palliative generally expected; but both backbench Tories and the Labour Party are urging the Chancellor on.

Apart from this pensions problem, there is little need for Tory pessimism on account of the budget. The debate showed that its economic basis is generally accepted. Labour's criticisms took the line that this year's parsimony was an inevitable consequence of last year's lavishness. Conservatives were inclined to emphasise the need for avoiding a recurrence of parsimony next year, chiefly by firm handling of Government expenditure and an increase in productivity. Mr Butler gave no fresh hint of how he intends to attain his objective of greater public economy; indeed there was a hint of defeatism in his emphasis on not letting expenditure rise rather than on cutting it. As for productivity, Mr Robens had some sensible things to say from the Opposition front bench about the need for modernising industry, but his complaints about restrictionism were not extended from the boardroom to the workshop; the finest tools in the world are no use to a workman if his union prevents him from using them properly, but neither party seemed anxious to rub this argument home.

Labour's Views on Transport

As a potted history of public transport since the beginnings of the railways, the first of the Labour policy pamphlets that are to spell out the general words of "Challenge to Britain," can be accepted without too much demur, despite the false emphasis at many points in the story. But as a piece of thinking on what Labour intends for the future, the three last pages (out of thirty-two) are as muddled and obstinately myopic as could be. If there is a challenge here, it is to the Labour party, and not to the country. The policy proposals rest on three assertions, in which the elements of truth are interwoven with prejudice. First "free" competition (has anybody ever suggested it?) is incompatible with regular service and the provision of unremunerative services—both, of course, part of the British birthright. Secondly, the acceptance of public obligation leads to "constant financial difficulties." Thirdly, "unequal competition" leads to the carriage of goods by "uneconomic means" and to "unnecessary duplication" of services. There is only one solution—"the elimination of competition by the unification of transport services under public ownership."

So the new "policy" leads back to the 1947 Act, for which the pamphlet displays a nostalgia singularly at odds with other people's recollections, giving every atom of credit for what went right and ignoring so much of what went wrong. To have transport pitched into the melting pot with every change of government is a most appalling prospect. So are the additional fetters that are proposed for privately owned transport—back to the 25-mile radius for private operators ("in the public interest," of course) and suggestions for the restriction of "C" licences by requiring "proof of need" or by limitation of radius. It is hardly surprising to find the pamphlet suggesting that such sensible features of the 1953 Act as the greater flexibility of railway charging powers should be retained. But these were the essential elements in the more competitive framework for public and privately owned transport which the 1953 Act envisaged. They have not yet been put to the test. If the cry is "Back to complete public ownership and even stricter control," these provisions would be a positive danger; for then, only the Transport Tribunal would afford any ultimate protection for the transport user.

Mr Dulles in Paris

MR DULLES'S flying visit to Paris must have been long enough to prove to him that statesmen other than himself have great difficulties with public opinion when framing their foreign policy in the Far East. His proposals for "united action" over Indo-China came at the very moment that the Laniel government was getting a grip on parliament in this matter, and they may be too much for the Assembly to swallow. The government's strengthened position was partly due to the national pride aroused by the heroic stand of Colonel de Castries's garrison in Dien Bien Phu; but it was also due to its repeated protestations that it was willing to negotiate with the enemy. Knowing that patriotic fervour is a fickle and transient mood, M.

Laniel insured himself against a parliamentary coup by appropriating his opponents' trump card. It is feared in Paris that Mr Dulles has now blown it away, and that many will now lay on western policy the blame for any failure in the Geneva conference.

Eager though they were to be helped in Indo-China, the French are little attracted by the idea of internationalising the struggle there. For right-wing supporters of the Laniel cabinet this is a colonial war and they found even the promise of independence for Vietnam hard to swallow. They consoled themselves with the hope that at least France's economic interests in Indo-China could be preserved. Now it is feared that American predominance in the struggle against Ho Chi-minh may lose France both face and substance. For the mass of the people, moreover, joint action against China raises the threat of world war, while a "united declaration" too strongly worded could be presented to a war-weary country as an unnecessary prolongation of bloodshed.

When the western foreign ministers prepare their briefs for Geneva they will have to bear the French mood in mind. Should Communist propaganda succeed in persuading public opinion that a chance of peace was lost at Geneva owing to American pressure, then a military reverse—be it in Dien Bien Phu or the Tonking delta—could provoke a major political crisis. Bad news from Indo-China might bring the government down and parliament might refuse a majority to anyone not pledged to end the war at any cost. Hasty moves made now may be regretted in the autumn, when the rainy season is over; and strong words rouse in France an echo quite different from their effects in the United States. It is a pity, but it is a fact.

Last Act on EDC

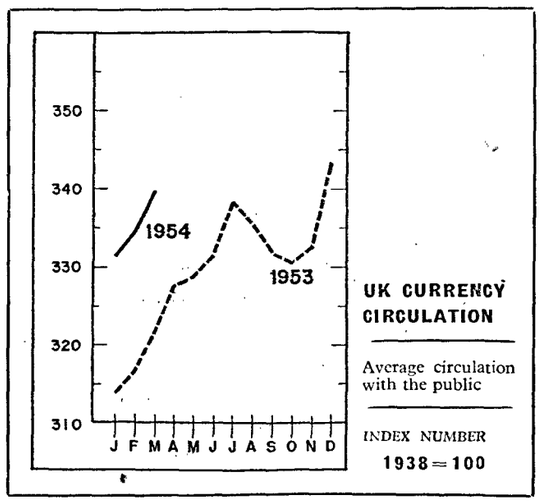
IN the bitter struggle and controversy over the European Defence Community the great moment has come for which the British Government has been so long preparing. The form of association with the EDC that it is ready to create is now known to the French cabinet, and an announcement in the House of Commons is expected as *The Economist* goes to press. It cannot disappoint French ministers, for they have known for some time what the British proposals would be. It will certainly disappoint all French opponents of the EDC, many of whom would have persisted in their opposition even if Britain had agreed to become a full member. What is uncertain is the effect of what Mr Eden has to say on moderate opinion, the floating vote on this vital matter.

The manner of making known what must be a historic decision is unskilful. The eve of the Easter holiday is hardly the moment for making a full impression on French public opinion. Nor is a statement in the House of Commons as effective a medium as Whitehall persists in thinking. It will be at the mercy of correspondents and commentators who have watched for over two years the hesitant, grudging manner in which British policy has bit by bit revised its attitude towards a project that it encouraged. It may prove to have come only in the nick of time, for Germans are becoming understandably restive and criticism of Dr Adenauer's policy—blocked at several points by France—is growing. What is welcome is the evidence that the government now accepts in its foreign policy, what it has for some time admitted in its strategy, that the air defence of the British Isles begins beyond the Rhine and that Britain should speak in the councils of EDC as the leading air power of Europe.

Disarmament Waits for Moscow

DURING their brisk two days of talk in London, Mr Eden and Mr Dulles found time to discuss the latest steps in the direction of international co-operation over atomic energy. It is now over five months since President Eisenhower laid before the United Nations Assembly his proposal for an atomic "pool" to which all countries could contribute, and in which all could work together, to develop nuclear energy for peaceful purposes. The Assembly had already passed a resolution urging the major powers to consult privately together on the whole question of disarmament, and it was clearly the view of the majority of governments that the Eisenhower offer would be a good starting point for these consultations. Even if its results were bound to be modest in the initial stages, it could provide a new angle of approach towards breaking the long-standing deadlock on disarmament between the Soviet Union and the majority.

Moscow's first brusque rebuff to the President's proposal was quickly modified when Mr Molotov saw what a bad impression it had made on world opinion; but the Soviet government has yet to show any real interest in the Eisenhower plan, as to which it may be fairly described as dragging its feet. Just a month ago, a detailed elaboration of the plan was handed by Mr Dulles to the Soviet ambassador in Washington. No reaction has yet been revealed. If the Russians now finally agree to the disarmament talks that were urged by the UN Assembly, endorsed at Berlin, and again proposed last week by the British representative at Uno, it is to be hoped that they will make clear at least



their general attitude towards the kind of co-operation proposed by Mr Eisenhower. Moscow still proclaims itself as the only true champion of disarmament; unbroken silence, and a marked reluctance to sit down at the conference table, are strange ways of acting this role.

No Surrender in Kenya

THE attempt to bring in many of the terrorists in Kenya through negotiations with the gang leaders has failed. But the failure is not total. After the lull in fighting that accompanied the final phases of the negotiations, a fierce new offensive is being mounted; it promises to be all the more effective for the valuable information collected during the tense weeks of contact with the terrorists. Even if this is the only crumb of comfort to emerge, the Government was clearly right to persist, despite the protests of many European settlers, in using General China's offer of his services as go-between with the terrorists.

Reports suggest that the surrender attempt came within an ace of success. On March 30th a meeting was held with the terrorists' representatives, at which the Government undertook to cease operations within certain well-defined forest areas for a limited period; in return the terrorists' representatives undertook to try to persuade their gangs to come in. What happened next is obscure, but it seems that the gangs were by now split into militant and malleable wings. By the evening of April 6th, unknown to the Government, a great throng of terrorists, some thousand strong, had collected near the forest edge to discuss surrender, and other large gangs were moving in their direction. Then came the fatal incident. A gang (presumably of militants), strayed out of the forest and opened fire on security forces, which were deployed for a sweep in the area. In the resulting battle 25 terrorists were killed. The news that the security forces were firing stampeded the gathering inside the forest. The terrorists dispersed, convinced that the Government's surrender offer was no more than a trap to surround and massacre them.

After this tragedy the Government had no real choice but to call the whole thing off. That the operation came so close to success in an atmosphere poisoned with suspicion is both a tribute to the authorities and a justification of their attempt. Those settlers who have throughout opposed the Government's strategem have not, of course, missed the opportunity of reading the Government a lesson. But it may fairly be asked whether their open hostility did not contribute materially to the terrorists' jitters, and so to a failure that Kenyans—European and African alike—may have bitter cause to rue.

Some Economic Terms

The following is a second selection of terms for the English-Doubletalk dictionary which was suggested in last week's issue of *The Economist*. Any reader who, in the interests of pure research, has further contributions to make will find his proposals welcome.

Manchesia, centre of protectionist agitation

Birmingham, centre of free trade agitation

Manchestertum, English name for present German economic doctrine

Schachtianism, German name for present English economic doctrine

Empire, the British Commonwealth of Nations, minus India (because of Nehru) and Canada (because of the dollar gap)

Empire Free Trade, Empire protectionism

Dumping, imports

En Principe, no (French)

Transferable Sterling, a variety of sterling so-called because it is not transferable into dollars.

The Bomb Goes to Coventry

COVENTRY CITY COUNCIL has made itself ridiculous by announcing that it has decided to disband its local civil defence committee, in order to "strengthen the hands of international statesmen in their efforts to outlaw the [hydrogen] bomb"; and the Home Office has rightly reminded it of its duty and asked it to reconsider this silly decision. The closure of the committee does not involve the immediate disbandment of the city's civil defence organisation; but the leader of the Labour council has intimated that he now regards civil defence as a whole as a waste of time and public money.

The councillors' illusions about the extent of their influence upon international statesmen are hardly more surprising than their illusions about the lessons to be drawn from their action. What they have done, certainly, is to think up another easy excuse for the apathy about civil defence which is already so evident among many local authorities, and greatly to discourage all those who have given time and effort to this cause. But they have not shown that the existence of the hydrogen bomb makes civil defence unnecessary. However large the area of damage there is always a periphery, where houses are burning and people are trapped and injured; and obviously, the larger the explosion the larger the periphery and amount of partial destruction. Coventry councillors have, in effect, voted to let their people die in the ruins on the apparent assumption that a bomb will land plumb on Broadgate and blow all the citizens tidily into paradise at the same instant. All this is quite apart from the question of whether, with both sides in possession of the bomb, it might be used by neither. Conventional bombs might be used instead, and Coventry should remember only too sadly that a civil defence organisation is needed to cope with them.

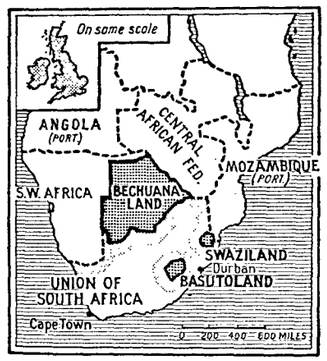
In his letter to Coventry, the Permanent Under Secretary to the Home Office admits in reticent officialese that civil defence measures will have to be reviewed "in the light of

recent developments." It is clear that this must be done very promptly if the precarious edifice of civil defence is not to collapse altogether.

Malan and the Protectorates

DR MALAN'S motion calling for resumption of negotiations with Britain about the transfer to the Union of the three British protectorates will no doubt be approved by the South African parliament; but it will bring not a moment nearer the event he desires. Why, then, having wilted from the alternative of seeking a petition from both Houses to the Privy Council, did he choose this course instead of reopening negotiations directly with London through diplomatic channels?

His intentions are obvious. On the one hand the Nationalist cabinet realise that they have in the protectorate issue another stick with which to chastise the opposition. The United Party dares not go back on the principle of incorporation, so vigorously championed in the past by their late leader, General Smuts, nor, as the party that lives and dies by the sanctity of the Constitution, can they afford to ignore the Union's undeniable right to seek incorporation. But, as the guardians of the Commonwealth link, and with due regard to the susceptibilities of their English-speaking members, they are loth to join in a wrangle with Britain. Another object of the move is to cement "backveld" support for the Nationalists by playing on an anti-British theme. On the other hand, however, Dr Malan's motion may be no more than a clumsy gesture, designed to impress the British public and parliament with South Africa's determination to get a settlement. In fact, the protectorate problem is not a real issue at all in the Union. Then there is the question of timing. Why does Dr Malan raise the matter now, whereas only a year ago he shrank from his oft-repeated promise to make it his main electoral plank? Perhaps the answer is to be found in the fact that he is 80 and he would like to retire in a blaze of glory, having settled the protectorate problem.



The firm statement of policy made by the British Government is obviously right in making it clear that, as in the past, there can be no question of retreating from pledges given to the people of the protectorates, and to parliament. But, if Dr Malan persists with his demand for a resumption of negotiations, the Government should accede since it has a duty to the inhabitants of the three territories, many of whom make their livelihood in the Union, not to take any action which might be prejudicial to their interests. Nevertheless it should be made clear to the South African Government from the outset that the present moment is inopportune for a transfer of sovereignty. The basis of this contention is the same as it was in 1925, when, in the words of the then Secretary of State, Mr L. S. Amery (with which General Hertzog agreed), "the native policy of the Union is about to be subjected to radical revision."

Belgium Gropes for a Government

BELGIUM'S quiet elections have created a situation that is confused and full of possibilities of friction. In Brussels, there is nothing novel about the prospect of a coalition or minority government; in fact, the Christian Social government that has just tendered its resignation after four years in office was the only one-party government Belgium has had since 1918. But that does not imply that most Belgians greet the reversion to normal with enthusiasm. For one thing, there is an awkward piece of unfinished business in hand, in the shape of the constitutional amendments required to permit Belgium to enter the European Defence Community. The EDC treaty was ratified by the last parliament, although its passage opened up rifts within the parties; but amendments of the constitution call for a two-thirds majority, and to get this the three main parties—Christian Social, Socialist and Liberal—may have to bury their hatchets, if only for a month or so.

That is not going to be easy. Although the Christian Social party has lost its clear majority (of 108 seats out of 212 in the Chamber of Representatives), it retains 95 seats and, being still the largest party, shows little desire to sacrifice its Catholic principles in order to come to terms with the Socialists or the Liberals. These two parties, having won respectively 86 and 25 seats, are theoretically in a position to form a coalition government, but in the past their different approaches to economic and social issues have shown them to be uneasy partners. Indeed, neither of the two larger parties is particularly happy about the decisive position that the Liberals now occupy; yet they are unlikely to join together to "dish the Whigs." And there are no other possible allies in sight; a couple of dissidents and a Communist party now reduced to four seats make up the rest of the Chamber. Some Belgians must be thinking regretfully of the last election year, 1950, when the "royal question," so painful at the time, nevertheless provided the country with a clear issue—and a clear majority.

Higher Pay for Hospital Doctors

THE new salary scales for the medical staff of the hospitals are a direct reflection of the Danckwerts award to general practitioners. The remuneration of both groups of doctors is based on the reports of the Spens committees, which were published in 1946 and 1948. The medical profession and the Labour Government accepted these reports, but profoundly disagreed over what is called the "betterment factor"—that is, the percentage increase to be added to the Spens scales to bring them into

What happens when your Senior Executives retire?

Many enlightened firms appreciate only too well their obligations to staff and senior executives. They know that with taxation at its present level no employee can hope to save enough to ensure a reasonable degree of security on retirement. They know that good executives can be attracted away by companies offering better security. Yet nothing is done to organise pension arrangements because of apparent difficulties and an impression that no ready-made scheme can meet their particular requirements.

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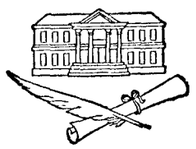

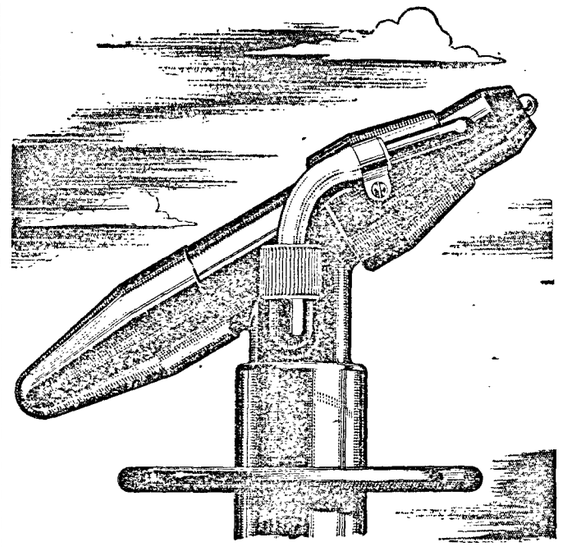

How far ahead?

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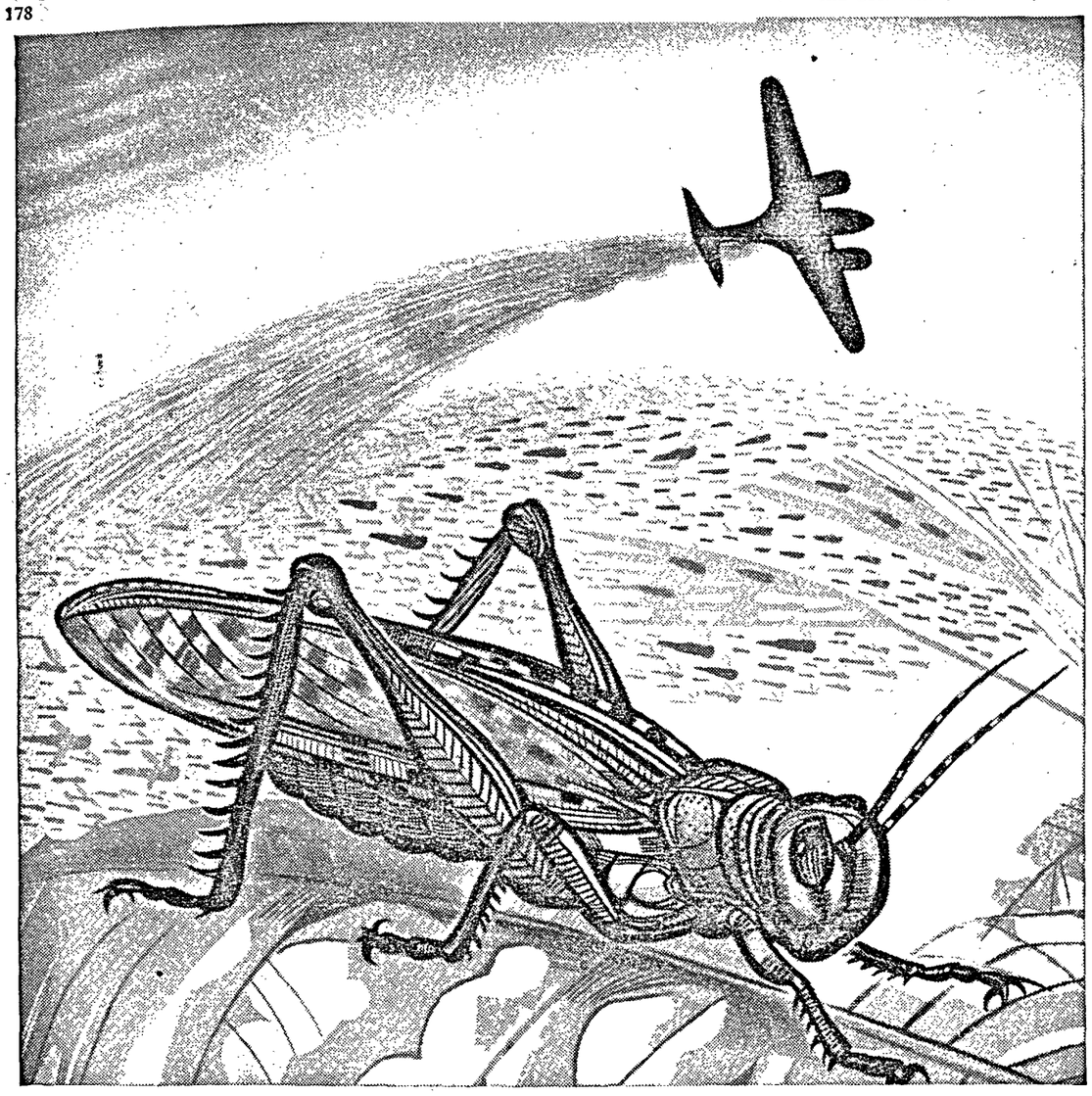
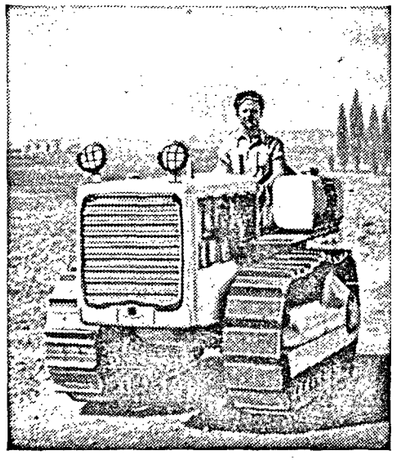


War on the Locusts

MIGRATING SWARMS OF LOCUSTS are again ravaging crops in the Middle East. The damage they cause is inconceivable; a single swarm may weigh 20,000 tons and eat its own weight in green food every day.

To combat this menace Anglo-Iranian has helped to produce an effective carrier for poisons. Sprayed from the air these poisons have destroyed countless millions of locusts.

This is a start. But the surest control of locusts is the cultivation of the waste lands where they breed. For this job mechanised farming equipment is needed. And this equipment needs oil—plenty of oil. Anglo-Iranian supplies the oil. Anglo-Iranian products are the power behind progress in many parts of the world.



THE BP SHIELD IS THE SYMBOL OF THE WORLD-WIDE ORGANISATION OF

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line with present-day prices. The Labour Government adopted 20 per cent over 1939 values; in 1952 Mr Justice Danckwerts awarded general practitioners 100 per cent. The question was: should hospital doctors be entitled to a similar percentage increase?

The Conservative Government immediately and emphatically denied that they should. The consultants' negotiators had accordingly to decide whether to press for 100 per cent betterment or to make the best terms they could. If negotiations in Whitley Council had broken down, the Government might have referred the whole question to a committee of inquiry, whose finding might then have replaced the Spens report as the basis of consultants' remuneration—and been less favourable to them. Wisely, therefore, the consultants' joint committee abandoned the 100 per cent claim. Instead—and justifiably—it asked for increases that would restore the balance between hospital doctors and general practitioners which the Danckwerts award had upset. This the Government was much more disposed to accept. If in the first years of the health service general practitioners were paid too little by comparison with their colleagues in the hospitals, young consultants are now being paid too little by comparison with general practitioners to compensate them for their longer years of training.

The increase from £1,700 to £2,100 in the starting salary for consultants is intended to restore the balance. (It is noteworthy that the increases taper off at the top of the scales, consultants with the highest "distinction awards" receiving increases of £50 only.) But two comments need to be made. First, the new scales may well have repercussions in other professions, particularly in the universities. Secondly, it is time to ask whether there are not too many posts in hospitals, graded for consultants, which are in fact specialist posts—not at all the same thing. Dilution must of course be avoided; but where the clinical responsibility of two so-called consultants varies widely there is a case for recognising that difference in the salaries they earn.

Graduate Wives

ON the subject of women graduates there is a rich assortment of folk-unwisdom. That a university degree automatically labels its holder as a kind of freemartin, a sexless freak, is an opinion now happily obsolete. According to a milder version, which lingered on to distress eugenists, women graduates are notably less likely to marry than other women; and, when married, produce fewer children to inherit their presumably superior abilities. Once married—*still* according to folklore—the graduate is likely to prove an unadaptable wife and to henpeck her husband into the divorce courts; alternatively she will spend her married life in miserable frustration, weeping into the sink for her lost career. On the usefulness of women graduates' *academic qualifications the idée reçue* varies. The old battleaxes who regarded marriage and motherhood as betrayal of The Cause are probably all dead by now, but their influence still shows itself in a tendency among teachers and dons to tut-tut over every promising young *professional who gives her domestic concerns priority;* while the same "wastage" is quoted by anti-feminists to prove that the higher education of women is mostly money down the drain.

The recent PEP broadsheet "Graduate Wives"* is a salutary corrective to this mythology. Based on the replies to a questionnaire answered by over a thousand married graduates (of 1930 and later years) and by 420 of their non-graduate friends and relations, it discloses that the marriage rates of the two groups are practically identical; that they are, on balance, equally prolific (rather more graduates being childless, but fewer non-graduates having large families); that there is no significant difference in their divorce rates; and—perhaps most surprising—that the burden of full-time, unrelieved housework is carried as contentedly by first-class honours women as by anyone else.

Only 15 per cent of the graduates questioned were doing a full-time job; another 20 per cent were either working part time or expecting to resume their careers when the children were older. If the value of a university education is assessed entirely according to the paid career which it makes possible, the amount of money down the drain is on this reckoning formidable indeed. Only a handful of graduates, however, considered their university training a waste of time; and, as the final paragraph of this PEP broadsheet points out, one must not neglect "the indirect contribution which a trained mind and cultured outlook can make to family life and to the life of the nation. . . ." *Possibly it is the domestically occupied* graduate who may preserve the idea, which today is in danger of being lost, that the aim of a university is to produce civilised people and not merely high-powered salary earners.

Soviet Germany Loses the Race

IT is now nearly a year since the Soviet German government started on its "new course" to improve conditions for the workers. So far the Communist planning system has failed to respond adequately to the call for more consumer goods and foodstuffs. This was admitted in Herr Ulbricht's recent speech to the Socialist Unity Party Congress, delivered in the presence of Mr Mikoyan, the Soviet Minister of Trade, and his associate, Mr Suslov. It revealed that the desperate efforts of the party to carry out the new orders are largely lost in a vast tangle of red tape. Mr Mikoyan was evidently under orders from the Kremlin to flatter the German Communists. Among other compliments, he remarked on the German tradition of skill; but at one factory which he visited he was told that no less than fifty per cent of the material sent it had to be rejected on account of bad quality, and Herr Ulbricht himself referred bitterly to shortcomings in exports.

Western economists who make terrifying comparisons of production in the Communist and capitalist worlds—very much to the disadvantage of the capitalists—are apt to overlook the contrary evidence offered by East Germany. Yet in the two Germanies there is opportunity for seeing the two systems applied by the same industrious, efficient people. It is true that everything is not right in that com-

* "Graduate Wives." *Planning*, Vol. XX, No. 361, PEP, 16, Queen Anne's Gate, S.W.1. 44 pages, 2s.

parative paradise for the entrepreneur, Federal Germany; and a large part of the difference between the west and east of the country is due to the fact that the Russians have been milking the Soviet zone of reparations, while the Americans poured aid into the hands of their Germans. Nevertheless, East Germany remains testimony against the Communist economic system.

At the moment, Communist chances of making a good impression on the Western Germans seem remote. There is for the time being nothing to undo the effect of Herr Ulbricht's announcement that food rationing, which was to have been abolished four years ago, must still be retained. Farms lie waste, or are inefficiently worked by temporary managers, owing to the flight of peasants to the west, and the "People's Republic" must import 750,000 tons of grain. When it is recalled that Poland and Czechoslovakia, too, are forced to buy large quantities of grain, and the Russians themselves need larger supplies, an obvious link appears between speeches of Herr Ulbricht and developments in the Soviet Union. It is only too clear why the Soviet planners are so deeply concerned about the fact that in 1953 nearly ten million acres less than in 1940 were sown with grain, and why hundreds of thousands of young Communists are being despatched to bring waste lands into cultivation. Unless the Communists are helped by a severe recession in the west, they must rely on superhuman efforts to improve their own conditions in order to win the great political struggle in Germany.

Tremors Around Lysenko

IT was suggested in these columns last July that Trofim Denisovich Lysenko, the high priest of Soviet genetics, was slipping from his throne. For years his supremacy had been the symbol of Stalinist dogmatism and intolerance in science; with the party's official blessing he had laid down scientific "laws" by decree and feared no opposition from "heretics." After Stalin's death, however, there were signs that the days of his reign were numbered. The suggestion was greeted with scepticism by many and provoked the scorn of the *Daily Worker* which seemed anxious to deny that a certain degree of freedom was being introduced into Soviet science. Now, as a climax to much other evidence, Lysenko is taken to task both implicitly and directly in the latest issue of *Kommunist*, the Soviet party's theoretical organ.

A leading article entitled "Science and Life" attacks officialdom, administrative rules, and rule by decree in Soviet science; it reveals the existence of nepotism and of conservative cliques. Above all, it criticises monopolies in science and the impossibility for "people who hold other views" to get a hearing. Not only does the Lenin Institute of Genetics, of which Lysenko is the head, get its share of blame, but he himself is involved in a case quoted by the article. A few months ago a writer in *Botanichesky Zhurnal* who dared to criticise some of Lysenko's views was immediately assailed, not with arguments but with abuse, as "a follower of Weisman and Morgan, a vulgariser of Marxism, etc." and was given no opportunity to reply. Whether Lysenko, pupil of Michurin, is right or wrong in his controversy with the western pupils of Mendel, Weisman or Morgan is for scientists to resolve. The point of general significance is that for years Lysenko's opponents had been hunted out of their jobs and dared not question his dogma.

His fall from infallibility is largely due to lack of practical achievements. In the West he is thought of above all as a practitioner, and the Kremlin probably expected from him quick results in the form of higher crop yields. From Khrushchev's speeches and other comments on the state of Soviet agriculture it seems that these hopes were not fulfilled. Stalin's businesslike successors apparently will not allow their former master's fetishes to obstruct progress. The *Kommunist's* attack has implications far beyond the Lysenko controversy. Why should criticism of the official line stop at genetics or science? Why should not the airing of "other views" be beneficial in politics as well? The blows aimed at Lysenko's pedestal must cause tremors in the whole structure of Stalinism, in which respect for authority and orthodoxy was fundamental.

Doneraile Fair

LAST week, Miss Honor Tracy, the well-known Irish journalist, was awarded £3,000 damages for libel against Kemsley Press, Ltd. The circumstances of the libel were complicated. Miss Tracy had written an article for the *Sunday Times* describing certain goings-on in the village of Doneraile, County Cork, over a new house for the village priest. The priest, Canon O'Connell, complained that the article libelled him; and the newspaper negotiated a settlement under which it apologised and paid £750 to the Canon, destined for the Society of St. Vincent de Paul in Doneraile. Miss Tracy complained that, in apologising to the Canon and later publishing an apology in their own columns, the newspaper's proprietors libelled her. The jury found in her favour. In the present state of the law a newspaper's legal adviser must nearly always be a sad man, convinced that the other side's case is stronger than his own; and the only apt comment on *Tracy v. Kemsley Press, Ltd.*, is that its history should be written by Miss Tracy herself—and in Doneraile, for what village could understand it better? The Canon has his house and his apology. The Society of St. Vincent de Paul has its £750. Miss Tracy has her £3,000 award. God bless us, the villagers might very well say, we love ye all.

By a coincidence last week also saw the publication of the correspondence between the Roman Catholic Bishop of Leeds, Dr Heenan, and the BBC over another apology; and on this apology criticism need not be withheld. Dr Heenan had intimated that there was religious intolerance by Protestants in Northern Ireland (which everybody knows there is); and, in a true spirit of BBC impartiality, he had referred in the same breath to Catholic intolerance in Spain. Later that day the BBC apologised to Northern Ireland in general (there seems, as yet, to have been neither protest from nor apology to Spain). Two apologies do not make a grovel, but the British habit of saying "Sorry" to anyone who treads on their toes seems to have become something more than a habit of speech. Indeed, there are times when the BBC in particular, by its customary reaction to anyone who says "Boo" loudly enough in its ear, creates doubt in the mind as to what sort of a bird it is.

Who's Who?

THE Julia of George Orwell's "Nineteen Eighty-Four," who "apparently had not even noticed that the name of the enemy had changed," and "thought we'd always been at war with Eurasia," was not a particularly stupid young woman. She was merely uninterested in public events which did not impinge directly on her private life; so the Ministry of Truth's techniques for falsifying the past—indeed effectively abolishing it—met with no such resistance in her mind as an inconveniently retentive memory might impose. The reader usually consoles himself that memory cannot really be as malleable as all that, that there must be a limit to what the public will swallow in despite of experience and prior knowledge.

With its usual knack of dispelling comfortable democratic illusions, Mass Observation recently produced some relevant evidence. One thousand people were asked to identify five names lately and prominently in the news: Senator McCarthy, Dr Kinsey, Sir Edmund Hillary, Gordon Pirie, and John Reginald Halliday Christie. Only one person in six knew that Senator McCarthy was campaigning against Communists; only half of those questioned could place him at all. The same proportion successfully identified Dr Kinsey. (Among the unsuccessful, one happy guesser assigned to him the authorship of "The Water Babies.") The largest number—820 out of 1,000—spotted Christie, the Notting Hill murderer. Sir Edmund Hillary was runner-up, his name and achievement being known to just under three-quarters of Mass Observation's sample; what that knowledge amounted to may perhaps be indicated by the respondent who identified him as having gone "to the top of that big hill with a black man called Sing-Sing."

Perhaps it hardly matters. Perhaps it merely means that the reprieve from oblivion is rather shorter and more partial than one had thought. But if, as the daily newspapers that make the most money seem rightly to assume, the common man is more interested in personalities than in ideas, in identifiable exploits than in gradual trends, then—taking a line through his degree of acquaintance with these five headline-hitting figures—how wonderfully ignorant the Common Man must be about practically everything in the realm of current events and recent history; how easy for Big Brother, his ascendancy once established, to manipulate that ignorance; and what a miracle it is that democracy, theoretically presupposing a rational and well-informed citizen body, should creak along even as well as it does.

SHORTER NOTES

The Arab League meeting that finished in Cairo last week put an end, tacitly, to Egypt's contention that no armament deals with western powers are timely till Egypt's own quarrel with Britain is settled. It resolved "that every Arab state has the right to purchase arms within the limits of its sovereignty and the collective security pact;" all that is asked is that the sale be unconditional. This regularises several recent purchases of arms, notably that from America by Saudi Arabia; in fact Egypt, which has bought from Germany and is negotiating with Japan, is the only Arab state that is bent on seeking "neutral" sources of supply.

Hong Kong business circles note a steady falling off in offers of mainland products which they associate with the Peking government's drive to get rid of the remaining private merchants and replace them with state monopolies. There are signs also that Russian demands are taking up more and more of China's output; there are, for example, hardly any groundnut and other vegetable oils available. Peking's flotation of National Reconstruction Bonds has had an adverse effect on the flow of remittances from overseas Chinese to the mainland; it is estimated that the total may be down as much as 30 or 40 per cent compared with the previous year.

★

The reported failure of the committee set up by the Organisation for European Economic Co-operation to reach agreement on the question of export subsidies revives the danger of a bitter competitive struggle among the main competing countries in this field. German newspapers have replied to the criticism of German practices in the recent budget debate in the House of Commons by alleging similar, though concealed, subsidies in Britain. Unless action is taken at the government level in OEEC mutual recriminations may be followed by destructive competition.

A Decimal Coinage

SIR—With reference to decimal coinage, I do not know whether the following system has ever come before you. I would suggest that on and after a certain date there should be only 10 pence in the shilling. Our currency would then be 10 pence = 1 shilling; 10 shillings = 1 half-sovereign. For the sake of shortness, I would style the half-sovereign—our unit—a queen. Thus, 1 queen = 10 shillings = 100 pence; the sovereign = 2 queens being of course retained. Regarding 3d., 4d., and 6d. pieces, they would continue to exchange for 3 pence, 4 pence, and 6 pence respectively, being, however, 3-10ths, 4-10ths, and 6-10ths of a shilling; but to facilitate exchanges, I would coin 5d. pieces, and cease coining 6d. pieces. The crown would remain as it is; the half-crown being worth, however, 2s. 5d., instead of 2s. 6d. as formerly. The greater portion of our large contracts being made in shillings or in pounds sterling, the alteration would have but a slight effect on old-standing arrangements; and, if need be, where based on the penny, the difference could easily be arranged by a reference to the *old* and *new* relations of the penny to the shilling. The exchanges of the common people, which are based on the penny, are generally made for ready money, and prices would very soon be adjusted to suit the change from 12 to 10 pence in the shilling. The great merit of the plan I propose is, that it does not necessarily change the name of any coin, or alter the recognised value of any gold or silver piece. There is an apparent alteration in the value of the 3d., 4d., and 6d. piece, but this is merely from the habit of looking on such coins as parts of a shilling more than as convenient forms for carrying pence.

Begging your reference to this matter if at all worthy of your remarks, I am your obedient servant,

Glasgow, April 4, 1854 NUMBER 10.

The Economist

April 15, 1854

Books & Publications

Mariage de Convenance

RUSSIA AND THE WEIMAR REPUBLIC.
By Lionel Kochan.
Bowes and Bowes. 190 pages. 25s.
THE INCOMPATIBLE ALLIES.
German-Soviet Relations, 1918-41.
By Gustav Hilger and Alfred G. Meyer.
The Macmillan Company of New York.
350 pages. 5 dollars.

ON April 16, 1922, Rathenau and Chicherin signed the Treaty of Rapallo. To Russia it represented a major step along the line of a clearly defined policy. In December, 1920, Lenin had announced: "Our foreign policy while we are alone and while the capitalist world is strong consists in our exploiting contradictions." On the German side there was at this stage no such clarity of purpose. The Social-Democrats, the strongest party throughout almost the whole of the Weimar period, were western in their orientation. But by 1922 the army and heavy industry had largely re-established their control over German policy, and, searching for allies and markets, both looked eastwards.

Although Rathenau signed the treaty with reluctance, its reception left him no choice; as Mr Bonn, a member of the German delegation to the Genoa Conference, has put it, a momentary aberration had to be presented as a deliberate act of policy. As such it has often been regarded; for certainly until the death of Stresemann no German government was blind to the advantage, in dealings with the western powers, provided by a close understanding with Russia. Common hostility to Poland cemented the alliance of the "have-nots," of Russian communism and German nationalism, an alliance, which, in spite of the many strains it was exposed to, lasted for a decade. Not until 1934 did the break come, though the relationship had gradually deteriorated from as early as 1931.

Not all of Mr Kochan's judgments will receive universal approval; but his book, based on a careful study of the available sources, brings out admirably the difference between the German and Russian attitudes towards the relationship of the two countries during the Weimar period. Once hope of a successful proletarian revolution in Germany had been abandoned, Moscow regarded the Rapallo policy as an essential defensive measure against the possibility of a capitalist coalition. Viewed from Berlin Russian friendship was the essential offensive weapon in Germany's struggle against Versailles.

While Mr. Kochan proves a thesis, Mr Hilger tells a tale, and a fascinating one it is. Born in Moscow, interned during the First World War, Mr Hilger left Russia in 1918, only to return two years later to take charge of the repatriation of German prisoners. In 1922 he joined the staff of the Moscow Embassy, and for the next twenty years he worked to bring about lasting Russo-German friendship. Now, in collaboration with an American scholar, he has told the story of these years in a book described as a "memoir-history of German-Soviet relations." Its impartiality is as astounding as it is refreshing, and can only be explained in Mr Hilger's own words:

> I have always had two home countries, Germany as well as Russia. I am attached to both of them with affection and nostalgia.

To the story of Nazi-Soviet collaboration Mr Hilger adds little, but for the period preceding that unholy alliance his book is a mine of new information, particularly perhaps on military and economic matters. At last it may be taken as proven that from 1922 onwards the German Cabinet was fully aware of the co-operation between the Red Army and the *Reichswehr*. Far more surprising than the confirmation of this long-held suspicion is the fact that Russo-German economic relations survived the political break almost unscathed. Thus in December, 1935, Schacht could inform Kandelaki, the head of the Soviet trade mission in Berlin, that Germany was willing to grant Russia a credit of 500 million marks. In the end the negotiations broke down, but not before Kandelaki had suggested a political rapprochement between the two countries. It seems strange that to unsentimental Marxists the *mariage de convenance* should have proved as hard to forget as a love match.

Three years ago Mr E. H. Carr concluded his survey of Russo-German relations during the inter-war years with the question whether a German government, free to conduct an independent foreign policy, would again reject the advice of Frederick the Great and Bismarck to "cultivate the friendship of these barbarians." Mr Hilger ends with an assertion, not a question. Germany

> can either seek security against the Soviet threat by alliance with the western powers, or else she can ally herself with the Soviet Union. But in the event of the latter, Western Germany, and probably the rest of Europe, would doubtless share the fate of the East European satellites.

Advocates of a neutralised Germany should find much food for thought in these conclusions.

Old and New in Turkey

A VILLAGE IN ANATOLIA.
By Mahmut Makal. *Translated from the Turkish by Sir Wyndham Deedes, and edited by Paul Stirling.*
Vallentine Mitchell. 206 pages. 18s.

THIS book is Turkey's most controversial best-seller. Published shortly before the 1950 elections, it provided the Democrats with formidable ammunition in their campaign against the People's Party government. Its author, a young village teacher, was first imprisoned on suspicion of being a Communist, and then, after his release through the pressure of enlightened public opinion, feted in all the main cities of Turkey. He was barely twenty years old; yet his vivid pictures of the poverty and backwardness in some Anatolian villages came as a startling eye-opener to many educated Turks, who had imagined that Ataturk's Revolution could repair the neglect of centuries in a few years.

Mahmut Makal is one of the pioneers of rural education in Turkey; at the time of which he wrote barely half of Turkey's 35,000 villages had a government primary school. He saw—and grappled with—the first impact of western ideas on these, until very recently, extremely isolated Anatolian villages. He saw the village lad terrified by his first visit to the cinema. He heard the reactions of the villagers to the woman politician with polished nails and a permanent wave. Above all, he contended with the obstinate bigotry of the villagers, who clung to their old beliefs and their holy men and would have none of his new-fangled ideas.

Much of what the author has to say is very illuminating. But without the excellent introduction and footnotes contributed by the editor, the general picture of the Anatolian village four or five years ago would be highly misleading. The villages where the author lived and worked happened to be in a particularly barren part of the plateau; and the period of which he wrote happened to be one of exceptionally severe famine. (Today, after several excellent harvests, these villages must present quite a different picture.) Moreover, in describing local customs, for instance, marriage customs, the author sometimes ignores their original meaning and justification, or else, by generalising from a special case, gives quite a false impression.

This is clearly not deliberate dishonesty. Here is a young man, himself a peasant, who, after five years' schooling in western ideas in a village institute in a relatively advanced part of Anatolia, returns to his own countryside. He is dismayed by the contrast between what he has been taught and what he finds there; and he passionately wants to draw attention to his people's backwardness and poverty and get something done about it. Not the least interesting part of a very interesting book is the meeting of old and new in an intelligent, sensitive and highly articulate young man.

Epic Survey

THE ENGLISH EPIC AND ITS BACKGROUND.
By E. M. W. Tillyard.
Chatto and Windus. 558 pages. 25s.

IS *Hamlet* Tragedy? Mr Tillyard recently decided that it is not: *Hamlet* is a Problem Play, belonging with *Measure for Measure* and *Troilus and Cressida*. Is the *Decline and Fall of the Roman Empire* History? In his new book Mr Tillyard, in effect, pronounces another negative. Gibbon's work is Epic—and it therefore belongs with *Piers Plowman, The Faerie Queene, Arcadia, Paradise Lost*, Bunyan's *The Holy War* and Pope's *Iliad*.

There is some hazard in thus pressing boldly beyond form to spirit when endeavouring to distinguish and establish literary kinds. In formal terms Gibbon certainly wrote a history, Langland an allegory and Sidney a romance; librarians at least would do ill if they reclassified such works according to feelings which they severally felt them to occasion; and even distinguished critics are chargeable with an element of unprofitable subjectivism when they attempt something of the same sort. Nevertheless the procedure may be defended as both philosophical and scientific: philosophical as endeavouring to disengage the *ethos* of individual works and scientific as applying inductive method in a field where it is wholly appropriate.

In capacious mind, which has for long ranged widely over many literatures, fresh relationships must continually suggest themselves as here and there a common temper or a similar balance of elements is remarked. A process of this sort, and much subsequent deliberate comparison and study, has led Mr Tillyard to acknowledge four main criteria for Epic. These are (1) high quality and high seriousness, (2) amplitude and inclusiveness, (3) the powerful and sustained exercise of the conscious will, giving control commensurate with the amount included, (4) a choric element, requiring that the poet "express the feelings of a large group of people living in or near his own time." The first criterion excludes *Leonidas*, the second *Madame Bovary*, the third *Don Quixote*, and the fourth all works essentially timeless and therefore belonging to Tragedy.

The test thus devised, although a good one, is, of course, unlikely to gain universal acceptance. That *The Holy War* is very notably epic is likely to remain a minority opinion, and there are many who would plead for a viewpoint admitting at least some glimpse of, say, *The Prelude* or *Don Juan*. Nevertheless, as with *Hamlet* and the Problem Plays, we are made conscious of seeing familiar work in a new and revealing perspective. This would be much. But the Master of Jesus has given us more than a stimulating thesis. His book has itself something of the true epic amplitude. It will endure as a noble and commanding survey of many of the high places of English literature.

The Hohenzollern Lands

THE ORIGINS OF PRUSSIA.
By F. L. Carsten.
Oxford University Press. 309 pages. 30s.

THE Prussian state, which has had a fateful influence on the course of European history in the last two centuries, was founded by the Great Elector, who died in 1688. This book is concerned with the earlier history of those scattered Hohenzollern lands, which he drew together in strict subordination to himself, as well as with the way he accomplished this crucial task. German historians have already explored these matters with characteristic thoroughness, but this is the first systematic English account of the whole subject solidly based on their detailed work.

As such it is welcome, for little is generally known here of this fascinating, if rather complicated, piece of German history. What is not less important, the book throws new light on some of the more obnoxious features of later Prussian society, for the dominance of the Junkers and the grinding serfdom of the peasantry were inherited from this earlier period. Frederick William and his successors, even had they been so minded, could have done little to change these things; they could only make use of them.

Mr Carsten divides the subject into three distinct parts. First he describes, very competently, the growth of a vigorous colonial society in Brandenburg, Pomerania and the Prussia of the Teutonic Knights from its tenth century beginnings to the climax of its prosperity in the early fourteenth century. Conversion and settlement brought Germans and Slavs together. Conditions for the peasantry had to be attractive, and, in consequence, seignorial power was strictly curbed, while the Hanseatic towns on the Baltic prospered exceedingly.

Next this society is shown in full decline during the fifteenth and sixteenth centuries. Plague, war and the European economic depression of the later middle ages impoverished Brandenburg, Pomerania and Prussia alike. The towns decayed; the peasantry fell into serfdom; the territorial princes ceased to count; and the Junkers came into their own, ruling through the various Provincial Estates. Here Mr Carsten's touch is less sure. Like most historians he finds the economic decline of the later medieval period easier to describe than to explain. Nor does he provide a sufficient reinforcement of political and administrative history for his argument. There is, for example, no satisfactory explanation of the constitution of the Estates, whose activities he describes in detail.

Finally an admirable section is devoted to the activities of the Great Elector, although here again a more generous stiffening of straight political history would have been welcome. We learn how Frederick William adroitly broke the power of the Estates in Brandenburg and ducal Prussia, although less completely in Cleves and Mark, and then came to terms with the Junkers. After that he founded his despotic authority, which was steadily enlarged by his successors, on a uniform military administration, for there was little else that his hereditary lands had in common.

Old Age in Business

THE AGE STRUCTURE OF THE CORPORATE SYSTEM.
By William Leonard Crum.
University of California Press (Cambridge University Press). 193 pages. 26s.

IN England a decent respect for mature years in a company is one of the few things which investors have learned. Every issuing house knows that the shares of an old-established family business sell like hot cakes to a narrower yield than those of a new venture. That is natural, for the business which was going strong when Mr Gladstone was introducing his budgets has had the chance of putting some fat on its back before taxation reached its present height; the business which was in its infancy when Mr Gaitskell was introducing his budget has not. In America old age has not been regarded as a virtue; new ventures have been objects of admiration and desire.

But it falls to an American professor to challenge the American view by proving statistically that old age has investment merit. Professor Crum occupies a chair of economics in the University of California. The publication by the United States Treasury of the dates of incorporation of nearly half a million of the corporations making returns in 1945 and 1946 gives him his opportunity to sift and re-sift the evidence through 181 heavy statistical pages. What does he find? First there is a tendency to middle-age spread in total assets—a middle-age spread which starts early; it begins with corporations born in 1929, which will not see twenty-five again and ends with those of thirty, founded in 1924. This is qualified by the fact that "very large corporations tend to have much greater age than very small corporations." On the score of profitability, too, old age has the advantage: "young corporations are clearly and emphatically more likely to show loss (in 1946 or 1945) than older corporations," for corporations may have to live through several precarious years before they show a profit. Finally, the risk of a corporation failing to survive diminishes as its age advances.

The analysis has one striking defect which the author frankly acknowledges. His statistics deal only with age since incorporation, not with the age of the underlying enterprise. Try as he will, he cannot overcome this defect except to the small extent of showing that those corporations known to be successors of other undertakings show a smaller risk of loss than new ventures. In England the difference between date of incorporation and date of starting the business would destroy the value of the analysis: incorporations have so many spurious

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causes, such as changes from private to public company form for flotation and the saving expedients leading to the formation of new companies. In America it seems not quite fatal.

Professor Crum's book is heavy reading and its conclusions mainly confirm general experience. The author's service is that he has opened up a new line of investigation.

A Promising Venture

"OCCIDENTE": *An Anglo-Italian Review of Politics, Bi-monthly.*
Printed in Turin, Distributed in England by Parker's, Oxford.
No. 1, January-February, 1954. 96 pages. 4s. 6d.

"OCCIDENTE" is eight years old in Italy, but it has now started life afresh as an Anglo-Italian, bilingual review. Signor de Marchi, to whose energy it is due, has always been a member of the editorial board and has constantly enlisted English contributors along with French, German, Italian and other writers.

The readers of the first number are informed of English inhibitions about "intellectuals" generally, and about political theorists in particular, in an excellent article by Asa Briggs. To read it is to realise how blessed this island is in its lack of profound political and moral dilemmas such as beset France and Italy just now. England was not always so unconcerned with political theory, and in a quiet sort of way there is plenty of concern today about, for instance, how Parliament spends its time and what trade unions may become. But we are not uneasy about our political system as a whole. We seem to be on speaking terms with our difficulties; the Italians (with a few exceptions) are not. "Occidente" wants to get people talking to each other about them, and the first number sets the ball rolling. This is exciting and full of possibilities.

But it has one pitfall. Signor de Marchi writes: "Almost every number presents me with the difficulty of finding a trained historian or constitutional lawyer to write about contemporary problems in the way that most eminent Oxford or Cambridge dons would unhesitatingly do." He is talking about Italians. Perhaps he himself must step down a little into a less exalted sphere than that of continental academic writers. He is clearly most anxious to break down their isolation, but people tire easily, not only in England, of what ought to be and are interested in what is. Why has Catholic Action never started Women's Institutes in Italy? What alternatives has it embarked on, if any? What exactly were the worker priests doing in France? The Continent is now either Catholic or Communist in its mass recreation. What happens when heretics from either great organisation begin to create new places of discussion, entertainment and social assistance? There are such ventures going on quietly all the time, which it would be interesting to hear about.

Favourite Viceroy

THE VICEROYALTY OF LORD RIPON.
By S. Gopal.
Oxford University Press. 245 pages. 21s.

FROM now on, many of the important books on the history of the British Raj in India will be by Indians. Mr S. Gopal, the son of Sir S. Radhakrishnan, the philosopher and Vice-President of India, has set an excellent example. His study of the viceroyalty of Lord Ripon is scholarly, readable and just.

For Indians, Lord Ripon is perhaps the favourite viceroy of the long line which ended with Mountbatten. The way in which he won their regard is in itself striking. He was not a man of first-class mind or ability. On the great issue of his viceroyalty, the stand upon racial justice over the Ilbert bill, he compromised and gave way at least partially to the agitation of the British community in India. Nevertheless he caught the imagination of Indians because he was regarded as standing for the ideals and expressing the opinions of Gladstone and Bright. The peculiar strength of the British in India was that they conveyed the idea that certain ideals were essentially British, however much the contemporary practice of British administration in India may have fallen short of them. Mr Gopal has a perceptive sentence:

> The Viceroy whom the English condemned as Indophile became to Indians the most English of all Viceroys in that he was the prophet and champion of their freedom.

Mr Gopal thinks that Lord Ripon was the first viceroy to make the westernised Indian middle class feel that its co-operation and friendship were genuinely sought. By doing so he laid the foundation of the understanding between them and the British which was to survive all the bitterness of the struggles between this class and the Raj.

Mr Gopal gives some striking facts about the way in which India showed its regard for Ripon, and the British in India remembered their hostility. In 1915, thirty years after he left India, his statue was set up in Calcutta. The British residents had refused to subscribe a penny and it was paid for entirely by the Indians.

Sea-Birds' World

SEA-BIRDS.
By James Fisher and R. M. Lockley.
Collins. 320 pages. 25s.

OVER two thousand books and papers on birds are published every year. Before this material can be made available to the ornithological public, it must be sorted and summarised. This can be done by writers interested in different examples relevant to one particular problem, or by writers primarily concerned with one kind or group of birds. This latest "New Naturalist" volume deals with a group—the sea-birds of the North Atlantic. This category, although artificial—the black-headed gull, for instance, is largely an inland bird and far less marine than many ducks—brings together very different birds with similar ways of life.

The authors have successfully made the excursions into specialist fields of knowledge that were necessary for adequate review: distribution, evolution, population dynamics and (less successfully) behaviour are discussed in a series of chapters that remain readable in spite of the information with which they are crammed. This information is supplemented by photographs, and also by excellent distribution maps drawn on projections which, although at first sight bizarre, have been cunningly selected to give a "bird's-eye," rather than a "north temperate human," view of the range of each species.

There are some interesting accounts of life histories in the later chapters, but on the whole the authors provide a comprehensive rather than an intimate view of the sea-birds' world; they tell us something about the factors that control the success or failure of the several species—the increase or decrease of their populations, the expansion or contraction of their ranges. This enables us to understand sea-birds in proper perspective as successful products of an evolutionary process; as members of species which, originating perhaps thirty million years ago, are still managing to force a living from the oceans; and as members of a community of species whose requirements are so intricately interwoven that, although living together, they barely compete.

Although the uninitiated will find the facts a little indigestible (a more substantial background of theory would have helped to give them relevance), ornithologists will continue to refer to this book for many years to come.

Shorter Notices

EGYPTIAN COTTON
By C. H. Brown.
Leonard Hill. 16s.

Mr C. H. Brown was for thirty years employed in the Botanical section of the Egyptian Ministry of Agriculture at Giza to improve the grade of Egyptian cotton, and he did not leave the country until the outbreak of anglophobia which took place in 1951. Nobody therefore is better qualified to give an account of cotton cultivation, or of the diseases which attack the plant and the constant struggle of the experts to produce the optimum grade; and his book will be of great value to those who are interested in cotton growing. There is a short chapter on the economics of the industry and of the complicated arrangements for marketing cotton in Alexandria, but the information on this aspect of the cotton question is less full than on cotton growing. On the working of the Alexandria futures market, for instance, the reader is referred to another work, and this detracts somewhat from the general value of Mr Brown's otherwise admirable book.

It is not surprising, in the light of his background, that Mr Brown does not believe that the country is running any serious risk by its present dependence on one crop, and he is of the opinion that the "simplest way for Egypt to get more wheat is to grow more cotton." In these days of

competition from new cotton growing countries, to say nothing of artificial fibres, it is an opinion which is far from being self-evidently true.

★

IN THE SHADOW OF THE MAHATMA : *A personal memoir.* By G. D. Birla. *Orient Longmans.* 338 pages. Rs 5/8/-.

This book, to which the President of India, Dr Prasad, has contributed a foreword, consists very largely of letters. They cover, however, the period of some thirty years, leading up to the death of Gandhi and the transfer of power in India; they include many intimate letters which passed between Gandhi and Mr Birla—in whose house the Mahatma died; and they have been skilfully and readably arranged with a connecting text. The result is not a book for the casual reader. But it is the kind of work that makes its own special contribution to history, because of Mr Birla's unique role in the movement for Indian independence. And it can hardly fail to prove a lasting source of information to all who are interested not only in the life of one of the greatest men of the century, but in the whole remarkable story of how the British left India.

★

ADVERTISING AND PSYCHOLOGY. By Leslie E. Gill. *Hutchinsons University Library.* 182 pages. 8s. 6d.

This is a disappointing little book. If, anywhere in it, there is an illuminating or original idea, it has escaped the diligent eye of, at any rate, one reviewer. As Mr Gill observes in his introduction, advertising as a means of influencing people's thought and behaviour involves the application of many of the fundamental aspects of psychology. Surely such a subject need not be dull even in a book which aims, modestly enough, to constitute only a brief introduction; yet the author by burdening his writing with an unreasonably heavy weight of the obvious has contrived to make it so. Occasional relief is provided by flashes of unintentional humour, such as Mr Gill's description of the sex impulse as "a powerful determinant of human behaviour, affecting as it does the sale of a tremendous range of commodities."

Despite its faults, this book contains much sound information which will certainly be of interest to the student of advertising—though surely not, as the publishers also assert, to students of psychology or to the general reader.

Books Received

THE BANKERS' ALMANAC AND YEAR BOOK FOR 1953-54. *Thomas Skinner.* 1,989 pages. £4 5s.

ISRAEL GOVERNMENT YEAR-BOOK (1953-54). *Government Printer, Hakirya.* 346 pages. Il. 2.000.

THE YEAR BOOK AND GUIDE TO SOUTHERN AFRICA, 1954. Edited by A. Gordon-Brown for the Union-Castle Mail Steamship Company Limited. *Robert Hale.* 1,091 pages. 9s. 6d.

THE YEAR BOOK AND GUIDE TO EAST AFRICA, 1954. Edited by A. Gordon-Brown for the Union-Castle Mail Steamship Company Limited. *Robert Hale.* 573 pages. 7s. 6d.

EVERYMAN'S DICTIONARY OF DATES. Compiled by C. Arnold-Baker and Anthony Dent. *J. M. Dent.* 428 pages. 15s.

Letters to the Editor

Horizontal Weather

SIR—Mr Harrod defends his proposal for allowing firms to choose their own rates of depreciation for tax purposes by saying that they will have to "pay a price" for the privilege of accelerated depreciation by carrying the high depreciation rate in their own accounts and so making "a temporary sacrifice of profit in order to get it."

His belief that few businesses will be prepared to pay the price implies a very poor opinion of the intelligence of directors (or else of his own). Most businesses pay out far less in dividends than the profits which they show in their accounts. There is no "sacrifice" or "price" in recording part of this difference as "accumulated depreciation allowances" instead of "undistributed profits"—especially as the directors' report can explain about the high rates used (and even state what the profit would have been with normal rates). Only exceptionally need this accounting procedure affect dividends: there is nothing in it even to prevent withdrawals from reserves, if necessary! And in return it brings the firm an interest free, unsecured loan from the Treasury.

From a wider angle the incentive to use unrealistic depreciation rates in order to postpone tax payments is most undesirable precisely if it has to be applied to the published accounts. Neither shareholder nor worker would feel that these could be relied on to give that "true and fair view" of the position which the auditor has to certify if the rates can be varied *ad lib* from asset to asset, and so from year to year.—Yours faithfully,

W. B. REDDAWAY

Clare College, Cambridge

Constituencies' Chop and Change

SIR—I like your comment that the machinery for constituency revision "holds the power of electoral life and death." It does, and however much the machinery may be improved it will continue to do so—as long as we cling to single-member constituencies.

So long as a city or county has to be carved up into more or less equal single-member constituencies, the votes cast in that area will give one result if the boundaries are drawn in one way and a different result if they are drawn in another. But if Bristol or Bedfordshire were one constituency, electing its six or four members by PR, the result would depend *only* on the votes cast. There would be no boundaries to be drawn within such an area, and therefore no possibility of gerrymandering, real or imaginary. London or Lancashire, of course, would have to be divided into constituencies of reasonable size, but the boundaries to be drawn would be far fewer and they could affect the result only very little if at all.

Moreover, boundary revision would only rarely be necessary. If Leeds has to have six MPs instead of seven, that would mean only that the returning officer would do his sums differently, dividing the total votes by seven instead of eight. And the MP to disappear would be the one the voters felt they could best spare, not the one agreed upon by his party for sacrifice.—Yours faithfully,

ENID LAKEMAN

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Ramp or Mouldy Turnip?

SIR—I am sorry that your otherwise well-informed article of March 13th gives currency to the suggestion that 200,000 houses a year are falling into disrepair. I know of no statistical basis whatever for this figure. As far as I can trace, it first appeared in a book written by Mr Aneurin Bevan in 1944. It is a fact that this figure is still occasionally quoted and I am sure you accepted it in good faith, but I am not aware that it has ever been accepted officially.

The truth is that there is very little statistical information available; but in the House of Lords Debate on December 10, 1952, Lord Lloyd, who spoke for the Government, produced his own figures to suggest that this particular estimate is unacceptable. He stated:—"... to the best of my own calculation there is no justification for saying that houses are going out of commission at the rate of anything like 200,000 a year."—Yours faithfully,

GEOFFREY D. M. BLOCK

London, N.W.3

Germany and EPU

SIR—Your Business Note of February 20th states that "dollar goods imported into Germany as a result of this relaxation of import licensing may not be re-exported to hard-currency countries unless they are further processed in Germany." The official text of the German announcement makes it clear that goods imported from the dollar area can be re-exported without further processing to hard-currency countries. They may not, however, be re-exported to member countries of EPU or to soft-currency countries without any further processing in Germany.—Yours faithfully,

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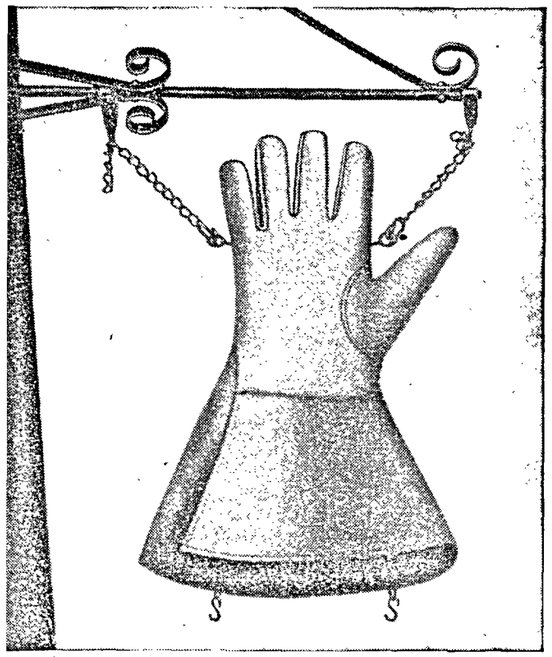

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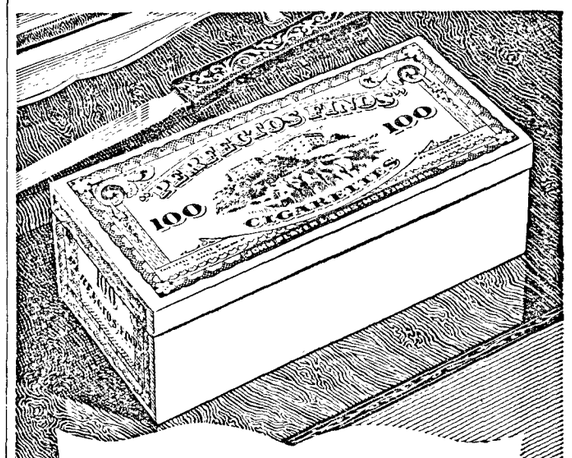

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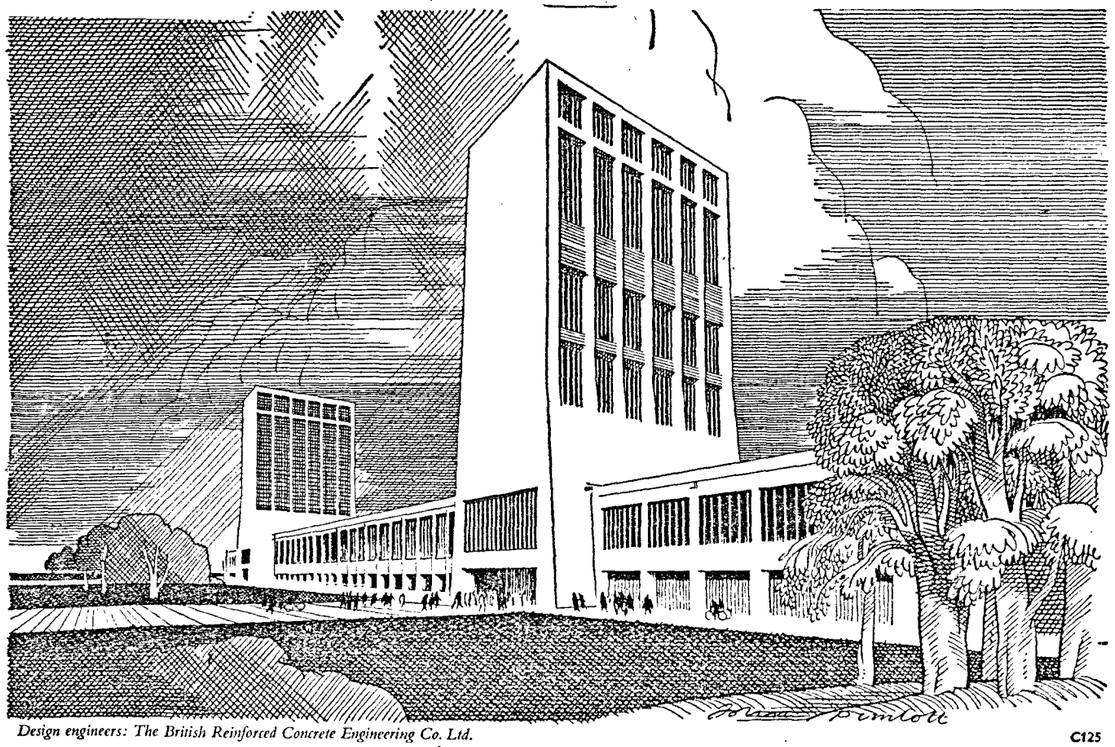

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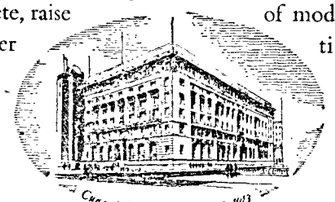

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American Survey

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Elections Again

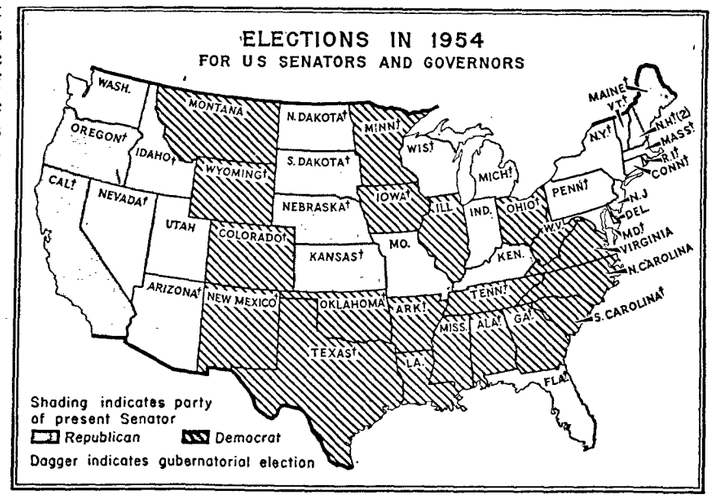
Washington, D.C.

ONE official of an international organisation remarked recently that there were twelve weeks in every four years when it was possible to discuss policy with the American government without domestic political considerations interfering with the Administration's judgment. None of those twelve weeks occur this year before November 2nd, when the electorate will have to choose an entire new House of Representatives with 435 members, 35 out of 96 Senators, 34 out of 48 State Governors and innumerable other officials right down to the traditional dog-catchers.

But long before November the attention of politicians will be concentrated on the conventions or, more often, the primary elections, at which each party's candidates are chosen, for signs of popular feeling. The first of the primaries took place on Tuesday in Illinois to choose the Republican who will have the honour of running against the present Democratic Senator, Mr Paul Douglas. The fact that Mr Douglas has been chosen by the "eggheads" of the Washington press corps more than once as the best Senator of them all will have little effect on the predominantly Republican State of Illinois.

Mr Douglas's fate will probably be decided by the progress—or the failure to develop—of the recession of which he has become the prophet. Even without a recession on the scale which he fears, however, the farm policies of Mr Ezra Taft Benson could save him. Some months ago Mr Douglas had almost decided that it was not worth exposing himself to the kind of tactics that his senatorial colleague from Illinois, Mr Dirksen, and his Wisconsin neighbour, Mr McCarthy, both Republicans, were expected to use against him; but a prolonged trip through the normally Republican agricultural areas of the state made Mr Douglas change his mind.

Next week will see New Jersey choosing its candidates, but that has now become a formality. The Republicans, chastened by their surprising defeat in the contest for the Governorship last autumn, when they preferred a party hack to Representative Clifford Case as candidate, have persuaded their present colourless Senator, Mr Hendrickson, to withdraw and allow Mr Case a clear field. The Democrats have induced Representative Howell to run against him, but nobody in New Jersey is likely to have much chance against one of the best of the "Eisenhower Republicans." Mr Case has always had strong bipartisan support in his district and is likely to continue to get, and to deserve, it in the state as a whole.



In May there will be two interesting primary races in the South between liberal and conservative Democrats. Senator Sparkman may have quite a lot of trouble in Alabama from Representative Battle, the author of the Battle Act, who will be able to use against Mr Sparkman some of the things he said when campaigning in a wider field as Vice-Presidential candidate with Mr Stevenson in 1952. And in North Carolina a rather dim figure called Lennon, who was appointed to the Senate when Senator Willis Smith died and who immediately announced that he would be happy to serve on Senator McCarthy's committee at a time when all the other Democrats had withdrawn from it, will be opposed by one of the leading liberals in the state, Mr Kerr Scott.

Memories of the 1952 campaign, which may be dangerous to Mr Sparkman, might be fatal to Senator Kefauver in the August primary in Tennessee. Representative Sutton will be able to campaign against him on the basis of an impeccable southern record and will, no doubt, enjoy reminding the voters of the curious machinations by which Mr Kefauver tried so desperately to get the presidential nomination at

Chicago two years ago. The only other Democratic primaries of interest in what should be safe states are in Texas and Oklahoma. In Texas, the Democratic leader in the Senate, Mr Lyndon Johnson, who won the nomination in 1948 by less than 100 votes, has to try again at the end of July. It is no exaggeration to say that his belief that his brand of statesmanship is vital to his party for the next six years has inhibited its strategy in the Senate for more than a year and that his colleagues will be thankful when his fate has been decided. In Oklahoma there will be a battle of millionaires between two ex-Governors, the incumbent Senator, Mr Kerr, and his successor in the state, Mr Turner. Mr Kerr may be a little too interested in the natural gas industry but his courage—he was the first Senator publicly to come to the help of Mr Truman after he had dismissed General MacArthur—would be missed in Washington.

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The ubiquitous Mr McCarthy will probably have an influence, direct or indirect, on a number of primaries in both parties as well as on the election campaign itself. The first chance to judge his effectiveness this year will come in Maine on June 21st when one of his protégés, so little known otherwise that he is called "the Jones boy," has been put up in an attempt to destroy the Republican Senator, Mrs Margaret Chase Smith. At present it seems likely that Mr McCarthy has made the mistake of misunderstanding Maine's dislike for "foreign intervention" and that Mrs Smith is safe. But he had to attack her because she was the author of the 1950 "Declaration of Conscience," by far the most severe criticism of McCarthyism yet made in the Senate. For a similar reason—that he is the only survivor of the three Democrats on the committee which censured Mr McCarthy after the first investigation ever undertaken of his activities—Senator Green of Rhode Island is expecting a rough campaign in the autumn.

But how much the Republican National Committee, which up to the present believes firmly in the electoral value of McCarthyism—and is even prepared to argue that its author must be preserved to save the hide of that proper Bostonian, Senator Saltonstall of Massachusetts—will want to use Mr McCarthy by the autumn must depend on how he emerges from his battle with the Army. If he emerges in poor shape and his national popularity continues to decrease at the pace suggested by recent opinion polls, his party may find itself in a somewhat difficult position. There are few states which have shown the good sense—or have had the sharp warning—of New Jersey and there is a tendency on the part of Republican organisations to choose old-fashioned machine politicians and trust to the "Communists-in-Government" issue to pull them through.

The Democrats have, on the other hand, been cleaning house and picking candidates with more to recommend them than mere Rotarian bonhomie. It was no accident that Mr Stephen Mitchell announced that the Democratic National Committee, of which he is chairman, would give no support in California to Mr James Roosevelt, who is having matrimonial difficulties, or to Representative Condon, who has been accused of being a security risk, until their "personal problems have been disposed of in the proper place." Nor is it an accident that, in Colorado, where an incumbent Democratic Senator is retiring, the choice is likely to be made between two first-class men—Mr John Carroll who, before being beaten for the Senate by Mr Millikin in 1950, was considered one of the best Congressmen, and the Mayor of Denver, Mr Quigg Newton.

Both Houses are closely divided now and, as the party in power usually loses some strength in the mid-term elections, the Democrats might reasonably expect, whether they want to or not, to win both. They have already an actual majority of one in the Senate, but as the batch of Senators coming up for re-election this year are those who won in 1948 and are, therefore, predominantly Democratic, the party's prospects are less good than in the House, where it is possible to prove statistically that the Democrats should gain some twenty seats. It may well be, however, that this year detailed calculations will prove to have been misleading and that national confidence in President Eisenhower, which so far seems undimmed, will produce the majorities in Congress that the electorate denied him in 1952. If, on the other hand, the voters draw a sharp distinction between the President and the congressional Republicans, or if they are sufficiently apprehensive about some of the Administration's domestic policies to forget the personality of its leader, the Democrats could be embarrassingly successful in November.

Wind out of McCarthy's Sails?

SENATOR McCARTHY had already indicated last week where he expected to find a wind of popular approval to blow him triumphantly through the coming congressional inquiry into his dealings with the Army. In his reply to Mr Edward Murrow's admirable indictment on television of his methods, the Senator, diverting attention to the sensation of the hour from the weakness of his own counter-attack on Mr Murrow himself, asked why, if there were no Communists in government, had research on the hydrogen bomb been delayed for eighteen months when the Russians were known to be developing such a bomb? Mr McCarthy was expected to answer his own question when he helped Texas to celebrate its independence day next week—the opening of the congressional inquiry has been postponed to allow him to do so—and to blow up a gale which would make up to the public for the recent becalming of the McCarthy ship. For the other members of the investigating subcommittee which the Senator heads have refused to allow him to go on with his revelations until his own conduct has been investigated.

The wind (provided through the Senator's mysterious sources of secret information), with which he was planning to fill his sails, was the disclosure that the Administration was investigating the reliability and loyalty of Dr Robert Oppenheimer, the outstanding atomic scientist who was in charge of the development of the atomic bomb and who has advised the government on such matters ever since. But some at least of the credit for this discovery has now been denied to Mr McCarthy by the newspapers which have reported, and the Atomic Energy Commission which has confirmed, that Dr Oppenheimer has been refused access to restricted information since the end of last year, and is being investigated in private this week as a security risk by a special panel of the commission's personnel board.

The details of the grave charges against Dr Oppenheimer have also been published, with his consent, and fall into two groups, both casting more doubt on his judgment than on his loyalty. First there is a long list of his activities during the nineteen-thirties and early war years, which show the left-wing sympathies and lack of prudence in dealing with Communists and fellow-travelling organisations that were so common in those days. These indiscretions must always have been known to the government's security officials. Secondly, however, Dr Oppenheimer is accused of having delayed work on the hydrogen bomb; to this he replies that while he, and other scientists who were also consulted about its desirability, did oppose it on scientific and technical grounds, once President Truman had decided that the thermonuclear programme must go on, he co-operated fully in solving the technical problems involved.

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Meanwhile the Defence Department, also admitting by its actions that, as usual, Senator McCarthy has some justification for his charges, has announced a new, or rather a more far-reaching, policy for keeping "subversives" and Communist sympathisers out of the armed forces. The occasion of the outbreak of war between Mr McCarthy and the Army was the case of a conscripted dentist who refused to answer questions about his alleged Communist connections. Now the loyalty and security procedures that have been applied to the civilian branches of the government are to be extended to the services. There is some concern as to what the effect will be on morale and discipline, but at least the Army has done its best to dispose of what had become a side issue in its struggle with the Senator.

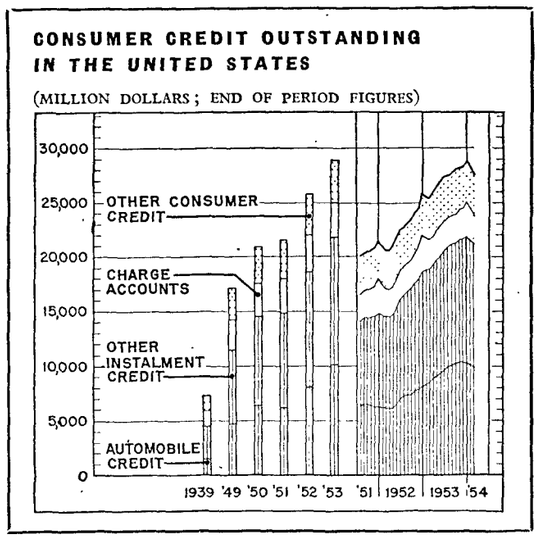
The main battle is over whether or not Senator McCarthy tried to bring pressure to bear on the Army to secure special treatment for a member of his staff and whether or not the Army attempted to bring pressure to bear on him to call off his investigators. The battle is to be joined on April 22nd before the Senator's own committee—but without him in the chair—now that at last a special counsel to direct the proceedings has been found. This is Mr Ray Jenkins, an experienced and able trial lawyer from Tennessee, who has apparently managed never to take a stand for or against Mr McCarthy.

Tough on Communists

THE official answer to Senator McCarthy, whether the Administration has been Democratic or Republican, has always been that the federal authorities, with the help of the law, are able and willing to deal effectively with Communists, both in and out of government and that it is the responsibility of the executive, not of Congress, to do so. For political reasons the present Administration, of course, insists that it is both more able and more willing to do this than was its predecessor, and last week the Attorney-General, Mr Brownell, broadcast an account of how successful it had been, as a sequel to President Eisenhower's earlier warning against hysteria about the Communist threat.

That threat, said Mr Brownell, is being countered successfully, in several ways. The Federal Bureau of Investigation is doing a "magnificent job" in discovering and watching Communists. As a result of its efforts, which Mr Brownell had the grace to admit had been begun under President Roosevelt, 36 Communist leaders have been convicted under the Smith Act since the present Administration came to office, and 67 since 1948, for conspiring to overthrow the government by force. Anxious as he is to be tough on Communists, Mr Brownell does not, as he told a House committee a few days later, want the Communist party outlawed by making membership in it a criminal offence. He felt that such a law would make it more difficult to track down Communists and would probably be unconstitutional in any case. Nevertheless, Mr Brownell does want a number of new legal powers; they were outlined by the President in January, but little has yet been done about the necessary legislation.

The Bill that has got farthest is that which would permit the use in court, in cases involving the national security, of evidence obtained by tapping telephone wires. This has passed the House, after members had demonstrated their concern for civil liberties by insisting that a court order must be obtained before wires were tapped; Mr Brownell had wanted the decision to be left to the Attorney-General. Senator Ferguson has now made a start with a Bill to take American citizenship away from those who conspire to overthrow the government, which was the President's most unusual proposal. Mr Brownell also requested increased penalties for peacetime espionage, including the death penalty, for sabotage and for shielding fugitive Communists. Another piece of legislation that he would like would permit employers to dismiss from defence plants in time of emergency people thought likely to engage in sabotage and espionage, and would eliminate Communism from trade unions in vital sections of the economy. Both copper mines and the electrical equipment industry have been having difficulties of this kind with their trade unions, and a Bill to deal with these is now being prepared in the Senate. Finally Mr Brownell wants an extension of the statute of limitations, and power to grant immunity from prosecution to witnesses who would incriminate themselves if they gave evidence, so that they would no longer be able to use their constitutional rights as an excuse for not testifying.



Reinsuring Health

FROM A SPECIAL CORRESPONDENT

IT is probable that the United States is the most health-conscious nation in history. Americans pay millions of dollars annually for vitamin pills in an effort to avoid illness, and further millions to specialists to see whether the effort has been successful. There are more physicians, relative to population, in the United States than in any other country except Israel. Expenditure on civilian health reached $13.6 billion in 1951, an increase of 120 per cent over 1936, even after allowing for price changes. In health facilities, however, as in so many things, the United States presents no homogeneous picture. New York, a rich state, has 209 doctors to every 100,000 inhabitants; Mississippi has only 74. Over the country, 39 per cent of the people live in places of less than 2,500 inhabitants, yet such places have only 13 per cent of the nation's doctors. Country boys, upon graduating from medical school, head for the cities, where more lucrative practices and fewer hardships are found. It was estimated in 1947 that three million lives could be saved in the United States in the succeeding ten years if all states enjoyed the health standards of the highest ranking state.

In addition to such geographical inequalities, there are the special problems faced by the less well-to-do people, even in very well-to-do states, in trying to pay their medical bills. By June of 1953, some 89.5 million people, or 58 per cent of the civilian population, carried some kind of insurance covering medical care, a phenomenal growth since 1940. Then only 9 per cent of the population was covered for hospital costs, as against 57 per cent in 1953; the figures for surgical costs are 4 per cent and 48 per cent respectively. The American Medical Association, which once showed little enthusiasm for health insurance of any kind, now supports these voluntary plans as a bulwark against "socialised medicine," its name for the provision by the federal government of something like the Lloyd George scheme of 1911. Private insurance companies are branching out into the field, and the mails in recent years have suddenly been flooded with advertisements for a "low cost, modern plan of hospital protection . . . sold from one day to 80 years of age."

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It is doubtful, however, whether voluntary, private insurance can ever solve the problem unassisted. For one thing, the distribution of health insurance, like that of medical services, has been uneven. The recent survey by the National Opinion Research Centre, at the University of Chicago, shows that only 41 per cent of families earning less than $3,000 a year carry any health insurance at all, even hospital coverage, while the figure for families earning over $5,000 is 80 per cent. Of those employed in mining and manufacturing, between 80 and 90 per cent have some form of coverage, but in agriculture, fisheries, and forestry the range is from 30 to 39 per cent. These figures underline the long recognised fact that the voluntary plans have done well among the urban middle-classes and industrial workers, but have not met the problem as far as the urban poor or the rural population are concerned.

Furthermore, the degree of coverage given by privately financed policies varies greatly. Only 4 per cent of the population is insured for "substantially complete physicians' services." Even when a policy appears to cover a given kind of service, actual practice may prove disconcerting: the Actuarial Society of America, analysing 100,000 surgical claims under voluntary programmes, found that the benefit payments covered, on the average, only 55 per cent of the doctor's charges. This kind of thing happens partly because of limitations and exceptions written into the policies; a limit is usually set on the maximum benefit to be paid to the policy-holder, in order to safeguard the solvency of the insurance scheme. Sometimes, however, doctors have simply accepted the fee from the insurance company as a kind of basic minimum, and have then proceeded to charge the patient whatever they thought he could afford to pay in addition. Many so-called "non-profit" health plans are controlled by doctors, who offer needed services in return for regular payments instead of fees; in such cases, the line between profits and salaries becomes somewhat elusive.

Perhaps equally serious, many state and local medical societies have tried actively to block the establishment of group practice arrangements, in which doctors with various specialties pool their skills and equipment for the benefit of all their patients—arrangements which, when linked with comprehensive insurance plans, provide the nearest approach to ideal medical security for the citizen. Group practice grows in spite of this, but less than 3 per cent of the doctors in the United States have adopted it. The Magnuson Commission—named by President Truman to investigate the nation's health needs—noted in its report last year:

> The genius for organisation, so characteristic of American life in general, is conspicuous in health services by its absence. . . . In industry, the application of this principle has made possible our enormous productivity and our high standard of living. By contrast, the lack of organisation that prevails in medical practice is the despair of the industrialist and the labour leader.

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Faced with all these problems, President Eisenhower's Administration has proposed a characteristically middle-of-the-road programme, in which Mr Truman's compulsory national health insurance schemes, which had never borne fruit, are emphatically abandoned, while the quieter aspects of past federal policies, such as subsidies for hospital construction, are maintained, in some cases on a diminished scale, in others with increased support. But the most interesting of the President's proposals is contained in a Bill introduced in Congress last month which would establish a programme of federal reinsurance, to aid the voluntary insurance organisations both to broaden their benefits and to extend them to more people. The reinsurance idea has worked well in the field of securing bank deposits, but that does not necessarily mean that it will in the more complex field of health. Spokesmen for private insurance companies and for the AMA have already condemned the Eisenhower proposals as opening the way for the dreaded socialisation of medicine, but there are signs that the exaggerated congressional awe of the AMA's influence in the country at large may at last be subsiding.

The proposed reinsurance programme would begin with a capital fund of $25 million, to be retired by the income from premiums paid by participating private insurance organisations. Clearly, this would represent no more than an experiment on a small scale. To begin to make serious progress, not only would a far larger capital be needed, but it is also probable that the federal government would have to subsidise, on a continuing basis, the reinsurance system. Otherwise, the premiums to be paid by insurance organisations would have to be high, since by definition, reinsurance is designed to aid in the coverage of greater risks, on the average, than those now being covered. And if the reinsurance becomes expensive, so will the original insurance; the hope of extending its coverage to the poorer elements in the population may thus be dissipated.

Against such pessimism, of course, it can be argued that a limited scheme may at least afford the government valuable experience to guide it in expanding the programme at some future date. Without this experience, it is impossible to answer such thorny questions as how to pick and choose among applicants for reinsurance, how to avoid subsidising inefficient insurance schemes while at the same time guarding against unfair discrimination, and how and to what extent the reinsurance plan should be used to encourage the growth of such desirable things as group practice of medicine. It might be added that $25 million worth of effort to solve the problem of health-for-all, though a modest start, would, if Congress can bring itself to approve it, represent more actual progress than Mr Truman's habit of annually submitting an ambitious blueprint for compulsory national insurance to a Congress which had no intention of ever acting upon it at all.

Housing in Ruins

THE attitude of the House of Representatives to the public housing programme has always been surprising: a programme which is an essential companion of slum clearance, and under which the federal government helps local authorities to build low-cost housing accommodation, would seem to have special appeal for a body whose members come chiefly from cities and must stand for re-election every other year. Yet in practice the House always delights in denying funds for public housing, whether they are requested by a Democratic or a Republican Administration—the support for the programme has been as bipartisan as has the opposition to it—and leaving it to the Senate to repair at least some of the damage.

The Senate seems likely to come to the rescue this year as usual, although it may not be as successful as usual. For the House, in an unbusinesslike hurry to get the government out of the housing business, left the programme in such a state of ruin that an appeal may have to be made to the courts before it can be rebuilt. The damage was begun last year, when Congress specifically stated that no new public housing units were to be started; this year the House Appropriations Committee allowed funds for 22,000 new units. The opponents of public housing claimed, and their claim was upheld, that after last year's ban this constituted new legislation, which is not permitted in a money bill. But they then found that, in the view of the Administration at least, they had not, as they thought, pulled down public housing altogether, but had provided for an increase, to about 35,000, in the number that could be built in the coming 1955 fiscal year. For the Administration insists that it had irrevocably committed itself to build that number, even though they have not yet been started, before last year's ban on new contracts was imposed.

Whether or not these 35,000 public housing units rise out of the parliamentary confusion, only the Senate can provide the 35,000 more which the President wants for each of the following three years; he is prepared to settle for 35,000 for the 1956 fiscal year—plans for them should be started soon—but the House refused to authorise even that number in the Housing Revision Bill which it passed as soon as it had finished with the 1955 appropriation. In that Bill the House, under pressure from ex-servicemen's groups, also refused the President discretionary power to adjust the interest rates on mortgages to ex-servicemen and on other government-guaranteed loans. This not only denies him a useful weapon against economic recession, but also apparently makes other sections of the Bill unworkable. This the House does not seem to have realised, for when it came to such things as providing aid for slum clearance and making mortgages and loans for rehabilitating old houses more freely available, the House thought it had given the President all he wanted to encourage private building activity. Here again the Senate has a substantial repair job on its hands, which may be made more difficult by the discovery of a possible scandal in the government housing agency.

Bourbons Feel Their Age

New York

WHISKEY distillers are not, after all, to get help in moving the "mountainous" stocks of which they have been complaining. For the excise tax of $10.50 a gallon did not revert to $9 on April 1st as had been expected, and there is little hope that Congress will act at this session on the Saylor Bill, which would have permitted distillers to keep liquor in bond for twelve years, instead of the present eight, before paying taxes on it; the question has become urgent because it is now eight years since whiskey production was resumed on a large scale after the war. But luckily, although some small distillers may be in difficulties, Bacchus, helped perhaps by St Patrick, has provided the aid that the government refused.

Total apparent domestic consumption of all whiskey (including imports), which to the industry's dismay fell by 5 per cent in 1952, rose again last year by 6 per cent to 195 million American proof gallons; (1 British proof gallon is the equivalent of 1.37 American). And although liquor consumption a head has fallen since the war, and whiskey has been losing ground to gin and other spirits, another switch in taste has helped the whiskey distillers. Americans are now drinking more straight bourbon, which consists entirely of aged whiskies, and less blended, which may contain as much as 65 per cent of unaged "neutral" spirits. Therefore disappearances of aged whiskey from bond (including a relatively small volume of exports and allowing for losses due to evaporation) have been rising faster than final sales and the mountain of stocks, at 717 million proof gallons, or about 6½ years' supply, is really no more than a fair-sized hill. When it is realised that only 42 million gallons of this were over six years old, and 227 million over four years old, at the end of 1953, it is clear that the industry as a whole will not be compelled, by the operation of the tax laws, to force excessive quantities of eight-year-old whiskey on the market this year.

Scotch whisky distillers therefore need not fear that their exports will be arriving in the middle of a battle of the bourbons, even though some price cutting has taken place, particularly among the more expensive bottled-in-

bond whiskies, and competition is likely to be intensified. Nevertheless it should be possible to maintain, for the proprietary brands of Scotch whisky at least, the gradual improvement in their market position in the United States which has developed during the last five years. Annual arrivals of Scotch have gone up by almost 50 per cent over that period, but annual arrivals of Canadian rye and bourbon whiskies have doubled in the same period; at 8.9 million American proof gallons in 1953, they have almost caught up with imports of Scotch. The Canadian whiskies have been helped to capture markets in which Scotch whiskies might have shared, had it not been the supply that was tight, by the advertising advantage of having only two leading brand names to publicise, while it takes ten brands to make up only 80 per cent of the exports of Scotch whisky to the United States.

Accounting for Welfare

GOVERNOR DEWEY recently signed a Bill giving the State Superintendent of Insurance power to examine the records of trade union welfare funds. This is the first fruit of an investigation ordered last year after it was shown that welfare funds in the state had lost $275,000 through payment of excessive fees. In Washington two congressional committees are already responding to the President's request for a study of how these funds and their beneficiaries can be protected from mismanagement and downright fraud. Hearings held last year showed that a number of trade union officials, particularly those of branches of the powerful Brotherhood of Teamsters (or lorry drivers), had accepted bribes from insurance companies hoping for contracts.

The growth of company-financed pension and welfare schemes was greatly stimulated during the war; they took the place of the wage increases which were then forbidden by law. By 1947 the Taft-Hartley Act required employers to bargain on welfare schemes, a requirement which the Supreme Court later upheld. Today, over 10 million workers are covered more or less adequately—usually for old-age pensions, but frequently also for hospital and medical costs, disablement and death benefits. Some estimates put the total reserves of such plans at $25 billion, a sum large enough to make itself felt in the stock markets. Employers are resigned to regarding social insurance as a business cost, but few are enthusiastic about their right, under the Taft-Hartley Act, to help administer the schemes.

The most comprehensive plans, and ones which have never been charged with anything worse than improvidence, are those established for the miners by Mr John L. Lewis. The soft coal fund has reserves of nearly $100 million, and last year paid out $139 million in old-age and disability pensions, medical and hospital costs, rehabilitation treatments, and death benefits. Work has just begun on two of the ten hospitals planned for the mining areas. All this money comes from royalties of 40 and 50 cents a ton on the coal mined, a fact which, combined with depression in the mines, has gone far to tame the redoubtable Mr Lewis, who used to order a strike at the drop of a pick. The anthracite fund has had to cut its pensions from $100 to $50 a month.

The evidence already produced of corruption and inefficiency in some welfare schemes has brought promises of house-cleaning from both the American Federation of Labour and its most powerful affiliate, the Teamsters. They are clearly anxious to ward off outside regulation. But even if they act in time—and the unions move slowly—the size of the funds and their important place in the structure of social security probably make some form of government regulation inevitable.

SHORTER NOTES

The Interstate Commerce Commission has denied that the New York Central Railroad's petition for an investigation of Mr Robert R. Young's activities in the struggle for control of the company constitutes sufficient grounds for the institution of the inquiry requested. In rejecting the petition, the commission did not entirely rule out the possibility of future action, after further investigation, but it seems unlikely that it will act before May 26th when the question of control will be determined by the proxy voting at the company's annual meeting.

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The broadcasting companies have won their fight against the 1949 order of the Federal Communications Commission banning "giveaway" programmes on radio and television as a violation of the lottery laws, as a result of the Supreme Court's ruling that the tests imposed by the commission to determine what constituted lotteries was a form of censorship that violated the freedom of speech and press guaranteed by the First Amendment to the Constitution. The fate of the "giveaway" programmes, in which prizes are given to listeners and viewers who can answer a simple question, is left to public opinion, which has already decided that such programmes have gone somewhat out of fashion.

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The mass immunisation programme of the National Foundation for Infantile Paralysis is the most promising attempt yet made to prevent the occurrence of polio. To counteract the effect upon the campaign of the rumour, fostered by Mr Walter Winchell's broadcast, that the new vaccine "claimed to be a polio cure may be a killer," the US Public Health Service has announced that the minimum safety specifications require that the vaccine shall pass the triple tests of the manufacturer, the inventor, Dr Salk, and the National Institute of Health. Although forty-four states have agreed to participate in the mass vaccinations, the success of the programme will depend upon achieving the consent of the parents of the 500,000 children to be tested.

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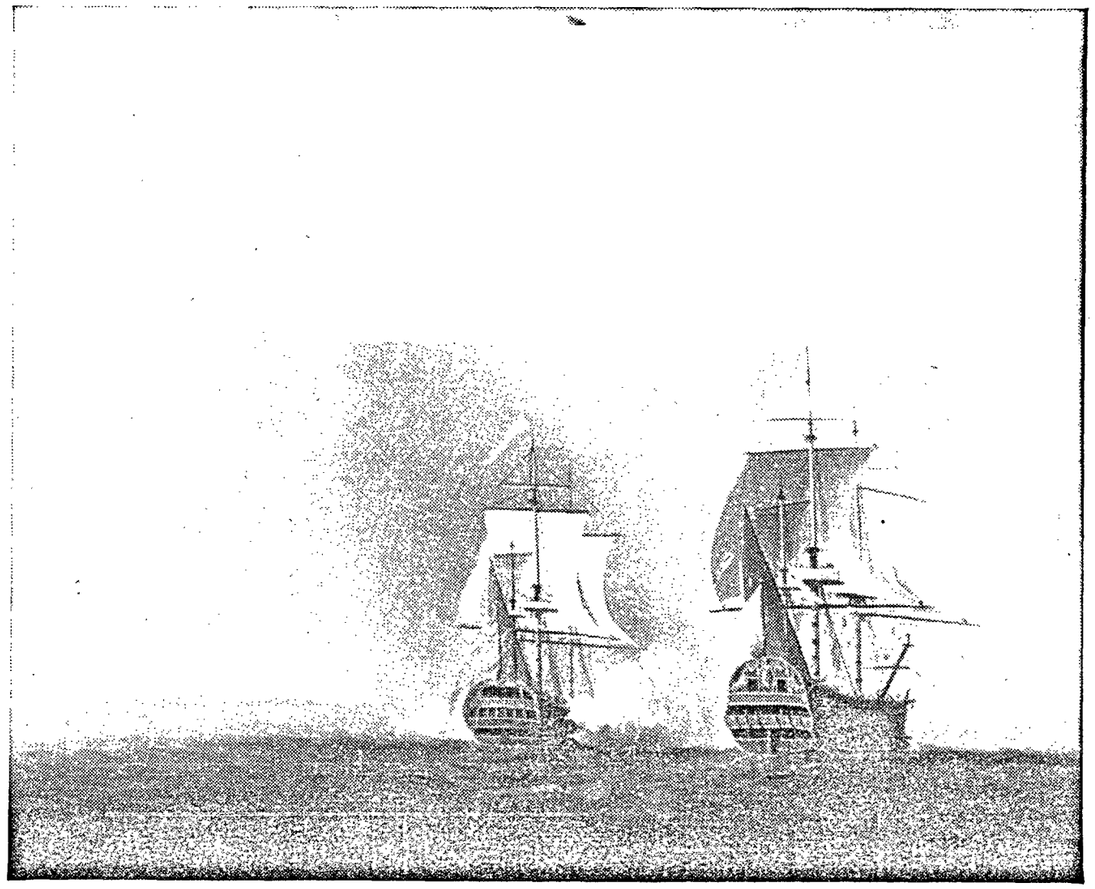
The Internal Revenue Commissioner was so preoccupied collecting everyone else's federal taxes that he forgot to pay his own state taxes. His excuse, that he thought his book-keeper was taking care of the matter for him, did not deter the State of Virginia, where he lives, from fining the Commissioner $25 for the oversight.



(By courtesy of the Trustees of the National Maritime Museum, Greenwich.)

ENGAGEMENT BETWEEN ANSON'S "CENTURION" AND THE TREASURE SHIP "CAVADONGA", 20TH JUNE, 1743, by Samuel Scott

BEFORE THE THUNDER and smoke of battle, the tensest moment: the ships sliding towards each other over the hissing sea, the guns run out, the crews still...and waiting. When someone murmurs the blasphemous grace "For what we are about to receive..."

Yet the men that died from round shot, from steel, were few compared to those who died from scurvy, the real scourge of the sea in those far-off days. And it was not only at sea that men died through lack of proper food, or from diseases caused by dirty food.

Today we know far better what to eat. And how to treat our food. How to keep it fresh and free from contamination. Much of our food today is protectively wrapped...from the baker, from the factory, from the shops. Wrapped, it may be, in packaging made by Bowaters. For Bowaters make wrappers and containers of many kinds—for food protection and a thousand other purposes in commerce and industry, all of them contributing, in their several ways, to the health, pleasure and efficiency of modern living.

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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.

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Fisons are also among the largest manufacturers in Great Britain
of pharmaceuticals, medicinal food preparations and fine chemicals
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it's all in FISONS field

The World Overseas

German Trade With the East

FOR West Germans trade with the Soviet bloc appears to be of greater importance than it is to Britain. There are a number of good reasons why this is so. The first is tradition. In the minds of the older generation of German industrialists and bankers Eastern Europe is still Germany's "natural market"; the memory is alive still of the "Rapallo period," 30 years ago, when German industry was bound by a treaty of trade and friendship with the young Soviet Union. West Germany would clearly like to gain its prewar position as heavy industrial supplier to the Communist countries, before they industrialise themselves further. Germans are anxiously watching the development of coal and steel production in territories that used to be dependent on the Ruhr; but there is a feeling that somehow, if trade barriers were removed, the Soviet satellites might halt their march towards self-sufficiency and turn again to the west.

The stability of trade with the Soviet Union in the pre-Hitlerite era is another reason for German determination to revive it. It was not great, as the table shows, but it had stayed fairly constant during the great slump. Though Hitler ruined trade with the Soviet Union itself, Germany even in his day played a dominant part in the economies of the Balkan countries, as almost the sole market for their surplus grain and (in the case of Bulgaria) for tobacco. Hungarian and Polish eggs and meat, Soviet and Polish timber, Czech yarn and Soviet oil, formed the bulk of eastern exports to Germany, while Germany sent mainly iron and steel, machinery and chemicals—that is, those products which again form the Federal Republic's chief exports.

For Germans, unlike the British, the revival of trade with Russia is a matter of national prestige. Though the Bonn government is a member of the Cocom (the co-ordinating body in Paris which draws up the list of restricted and prohibited exports to the Communist world) and the Bonn authorities have control over licences, the Germans are certain that they are penalised because their country is occupied. The British, Dutch, French and Italians are all, Germans believe, snapping up contracts which they are forced to reject. American officials in Germany keep, or try to keep, an eye on illegal traffic to the East in German goods, and shipments in transit through the German free ports. All this means that the restrictions on trade tend to be regarded by the Germans as part of the occupation regime which nobody can be blamed for evading. Moreover, "east-west trade" includes exchanges with other Germans across the zonal frontier in which it is felt that foreigners should not interfere. (It may be remarked, however, that interzonal trade has proved just as unsatisfactory to the Federal Republic as business dealings with other Soviet satellites, and the Westerners are constantly trying to make the Easterners work off chronic deficits.)

Federal Germany has bilateral offset trade and payments agreements with all the Soviet satellites, except Rumania. With Rumania, for the first time, a pact was recently concluded by the Eastern Committee, taking the place of the Bonn authorities. This body is an advisory association to which the German industrialists and civil servants belong.

GERMAN TRADE WITH THE EASTERN BLOC
(As Percentages of Total German Imports or Exports)

	1930–34		1953*	
	Imports	Exports	Imports	Exports
German imports from or exports to:—				
USSR	4·6	5·9	0·4	0·04
Czechoslovakia	3·4	4·1	0·4	0·2
Poland (incl. Danzig)	2·1	2·1	0·5	0·3
Hungary	0·9	0·9	0·3	0·4
Bulgaria	0·7	0·3	0·1	0·06
Rumania	1·7	1·1	0·05	0·2
Total USSR and Satellites	**13·4**	**14·4**	**1·75**	**1·2**

* Federal Republic only.

It was formed in order to offset the disadvantage felt by individual firms in dealing with a Communist state trading organisation. With the Soviet Union itself, Federal Germany has no trade and payments agreements and is not allowed to conclude one until the Bonn convention, ending the occupation regime, is in force. But there is a strong demand for this handicap to be overcome quickly, by use of the Eastern Committee or otherwise, and the Russians themselves have made overtures in this direction. Meetings have taken place between German businessmen and Russians, and some shipbuilders have just returned from a trip to Moscow, at which the two parties tried to find a way of financing a large contract.

The actual experience of the Germans in their trade treaties with the East has been disappointing in the extreme. In the lean years, the Communists could not offer the foodstuffs or scarce raw materials that Federal Germany needed, and demanded too high prices when small quantities of these "hard goods" became available. Now that larger quantities are offered, the German

importers do not want them. Wheat and sugar have become as "soft" today as slivoviça was in 1949. The Russians and the satellites are much more eager to sell but even Soviet manganese ore is no longer a bait to the Germans, unless it is to be priced below the figure at which importers buy from their staple suppliers.

German eagerness to develop trade with the Soviet bloc is due much more to desire to sell in that market than to buy foodstuffs or raw materials there. The big problem facing West Germany today is how to find an internal market for the wheat and other primary products of countries such as Turkey, Argentina and Greece which are unable to pay for all the German machinery, steel, chemicals, and other manufactures they have bought, and would like to buy. A D-mark gap has developed in the world, and the Germans, who are unwillingly granting large credits to their old customers in Western Europe and the under-developed countries, have hardly begun to realise that they must take the medicine they hold out to the Americans—that is, they must lower their tariffs, and buy more, or invest abroad.

It would be an alarming political development if West Germany were ever to switch its purchases of wheat from the United States, Canada and Australia to the Soviet Union, in order to find a slump-proof market among the Communists. But there are a number of factors that stand in the way of such a change. Chief among them are the Soviet Union's shortages and the surpluses in the free world, not to mention the postwar orientation of German traders and public taste towards the West. Now that America has begun to give away its wheat to its allies, and Turkey tries to sell surplus wheat to pay off its debts to German exporters, it is hard to see why Russia should gain control of the German larder. But, on the other hand, if the Soviet area is to develop its purchases from Germany, and cannot pay in commodities, it is obvious that the question of German credits to the Communists must come up in some form, at some time.

(*A second article will deal with German trade with China.*)

The Sudan's British Servants

THE number of British citizens still serving in the Sudan is smaller than Egyptian propaganda about their allegedly nefarious influence would lead anyone to suppose. Some 110 men are in administrative posts and about 1,150 in technical jobs; this total should be set against the size and population of the Sudan which are, respectively, about one-third of the area of the United States and nearly nine million people. A fifth of these British employees are in pensionable jobs, the rest on contract. Numerically, their claims to notice may be small, but, morally, they merit the thoughts of their fellow-nationals on account of the personal dilemma in which they are at present placed.

No European serving in Africa expects his job to be immune against "Africanisation," and on this score they have no complaint. But they are worse off than Europeans in other territories, for instance, in Nigeria, because whereas others are in a position to retire at any time on accrued pension or gratuity—that is, to leave for a more promising job without loss of all right to compensation—the Sudan government official is not so. Some terms of compensation for those retiring or dismissed may be fixed later. The Sudan prime minister has said, unofficially, that he means this to be so. But meanwhile he has not said publicly that he has raised the question with his cabinet, and so far as the British official knows, he forfeits all pre-existing rights if he goes. He therefore plods on, among Sudanese many of whom think they can fill his shoes overnight, and who are blandly ready to detract, day by day, from the authority whereby he keeps his sector of their national machine in working order. His role is comfortless and exacting.

The Sudanisation Committee that is now hard at work in Khartoum is the body charged, under the Anglo-Egyptian agreement of 1953, with replacing foreigners by Sudanese in "the administration, the police, the Sudan Defence Force and any other government post that may affect the freedom of the Sudanese at the time of self-determination." "Foreigners" means British, for there are only about 150 Egyptians and 50 experts of other nationalities in the service. The committee consists of five members, one British, one Egyptian, and three Sudanese nominated by the Sudan government. All these last are anglophobe members of the National Unionist party, and the committee is therefore likely to be keen to axe British staff as soon as possible. Last week, it discussed with the British governors of the nine provinces of North and South Sudan how fast it could go and whether a start should be made with senior or with junior posts. It has so far shown no sign that it has absorbed a point made to it by several outsiders: that it should bear in mind future problems of promotion, and avoid large intakes of men of the same seniority at the same moment.

Threat to the Gezira Scheme?

Before any action can be taken, however, its recommendations go up to the cabinet and, if need be, to the Governor-General's Commission, either of which bodies may be more alive to the dangers of over-rapid Sudanisation. The cabinet must decide how far ruthless wielding of the axe among the British administrative staff will deprive the nation of technicians with irreplaceable local experience—the teachers, doctors, soil chemists, animal husbandry experts and others who are in short supply all over the world. Most of these are on short-term contracts, and can easily find other jobs if they decide they see greater attraction in working for some more experienced government.

For the Sudan, this question of retaining essential technicians in its service is especially important, because future economic viability almost entirely depends upon a single piece of apparatus—the Gezira cotton scheme watered from the Sennar dam. This is now largely staffed by Sudanese, but still depends for full efficiency on a stiffening of foreign supervisors in the ginneries, in the field and, in particular, on the marketing side. Any action that caused these key men to go would be a national disaster. A Cairo radio programme called "Sudan Corner" is busy picking holes in their work, and—as a by-product of this attack—also in the Sudan government's contribution towards the regularity of the functioning of the Gezira scheme.

There is sure to be Egyptian pressure for replacement by Egyptians. Khartoum will be reminded that Egyptian technicians are cheaper than Europeans, and this is so if—

as has happened in Libya—the Egyptian government is prepared to continue to pay their Egyptian stipends, so that they get two salaries. This proposition is made by Egyptians who have dismissed all thought that there are not yet nearly enough local men trained to meet all rural Egypt's similar needs. Moreover, it is uncertain that the Egyptians yet understand what are the jobs with which the Sudan needs help. On March 30th, Egypt was reported as having offered to establish a branch of Cairo University in Khartoum, and to begin by opening faculties of arts and law. What is really needed is colleges of science, technology and agriculture; but these are not subjects popular either with Cairenes or with the Sudanese white collar class, too many of whom still think it nobler to wield a pen than to dirty one's hands.

The Sudan's British servants have done their work in an intemperate climate, and in conditions in which hard work has been expected of them and has been gladly given. If, now, Sudanisation becomes synonymous with treatment that disregards the effort they have put into their work, they will have had a raw deal. But the chief loser thereby will be the Sudan if, as a result of such behaviour, it gets a bad name as an employer and frightens away the good applicants of the future. This danger has been discerned by a few of Africa's politicians, notably by Dr Nkrumah of the Gold Coast.

India's Opportunity?

THE Indian government can hardly be congratulated on the manner in which it has chosen to press its claims to the small French territories along the coast. At one point, recently, the stream of Notes and official accusations from Delhi descended to a complaint that somebody had stolen the bicycle of an Indian newspaper reporter in Pondicherry. This, surely, was diplomacy touching bottom. Last weekend a new Note demanded the *de facto* transfer of the settlements in advance of further negotiation about their *de jure* status. Although France has offered to allow the people of the settlements to decide by plebiscite, under international supervision, whether to pass under Indian rule, and although it has already shown its good faith by yielding up Chandernagore, the Indian government appears to prefer old-fashioned annexation to self-determination. Meanwhile, its partisans in Pondicherry are busily annexing outlying bits of the settlement piecemeal.

The French position is obviously vulnerable. Unlike Goa, the main Portuguese territory in India, the French settlements are minuscule; they lack both economic resources (Goa has considerable manganese and iron ore fields) and easily recognisable characteristics such as the Goanese have acquired by racial origin, religion and culture. Pondicherry is not even a territorial unit; like the principalities of the old German empire, it comprises several neighbouring but scattered areas, communication between which is only possible when the Indian authorities permit. At present they do not permit, and this accounts for the ease with which some of these little parcels of land have been "liberated." Moreover, the government in Paris is obviously too busy to give the matter its full attention at present. France's difficulty, it seems, is Mr Nehru's opportunity, and it has been seized with a less graceful gesture than is usually associated with Hindu hands.

Polish Planners Change Course

SINCE the Soviet rulers have started to speak openly of Russia's economic ills, the satellite leaders have been busy discovering similar symptoms of disease. This over-zealous imitation sometimes takes farcical forms; but there is no doubt that the symptoms often are similar, for they spring from a similar cause—they are the result of too rapid industrialisation. Poland, like the Soviet Union and like the other satellites, is now to modify its policy of industrialisation at all costs. An attempt is apparently being made to restore the balance between booming heavy industry, lagging light industry and stagnating agriculture. To proclaim this new economic policy was the primary task of the congress of the Polish United Workers' Party held last month. Indeed, the new party secretary, Boleslaw Bierut (who was premier until then), as well as the other leading speakers, dwelt mainly on economic achievements and on the new tasks now facing the Polish economy.

Thus the pendulum swings some way back after four years of ruthless concentration on basic industry. When the current Six-Year Plan was drawn up at the close of 1949 the stress was already laid on heavy industry and industrial production was to be raised by 85 to 90 per cent. By mid-1950 this was branded as an "opportunist deviation." Poland was to play its share in an emergency mobilisation of the Soviet bloc. The target of industrial production for 1955 was stepped up to 158 per cent above the 1949 level and the emphasis on basic production was accentuated still further. The distortion proved even greater in practice, as for the last four years light industry and agriculture were treated as poor relations allowed only the remnants of scarce resources. Only at such a price could the main targets be achieved. Given its choice of priorities, the Plan, on the whole, did work and Mr Bierut did not make as sweeping concessions as his East German or Hungarian colleagues. He insisted on the extremely rapid development of machine building and chemical industries and claimed that Poland is now Europe's fifth industrial power. True, processing capacity has slightly outstripped the raw material basis, with iron ore and copper extraction as the chief laggards. Taken as a whole, however, basic industry has according to the official figures kept ahead of its schedule.

It is impossible to estimate what toll the population had to pay for this rapid expansion of manufacturing output. Official figures are misleading, if only because they do not reveal how many Polish textiles, shoes or sugar were

exported. In any case, it is now admitted that the plans to improve the consumer's lot could not be fulfilled. The rapidly rising urban population has been the main sufferer (there are now about 6 million workers and employees outside agriculture—double the 1946 level—and urban population has risen from one-third to nearly half the total). The deficiencies in the supply of manufactured consumer goods have hit it both directly and through the resulting shortage of foodstuffs. With few industrial goods offered in exchange, the peasants had little incentive to produce more and even less to sell. Indeed, it is in the countryside that the planners have met their greater defeat and no bones are made about failure in this sphere.

POLAND'S INDUSTRIAL PRODUCTION
(million tons)

	1949	1950	1951	1952	1953	1955‡
Hard coal.....	74·1	78·0	82·0	84·5	88·7	100·0
Electric power*.....	8·3	9·4	11·1	12·7	13·6	19·3
Crude steel.....	2·3	2·5	2·8	3·2	3·6	4·6
Cement.....	2·3	2·5	2·7	2·7	3·3	5·0
Cotton fabrics†.....	406·5	435·0	465·5	474·5	499·0	607·0
Woollen fabrics†....	50·0	56·5	62·5	65·5	70·5	75·0

* billion kWh. † million metres. ‡ Plan.

The vagaries of Nature have combined with peasant discontent to bring about this failure. Polish agriculture has not yet recovered from the disastrous drought of 1951. The Plan foresaw a 50 per cent increase in agricultural production by 1955, but after four years even official claims put the rise at only 9 per cent. This year again, Poland will have to import grain from the Soviet Union. Livestock numbers have in fact been reduced since 1950.

It was difficult to extract greater supplies from the countryside as the bulk of the land is still in the hands of smallholders. The collective farms, though their number has increased last year by about 3,000 to some 8,000, still own only 1.3 million hectares of agricultural land and state farms 2.5 million hectares. Altogether the Socialist sector accounts for less than one-fifth of the land and less than a quarter of total agricultural production. The government has tried several methods of stepping up food supplies to the towns. In 1950 it wiped out the peasants' savings in order to force them to sell. At the beginning of last year an attempt was made to use the pulls of the market: rationing was abolished ; peasants were allowed to sell on the free market after fulfilling their compulsory deliveries ; but at the same time the prices of industrial consumer goods were raised. All proved of no avail and last year again food supplies, particularly of meat and fats, were insufficient.

Promises to Peasants

Now a rapid increase of agricultural production through a dual policy of modernisation and incentives becomes a major task of the planners. It is intimately connected with the projected stepping up of the output of light industry. Industrial workers are promised more food and more manufactured goods. Peasants are promised better prices for their products and a more plentiful supply of industrial goods in exchange. A step in that direction has been taken through a general reduction of prices for consumer goods, both agricultural and industrial, by about 10 per cent, with particular emphasis on such articles as building materials or farming implements which are in great demand in the countryside. More fertilisers and machinery have also been promised. Total agricultural output is to be raised by 10 per cent within the next two years.

The plans have now to be put into practice. It is claimed that the share of consumption in the national income will rise, that of investments falling from 28 per cent in 1951 to about one quarter in 1953 and to less than one fifth in 1955. Besides, agriculture and light industry are now to be given a larger slice of total investment, though it is not disclosed how much bigger. The planners will obviously try to apply the scalpel rather than the axe to investment in basic industry and to get some results through higher productivity and the elimination of waste. But some shift at least is apparently contemplated and heavy industry should cease to receive exclusive priority. It has been stated that even trade policy will be revised so as to give more scope for imports of raw materials for light industry and of manufactured consumer goods.

For once a turn in the party line is not likely to meet with public hostility. At worst it will be received with scepticism. The peasants may fear that the time of reckoning has only been postponed for a time, since the government took pains to stress that it has not abandoned collectivisation as the ultimate goal. The urban population in turn may fear that this is only a manœuvre and that the planners have not really got rid of their bias towards heavy industry. The proof of the pudding is in the eating. The government should soon be able to find out whether its new policy has gained it much popular support.

New Deal for Steel Consumers?

FROM almost the first moment of its existence, the working of the so-called " single market " in steel has been less than perfect. The steel producers of the European Coal-Steel Community, in spite of their obligations under the treaty, have disregarded their published price lists within the common market whenever it paid them to favour some consumers and to discriminate against others. The issue is of very great importance. For not only is the first principle of the treaty at stake—the principle of non-discrimination—but so also is the power of the High Authority to maintain discipline in its own home market.

Recently the High Authority put on trial a new system designed to prevent these discriminatory practices. Steel producers were told that, after February 1st, price lists would have to be changed if their actual selling prices diverged by 2½ per cent or more from their published prices, as calculated over an average of the previous 60 days. In other words, if at the end of the two month period, that is, by April 1st, it was found that a certain producer had been underselling or selling above his published prices by more than 2½ per cent, he would be legally bound to make the corresponding adjustments in his published list. (In practice, producers, driven by the threat of growing stocks, were with few exceptions selling to selected customers at prices well below the list figure.)

To help enforce this new decision the High Authority hired five Dutch firms of chartered accountants, who, in company with steel experts from the authority, have been making regular examinations of the books of steel firms in the community. So far the system appears to be working with a considerable degree of success, despite its unpopularity with producers, who are bitterly opposed to the inspection of their books by supra-national " police." Since it went into operation there have been few complaints from consumers and few reports of the " black market " sales that had previously flourished throughout the community. During February the steel producers also submitted new schedules in which they dutifully brought their official prices down very nearly to the level of their real prices. In short, steel producers seem to be obeying the rules.

If in the long run the new price technique does prove effective, the High Authority will have accomplished at least three of its major objectives. It will in the first place strengthen the hand of the consumer, by giving him freer access to supplies and enabling him to shop around for the cheapest price. Hitherto the fear of being discriminated against has kept the consumer tied to his traditional suppliers. If the principle of non-discrimination can be made to work it will also mean less protection for the inefficient producer ; and finally it will open the first large crack in the producers' *entente* that for years has dominated the continental steel market. The net effect should be to lower prices for all steel consumers.

By their insistence on the strict observance of published prices, within the fixed 2½ per cent limit, officials at Luxemburg are fully conscious that they have departed from the classical ideal of a free market. But an element of control, it appears, is the price that must be paid for the principle of non-discrimination. After nearly a year of the common market in steel, Luxemburg is ready to acknowledge that producers will inevitably interpret a free market to mean freedom to discriminate and, more often than not, to discriminate on a national basis. " Ordered freedom " has therefore become the watchword at Luxemburg.

Haiti Looks for a Wheelwright

FROM A CORRESPONDENT

HAITI managed to put on a brilliantly gay face to celebrate its 150th anniversary of independence this year, but times are harder than ever. While neighbouring countries have been prospering on high coffee prices, and investing the returns in development, Haiti has had a small coffee crop, disastrous prices for its sisal, and trouble all along the line.

Once the country was rich, so rich that it provided half Louis XIV's revenues and allowed Voltaire to remark that France could well afford to leave the frozen wastes of Canada to England so long as it held the treasure-house of the Antilles. Now Haiti has to support 3,500,000 people on 11,000 square miles of which only one-fifth is fertile. It is, moreover, virtually without industry since it has neither capital nor skills.

As one of the world's poorest and most primitive countries (the annual average consumption is valued at $8 per person), Haiti has received special attention from the United States and United Nations aid programmes. Whatever hope it may have for pushing slowly above a starvation economy rests primarily on what the bevy of experts attached to these programmes can achieve. The main American project is the Artibonite Valley dam and irrigation undertaking based on a $14 million Export-Import Bank loan. Its purpose is to create fertile new acres, provide some power, and serve as a model of improved agricultural techniques. The United Nations has been working on a variety of smaller projects. The most useful has been a survey which concluded that tourism is the one industry which can be quickly and profitably expanded in Haiti and suggested measures to help in its development. By far

the most successful project was the UN's anti-yaws campaign, conducted with military efficiency ; it completely wiped out the debilitating disease which had infected half the population.

Apart from the elimination of yaws, however, it is open to doubt whether Haiti is getting full value for the money and effort spent on it. The country provides a good example of how ignorant and awkward modern people are at helping completely primitive societies. The UN literacy programme, for example, spent half a million dollars and managed to teach fifty people to read. A large part of this sum went on devising and modifying a phonetic alphabet for Haitians who speak pidgin French and 98 per cent of whom are illiterate, then writing some booklets in this new, garish code, and finally, trying to persuade people to look at them. The booklets sought to do double duty, giving helpful hints along with reading lessons. A typical one showed immense mosquitos killing people who failed to provide their homes with even primitive sanitary arrangements. But the normal Haitian reaction was, " Thank heaven we live as we do. Our country may be small and underdeveloped, but we have small and underdeveloped mosquitos. How horrible for the Americans to live with such big bugs."

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A programme to convince farmers that they should grow vegetables to supplement their thin gruel diet failed by the same fault of super-sophistication. The experts forgot that the destitute Haitian can neither conserve nor market a perishable crop. He has no pots or jars in which to preserve vegetables, and his transport is limited to the fifteen or twenty kilos his wife can carry on her head. After a three or four day trip to market, she is not willing to go again until next season. So most of the vegetables rotted in the field.

This experience inspired the chief of the UN mission, a wise and capable Frenchman, M. Paoul Aglion, to send for a wheelwright who could teach the Haitian farmers how to make wheelbarrows. But among the specialists in contour ploughing, the organisers of tractor stations, the electrical engineers, and the road-building experts, it was not easy to find a man who actually knew how to make a wooden wheel with his own hands.

Roads, power, irrigation are all essential, but it is obvious that without a steady flow of people and funds to work them, Haiti will not really be much better off. What the country must learn, in order to help itself, are the cheap techniques that advanced countries have long forgotten. *Technical aid to Haiti is a job for rural experts from countries like India, Greece, or Nicaragua.*

Rumanian Oil

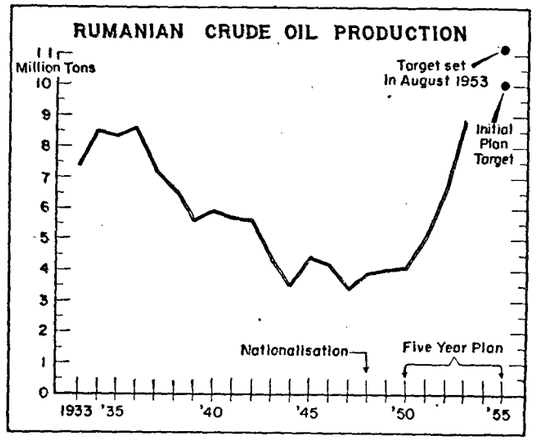
BY A CORRESPONDENT

SOVIET oil has begun to appear on world markets in fairly substantial quantities for the first time since before the war; and it is extremely probable that some, at least, of the oil sold by the Soviet Union in recent months to Finland, Argentina, Western Germany, Israel and elsewhere, in fact comes from Rumania. The Rumanian government has announced that in 1953 crude oil production beat all records. (The prewar peak, reached in 1936, was 8.6 million tons. Last August the Premier, Gheorghiu-Dej, claimed an output of "over 9.3 million tons" by the end of the year and set the target at "over 11 million tons"; the initial target of the Five-Year Plan was 10 million tons.) Yet although neither the 1953 plan target nor the figures given by Gheorghiu-Dej were reached, crude oil output was still higher than ever before.

The most accurate estimate, which is confirmed by reliable information from Bucharest, was given in an article by I. Dumitru, the Minister of the Oil Industry, in *Scanteia* on February 5th. He said that the 1953 crude oil production was 236 per cent higher than the 1947 level and 13 per cent above that of 1952. As the official figure for 1947 was 3.8 million tons, it appears that last year's output was 8.9 million tons. This, together with the new oil machinery and other related industries, perhaps represents the only real achievements of the Communist regime in Rumania.

Indeed, Rumanian oil production, which had been steadily declining since 1936 and which suffered a serious setback after the war, has made an amazing recovery in the last few years. It has done this in spite of disaffection among the workers and other difficulties which led to the disgrace of several successive ministers and to several "show trials." This achievement was possible chiefly because the Russians are extremely interested in the expansion of the Rumanian oil industry over which they now have virtually complete control.

The "sovrompetrol" companies in which Rumania and Soviet Russia each have, nominally, a 50 per cent share and which in the beginning controlled only 33 per cent of the oil industry, today control almost all prospecting, over 80 per cent of total production and 95 per cent of exports. The initial contribution of the Russians to the sovrompetrols was only the former German shares and the dismantled



Rumanian machinery taken as booty to the Soviet Union, plus an ever-increasing number of "experts" and management personnel. In the last few years, however, they have been sending new machinery as well and they have created, as an appendix to the oil trust, a new industry for the manufacture of oil machinery. Successful exploration and ruthless exploitation have done the rest.

It is true that the new oilfields have been brought into production in the Pitesti region, in northern Oltenia and particularly in Moldavia, and that in the last province rich sediments have been discovered. It is no less true, however, that excessive drilling, intensive exploitation at the expense of exploration drilling, and the reopening of abandoned wells, hitherto considered uneconomic even by the regime's experts, have contributed a great deal to make this exceptional increase possible, although they imperil the future prospects of the industry. In the article quoted above the Minister said that over 6 per cent of last year's production came from "secondary recuperation" and that 3 per cent of the total functioning drills had formerly been abandoned. These are certainly not the most economical forms of exploitation. Yet the Rumanians have offered petroleum products to Egypt at a price 15 per cent below the world market level.

But this is not the only paradox concerning Rumanian oil. Such record production might be expected to bring some improvements in the daily life of the Rumanian people. But oil products are still hard to come by and they are still expensive. This year there is once again no central heating in innumerable blocks of flats for want of oil, and the peasant is finding it as difficult as ever to fill his lamps. Towards the end of last month the unrationed sale of lamp oil was introduced; but the minimum price is three times the price of the rationed oil, and the peasants, unlike the townspeople, can no longer obtain rationed oil at the old price.

Broken Hill...

... Boom Town of the Eighties

By the side of a desolate hill set in the desert of Australia, and surrounded by scattered cattle stations, grew up a town built on a dream come true. It was a miners' dream of fantastic wealth waiting for the digging. Unknown in 1880, Broken Hill was a silver magnet in 1884 to miners, stockmen, sailors who had left their ships, clerks whose hands found pickshafts hard and blistering. It was a magnet, too, for some human parasites who lived, leech-like, on others' earnings. It was a boom town, made so by the labour of the men in the mines, but offering sweet pickings of gullible men with money to those with the craft to extract it. While work went on at furious speed underground and on the surface, men at kerbsides offered shares in mines which never existed and in mines salted with ores fired from shot guns.

Despite all difficulties the great prosperity continued. Fortunes were made—and some were lost—as the extent of the wealth of the Hill became clearer. Open-handed miners spent their money as fast as they earned it. They spent in pubs, in gambling dens, on clothes—on anything that money could buy. The streets, unmade, were filled with fortune makers and fortune hunters. Well-dressed men and elegant women strolled together to display their possessions. Soon the population of Broken Hill reached twenty-six thousand, and to most of them nothing mattered beyond the richness of the diggings—and the enjoyment of those riches.

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THE BUSINESS WORLD

Stores and Chains

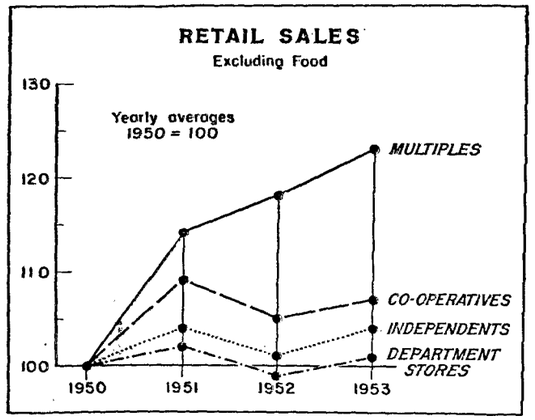
AS the annual accounts of the big shops come in, they repeat the same story of rising profits and buoyant trade. Each month's official statistics of retail sales show that the multiple shops are going ahead faster than all others. It would appear that last year the sales of most shops, excluding food, expanded by about 4 per cent, with sales of the co-operatives lagging behind. The big multiple chains, however, did much better than the average; their sales went up a clear 6 per cent. Total retail turnover (food excepted) was probably in the region of £2,600 million, of which more than half was shared among the "large retailers"—department stores, the multiples and the co-operatives. The turnover of a substantial department store group is reckoned in tens of millions and the turnover of any one of the biggest multiples must approach £100 million a year; and the retail co-operative stores together do perhaps £150 million worth of business a year, outside food and coal. When the figures are of this order, a small percentage variation either way can mean a difference of millions of pounds in cash receipts.

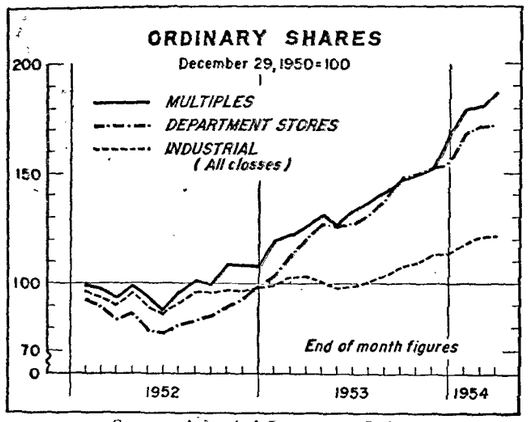
How far is this expansion of the multiples likely to go? The department stores feel that it has gone quite far enough already. These retailing mammoths need a huge turnover to cover their high overheads; it is difficult in these days to operate a department store successfully on a turnover of much less than £750,000 a year. The stores cannot afford to see any substantial portion of their sales diverted to the multiples. The chart shows that, in the past three years, money turnover in department stores has hardly risen, though controls and shortages are forgotten. This is a danger signal.

There is no special magic about the multiple stores' methods of trading that renders them invulnerable to competition. A big chain like Marks and Spencer can "think big" and does enjoy economies of scale; but in retail trade this can be a short cut to disaster, if the size or taste of the market is misjudged, as some of the tailoring multiples have learned to their cost. The successful multiple concentrates first on a narrow range of goods that are known to sell quickly, and then restricts production to an equally narrow price range. It will order grey cloth in immense quantities and will arrange with clothing manufacturers for the production of a vast number of garments; but it will maintain a vital element of flexibility in colour, in design, and in the styles into which the cloth is made up. It will keep an almost continuous check on goods in stock, and take complete stock at least once a fortnight, compared with the twice yearly stock-taking of the average retailer. The special contribution of Marks and Spencer to this system has been the scrupulous control over the quality of the merchandise, extending from the count of the yarn and the construction of the cloth down to the final detail of ironing the garment before it goes on the rail; but there is no reason why the same close control should not be exercised by any large shop.

★

Modern selling methods have played a big part in the growth of the multiples. They have exploited to the full the type of display that best encourages what retailers heartlessly call "impulse" buying. All goods are put on display where the customers can see them and touch them. Self-service food shops have found that open display leads to an immediate increase in turnover without any corresponding increase in costs, and open display seems equally effective even without self-service. This "self-selection" method of display is one reason why the multiple stores have much higher sales per square foot of floor space than their department





Source : Actuaries' Investment Index.

store competitors. Department stores are adopting the same methods.

While the department stores can increase their turnover by imitating the multiples' selling methods, it is not easy for them to meet the multiples on price. A department store will always have proportionately higher overheads ; on the other hand, it has a wider range of goods over which to spread these costs. It may not be possible for a department store to place orders so big that it can get rock-bottom prices from suppliers as the multiples do ; but the average mark-up used by the multiples is probably little lower than that of the department stores—some judges (but not all) would group the two on either side of 25 per cent—and a department store can compete on price by accepting a lower margin on some goods and using a higher mark-up on goods which the multiples do not handle.

Such competition, however, suggests that the unit profit margins of the department stores must narrow.

The effects of competition, moreover, extend beyond profits. Many of the stores are having to accept heavier commitments in stocks ; some of them may have to grant more liberal credit terms to their customers ; a few of them may buy out existing shops and others may build new ones. In all, their liquid balances (which at the moment are comfortably high) will feel the squeeze. What do these prospects suggest for shareholders in the department and multiple stores ?

Equities of these stores were in the van of the stock market boom. Woolworth and Marks and Spencer are accepted—perhaps a shade too confidently—as typical "growth stocks" offering modest yields. In the last year or so the shares of the department stores have begun to compete for this proud position in the market with lofty prices and low yields. In part, investors are impressed by improved profits and higher dividends and perhaps more impressed by the activities of Mr Samuel and Mr Clore. Extensive freehold properties that were—and still are—considerably undervalued in balance sheets imply large untapped wealth. There have been many rumours, often associated with the name of Debenhams, that the companies themselves might follow in the steps of the share-bidder, by selling their freeholds at current values and taking the properties back on lease. But directors generally have been concerned with the fact that new leases would mean much heavier rent-rolls, and increased rates, cutting deeply into earnings.

Some of these stores' shares,

PROFITS AND DIVIDENDS

Ordinary Shares.	Last Accs. ended.	Gross profits in last four years. (£'000s)				Earnings.	Dividend.	Price	Yield
						%	%	s. d.	£ s. d.
John Barker £1 ...	Jan. 31, 1954	2,441	2,162	2,190	2,281	32	22½	70 7½	6 7 5
Bentalls 2/-	Jan. 31, 1954	249	263	379	420	204	100	37 6xd	5 6 8
Debenhams 10/- ..	July 31, 1953	4,463	4,546	3,608	3,939	79	12½*	35 0xd	5 14 3
A. W. Gamage 10/-	Jan. 31, 1954	363	312	327	333	40	25	36 3	6 18 0
Harrods £1§	Jan. 31, 1954	5,675	5,764	5,863	6,881	28	15	48 3	6 4 4
Lewis's Ltd. £1 ...	Jan. 31, 1954	2,161	2,111	2,460	2,501	1,149	325	...	...
Lewis's Inv. Tr. 4/-	Jan. 31, 1954	2,739	3,499	4,216	4,347	136	32½	33 6	3 17 4
Robinson & Cleaver £1.....	July 31, 1953	188	220	120	209	34	20	51 3xd	7 16 2
Selfridge (Holdings) £1.....	Jan. 31, 1954	876	881	1,069	1,142	64	25	...	...
Brit. Home Stores 1/-	Jan. 2, 1954	1,032	1,127	1,268	1,294	99	41⅛	10 3	4 1 4
Marks & Spencer "A" 5/-	Mar. 31, 1953	5,990	7,487	6,696	8,401	93	50‡	93 0	2 19 2
Woolworth 5/- ...	Dec. 31, 1953	12,260	15,115	16,657	19,229	75	60	75 3	3 19 9
Hepworth 10/- ...	July 31, 1953	429	598	472	513	41	10	27 6	3 12 9
Prices Trust 5/-...	June 30, 1953	1,010	1,096	723	164	...	...	...	...
Town Tailors 2/- ..	July 31, 1953	417	443	260	391	72	28	8 3	6 15 9
Benefit Footwear 5/-	Dec. 31, 1953	202	245	254	262	55	22½	15 0	7 10 0
W. Timpson 5/- ...	Dec. 31, 1953	631	710	650	621	31	20	16 9	5 19 5
Upsons 5/-	Jan. 31, 1954	1,034	1,076	892	880	40	22½	17 0	6 12 4
G.U.S. "A" 5/-...	Mar. 31, 1953	5,897	8,161	10,008	11,388	208	50	74 6	3 7 2
Times Furnishing 5/-	Dec. 31, 1953	588	719	756	851	80	25	21 6xd	5 16 3

‡ Yield basis is 55 per cent. * Yield basis, after latest interim dividend, is 20 per cent.
§ *Profits are shown before charging certain operating costs.*

up to prices well beyond what they ... on the basis of declared profits and dividends. Now, perhaps, some of the speculators will have to think again, for many other boards support the stern resistance of the Debenhams board to such a property deal. They may have to pin their hopes instead on the belief that the directors (made more conscious of their responsibilities by the efforts of the share-bidders) will gradually try to bring dividends more closely in line with earnings. This is likely to be a slow process and made all the slower by the growth of competition, the tighter rein on profits and scarcer liquid resources. Set against the shares of the multiple giants, the equities of a fair number of department stores seem well valued.

In this growing competition, the initiative rests for the present with the multiples, and the department stores are adopting their rivals' methods in order to compete in the immensely valuable low-price market. But it might be a grave tactical error to slip from emulation into imitation. The traditional weapons of the department store are the immense variety of its merchandise, search for novelty, and willingness to experiment with new styles. If the majority of consumers demand value rather than variety, they can only respond with price competition and a thorough overhaul of trading methods. No one would say that the stores are presenting an unbroken front to the multiples' attack. Some of them have little taste for this fight and are prepared to restrict their trade to goods and price ranges that the multiples do not touch. But expenditure on personal consumption, after all, is expected to continue to rise this year, and the shoe does not yet pinch. And a hard core of department store managements is determined that no more ground shall be lost. The success of the steps that they are now taking may decide how and in what form the department store system of trading can survive.

Hot War in Cold Drinks

FIRST shots in the 1954 soft drinks "war," which has been expected to begin this spring, have now been fired. "Pop in for a Pepsi," says the newspaper advertisement ; "Let's have a Coke," retorts the poster. In coming weeks, this advertising is likely to become more general and more aggressive. When sugar was derationed last autumn, clearing the way for the "new" soft drinks, views in the industry were sharply conflicting. Some spoke of "the pop war," of a revolution in drinking habits ; in three years, others said, the whole thing would be the biggest flop on record. Perhaps the subject can now be discussed with less heat and more light.

The fivefold increase in soft drink consumption in Britain, since 1924, from 45 to 220 million gallons, was due in part to the growth in population from 45 to 50 millions. But consumption per head rose also (from less than one to 4½ gallons per head*) because of increased incomes, changing social and drinking habits and, not least, heavier taxation of alcoholic drinks. Predictions of a large and early increase in consumption of soft drinks seem to have been based less upon assessment of prospective changes in drinking habits than on the too easy assumption that the influence of heavy advertising will be automatic. Advertising will, no doubt, stimulate interest in the cola drinks, at least initially. But clever advertising may not be enough. In the long run, sales of soft drinks will expand only if they suit the tastes, habits and pocket of the consumer.

In 1952, Americans drank between 10 and 12 gallons of soft drinks per head—nearly three times the British level. But there are at least three differences between America and Britain that go far to account for this disparity. First, the American standard of living is far higher than the British: and the price of the American-style drinks will govern their sales in Britain. About half of the current British consumption of 140 million gallons of mineral waters is bought for 5d to 7d a 26-oz bottle, largely by working-class parents and children. The 15.5 million gallons of squashes and cordials similarly cost about 6d for 26 oz when diluted by water. Coca-Cola sells at 5d. or 6d. for 6 oz (and more in hotels and restaurants), Pepsi-Cola at 5d. or 6d. for 10 oz. Canada Dry and Seven-Up are also in the higher price groups.

Secondly, the public house and beer have deeper roots in Britain than any corresponding institution or drink in America. They will not be saved by their traditions alone. But if beer is to yield some ground to soft drinks, it will be gradually and over a long period—which might be very much lengthened by countermeasures in the brewing industry itself, if taken in time.

Thirdly, the British summer is not as sweltering or as long as the American. The American feels the need for a cold drink even in winter, because his houses, offices and factories are centrally heated (and he can afford the fuel). Britain may in time take to cold drinks in its autumns and winters ; but hardly in a rush.

So much for demand. What about marketing ? The sponsors of the American-style drinks are only now planning to bottle and distribute them throughout the whole country. The cost of transporting bottled drinks is high, so that the area that can be served economically by one bottling plant is not large. As with beer, milk and other bottling, soft drink bottling plants must

* Compare Belgium 4½ gallons a head, Denmark 3, France 2, Holland 1½, Germany 1¼, Norway 2, Sweden 5⅓ (all 1950).

generally be decentralised. Very roughly, and depending on the density of population and the number of lines of equipment, a bottling plant can serve an area perhaps 20 miles in radius. Most sales of the new drinks, therefore, have begun in the thickly populated London area and the larger cities. Bottling plants for Coca-Cola, Pepsi-Cola and Seven-Up are gradually spreading into the provinces, but no company so far has more than 15. The United States is served by no less than 1,100 bottlers of Coca-Cola and 600 bottlers of Seven-Up. The population, of course, is three times as great and is spread more evenly, and the areas to be covered are far greater. Even so, there is clearly a long way to go before Britain is "fully covered with cola."

In America the cola drinks in grocers, chemists, stores, etc., are generally stored in a "cooler." How far Britain will want its cola cold remains to be seen. Retailers are recommended to sell Coca-Cola chilled; once tasted chilled, it is generally preferred that way, especially in warm weather. Ice-boxes are not expensive, but coolers cost from £80 to £1000 each.

The demand for a cold drink on a hot day is satisfied on impulse. Placing Coca-Cola "within an arm's length of desire" has been a main theme in its marketing; and refrigerated slot machines abound in American railway stations, garages, factories, offices, and hospitals. One of every five soft drinks sold in America, indeed, comes from a slot machine. These refrigerated slot machines for soft drinks are now being made in Britain; one firm hopes to place 35,000 in the next five years, and others have started up. But in America the refreshing bottles clatter out of half a million slots.

If the British buyer wants his soda-pop chilled, sales for home consumption will need some kind of ice-box in the kitchen. In the United States a fifth of Coca-Cola is still sold from soda fountains; of the four-fifths bottled, 20 per cent is packaged in 6-bottle carry-home cartons, and no doubt more is bought for home drinking in smaller quantities. More than half the Pepsi-Cola is taken home. But 35 million out of 42 million dwellings in America have a mechanical refrigerator and 4½ million have an ice-box. In Britain only 1¼ million households out of 14½ million have a refrigerator, fewer than one in ten. It may be possible to develop a low-priced cooler for home use; but the day of carry-home cartons for chilled drinks in Britain looks some way off.

★

Some optimists in the trade have suggested that soft drink consumption will increase threefold in three years. Personal expenditure on soft drinks in 1952 was probably some £50-£55 million; it is not easy to believe that another £100 million or more annually can quickly be found for soft drinks. That guess would assume, presumably, that consumption per head would rise to 13 gallons, or even more than the latest American figure. It is possible; but few convincing reasons have been advanced for supposing it likely. It may well be that the coming promotion of the new drinks would raise total consumption above its present level, but not, for some years, to 10 gallons.

Whether or not total consumption rises greatly, there may well be a redistribution of markets within the soft drinks industry. The new drinks must be expected to overlap and capture the markets of some established brands. But the victims will not necessarily be the small firms. Their productive equipment is not always very efficient technically, but their distribution costs are low: they are near their customers, and they do not advertise. Those that have a door-to-door service need not fear the chilly colas for a long time. It may be the medium-sized firms, too big to rest on local connections and reputation and yet too small to justify modern high-speed bottling plants, that will be swamped by the flood of cola.

An increase in total expenditure on soft drinks, on the other hand, might come from various sources. A continued increase in national income is one. Expenditure on other goods that quench thirsts or contain sugar are a second. Soft drinks from vending machines in factories and offices may spread, though it will not be an easy job to displace tea or coffee. And if soft drinks satisfy the body's need for energy-giving sugar, they may displace sweets, cakes, and ice-cream; some vigorous promotion of soft drinks—mainly as yet fruit squashes—has begun in the cinemas.

The most discussed victim of the colas is beer; but the power of the challenge is by no means clear. Several brewers are bottling some of the newcomers. A fair number have long manufactured soft drinks for their own houses and some for restaurants and clubs. Almost every brewer is "interested" in soft drinks because he owns retail outlets which sell them. On grounds of taste and palate, beer seems to have little to fear. Soft drinks are mostly sweet. For hundreds of years hops have been added to beer to make it bitter. If palates have been changing gradually from bitter to sweet, beer can be, and is being, brewed less bitter; beer also has long been carbonated to give it the sparkle to which the advance of soft drinks has, in part, been attributed. In an expanding economy, soft drinks and beer can grow together. Although soft drinks provide the licensed house with only a small part of its takings, they may help it to win the classes of customer who might otherwise never know beer and the public house in their modern forms. To some people in the licensed trade the possibility of increasing soft drinks appears not only as a challenge, but also as an opportunity.

Little evidence has been produced so far to support prophecies of an early flood of soft drinks, drowning many small firms and displacing other confectionery or drinks. A gradual increase spread over the years seems more likely. This would give time for adjustment in the industries affected. They have no reason for panic, but the new competition must be taken seriously in formulating their own marketing plans. The outcome depends largely upon how quickly they meet the challenge.

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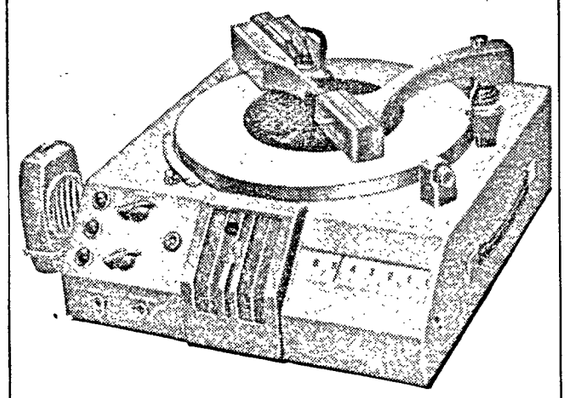

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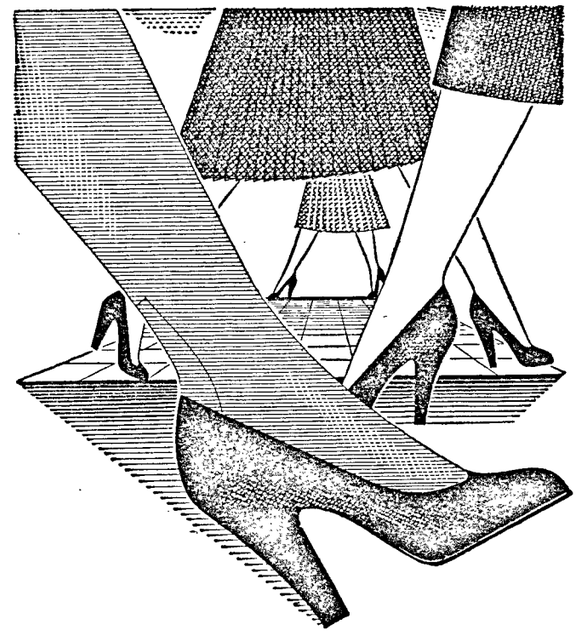

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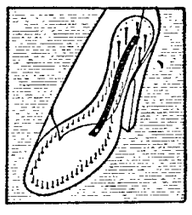

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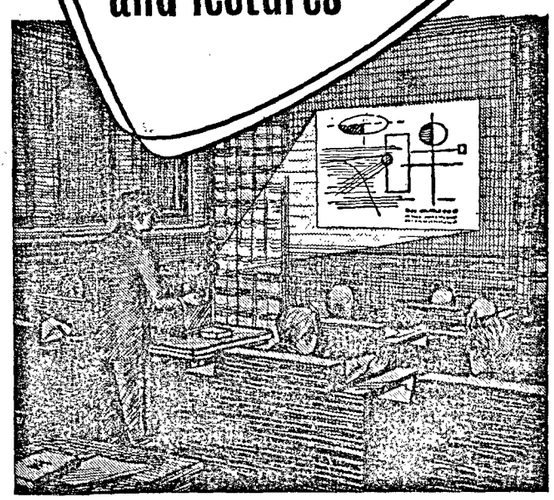

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Business Notes

Closing Arguments on EPU

ACTIVE discussions are continuing in Paris on the problem of the extension of the European Payments Union beyond June 30th next. The United Kingdom has now tabled its formal proposals ; as expected, Britain has expressed its readiness to accept a degree of funding and repayment of debts that have been outstanding for eighteen months or more—provided that the main creditors, with whom the funding and repayment would be negotiated bilaterally, give assurances that they will pursue "good creditor policies." The British proposals, it should be emphasised, do not countenance a "hardening" of the Union by any increase in the ratio of gold to credit in the monthly statements, whether for debtors or creditors. The basic tenet of the British attitude still is that EPU must be kept as a liberal trading club, so that any increase in the incentives to build up surpluses would be wholly inappropriate.

These British proposals are directed primarily to the problem of the German surplus, for Germany now has an accumulated credit balance of over $500 million in EPU, and shows no sign of being able to reduce the rate of growth in these credits. Britain's views on the appropriate remedies of this problem have been reinforced by a report of a special working party of the Economic Committee of OEEC on the policy that Germany should follow if it is to remain a good member of the Union. The report makes a number of tentative recommendations, in particular, that there should be a further liberalisation of imports into Germany and—on a much more controversial plane—that Germany should adopt a much more expansionist domestic credit policy. The response of the German authorities to this advice, as to the British proposals, has been unfavourable. They emphasise Germany's high degree of liberalisation of imports, the reflationary effect of the recent large-scale reduction in income-tax, and the ever-increasing freedom of transfer not only of earnings on old blocked marks but of the balances themselves, which can now be transferred into any non-dollar currency. Yet Britain can point to the anomaly of Germany's tax remissions to exporters, its continuing restrictions and high tariffs on imports of agricultural goods, and its quite exceptionally high interest rates.

The Paris discussions are at the moment taking place bilaterally, so that the controversial points at issue are unlikely to be thrashed out in general session before the eve of the next Ministerial meeting, to be attended by Mr Butler, that is due to open on May 5th. It now seems likely that the overriding problem before the Ministers will be to reconcile the British and the German viewpoints. The "French problem" has now been largely mitigated ; France has already increased its percentage of liberalised trade with Europe from 20 to 53, and has undertaken to step this up to 65 per cent before the beginning of November. France also seems prepared to follow Britain in opening negotiations on the funding of its long-outstanding debts to the Union.

Paying for the Coal Plan

THE prospective deficit of £17 million for this year that led the National Coal Board to raise its prices this week by an average of just under 5 per cent was calculated without taking into account the last general rise in miners' wages. That rise will cost nearly £10 million a year ; but the board, at least formally, still considers that a rise of 2½ per cent in output this year, which might wholly offset the consequent rise in labour costs, can be achieved. This week's increases in coal prices—which are designed to clear off the £17 million in the remaining eight months of 1954, and will amount to about £26½ million in a full year—have been decided upon to meet other increases in the board's costs, particularly in capital charges.

Between nationalisation and the end of 1952 the Board spent £184 million in capital investment, and last year its rate of spending rose, perhaps to £55 million or more. Its accounts for 1952 showed funded and temporary advances from the Minister of Fuel and Power totalling £63 million, and last year the board again appears to have borrowed heavily from this source to finance its investment. This is presenting it with a problem familiar to any enterprise that is spending heavily over a long period on capital developments that necessarily take a long time to fructify ; it has temporarily to bear a heavy burden of unproductive investment, and one that will grow for some years before it begins to be reduced as major projects come into full operation. In addition to sharply rising interest charges, the board's depreciation provisions are rising steadily ; though it does not charge depreciation on major projects, such as shaft sinkings, until operations begin, much of its expenditure is on less distinct developments and equipment, which it may begin to write off before they are being fully utilised. The board might have been well advised, in justifying its increases in price, to set out these rises in its capital charges in more detail. Little of the capital put into the industry under its 15-year plan is yet beginning to yield extra coal ; but this year's face-saving agreement over wages may strengthen the view of the miner that any and every increase in output derives entirely from his extra effort, and that all the eventual benefits of mining reconstruction can be earmarked in advance for wages.

Opening the Concertina

IN raising coal prices this week, the National Coal Board has again shifted slightly from a price policy based upon "scientific grading" towards ordinary commercial principles. Calorific values are one thing: the fact that certain coals are in great demand or extremely costly to produce is another, and the board is continuing gradually to take more notice of supply and demand. The general increase of 2 per cent in most coals sold in Britain other than to domestic consumers is complemented by a further "opening of the concertina" for domestic coals and for carbonisation and large coals generally. The greater the demand or the higher the cost, the more expensive the coal; this week's changes make the best domestic grades much dearer and a few grades of house coal considerably cheaper, while raising the prices of the best coking and industrial large coals much more than those of inferior grades. The effect is to raise the price of large coals by an average of 6½ per cent, of carbonisation coals in general by 5 per cent, and of the rest by 3 per cent: its effect upon industrial customers, therefore, is highly selective:

	Increase per ton s.	d.
Gas	3	0
Electricity	1	5
Railways	4	4
NCB Coking Plants	4	4
Other Coking Plants	3	8
Iron and Steel	2	11
Coastwise Bunkers	4	8
Trawler Bunkers	4	10
General Industry and other Inland Disposals	2	0

The effect upon the domestic consumer will be somewhat softened at first by the fact that these increases will come into effect on May 3rd, at the same time as the summer price rebates that the Board gives to encourage storage at home before the winter. These will give householders a chance to buy all but the two highest grades of coal, during the summer, at cheaper prices than they are paying to-day. The eventual increases, moreover, do not affect the three lowest grades of domestic coal, which together make up about 40 per cent of the coal that householders buy.

Oil Negotiations in Teheran

THE representatives of the consortium that has reached provisionally agreement about handling Iranian oil, if production is resumed, have been in Teheran for the past week, on the invitation of the Iranian Government, to negotiate the terms on which operations in the oilfields and at the Abadan refinery can be restarted. On Monday, Mr Eden expressed the hope of the Government that the negotiations would lead to "a durable settlement." The details of the consortium that he gave confirmed unofficial reports recently in circulation. Its composition is as follows:

	per cent
Anglo Iranian	40
Standard Oil of New Jersey	40
Socony Vacuum	
Standard Oil of California	
Gulf Oil	
Texas Corporation	
Shell	14
Compagnie Française des Pétroles	6

Mr Eden was questioned about "suitable contributory compensation" from the other members of the consortium to Anglo-Iranian and he made it clear that these seven members would pay for the share they took in the consortium. Evidently, these would be payments analogous to the purchase of a share of goodwill; they must be regarded as distinct in kind from the payment by Iran to Anglo-Iranian in compensation for the oil assets that were nationalised. Meanwhile, all hangs on a successful outcome to the Teheran negotiations; until then, agreement remains provisional. But Mr Eden did well to remind the House of the part that the members of the consortium would then be able to play in the marketing of Iranian oil—"a problem that has still to be resolved in the course of the discussions with the Iranian Government." But in marketing, as distinct from production, they would be principals, and not partners.

Crisis for the Comet

THE wreckage of the Comet that lies 3,000 feet down on the Mediterranean sea bed has shocked and shaken the confidence of the aircraft industry, for it has brought home, in a peculiarly tragic way, how little men yet know about the air. Ten days after Comets had been put back into passenger service after the intensive checks that followed the Elba disaster in January, another Comet crashed in circumstances virtually parallel with those reported on the previous occasion. It seems that there is a choice between only two conclusions—structural weakness or the ugly possibility of sabotage. The Minister of Transport has withdrawn the Comets' certificates of airworthiness.

It must be hoped that the public inquiry that has been promised into these two disasters will unearth the truth. But meanwhile all is dark, and no amount of excitable comment (such as some offered in Parliament last Monday) brings any light. But it is fair to recall some pertinent features of the Comet's history. Comets have been flying since 1949; teething troubles during flight trials were negligible, and during the first year's passenger service, the Comets gave British Overseas Airways Corporation less trouble than any other new aircraft on record. The loss of a Comet over Calcutta was attributed to exceptional weather conditions, and there is no evidence to disprove it. The aircraft had been flying for nearly five years before these two so far inexplicable tragedies occurred, one almost immediately after the other. If, after full inquiry, they have to be attributed to structural failure, it would demonstrate that present knowledge of aerodynamics did not go deep enough for the engineers who inspected the Comets so minutely when they were grounded in January to track down the source of the trouble.

The wreckage that has come back from Elba so far has served to eliminate a number of possible causes of that particular disaster, but it has so far provided no direct and positive evidence. There is still hope that a detailed examination of the larger pieces now on their way back to England may show what took place. The future of the Comet closely depends on the result of these examinations, for no substantial wreckage will ever be recovered from last weekend's crash; failing that, the long-term research on fatigue in aircraft that the Royal Aircraft Establishment at Farnborough has had in hand for some years will have to proceed until the source of the trouble is no longer in doubt. The destruction tests on the first prototype Comet are a part of this programme, and without some lead from them, it is difficult to know what further tests can usefully be carried out on the remaining Comets.

Steel Demand Remains High

THE British steel industry is continuing to find buyers for more steel than it has ever produced before; partly because imports have been cut to less than half of last year's rate, but mainly because of the continued buoyancy of demand. Last month the industry turned out nearly 365,000 ingot tons of steel a week, equivalent to nearly 19 million ingot tons a year; the annual rate for the first quarter of 1954 was more than 18¾ million ingot tons. The Iron and Steel Board, which this week issued the monthly figures with rather more detail and comment than has ever been done before, says that "There should be capacity for the production of 18½ million tons of steel in 1954, if this output is required."

It also published—for the first time—the results of the half-yearly censuses that have been taken of merchants' and consumers' stocks ever since 1950. The absolute figures

STOCKS OF STEEL, 1950–53
('000 tons)

Period	Producers	Merchants	Consumers	Total	Change
End 1950..	997	208	2,790	3,995	...
End 1951..	585	165	2,640	3,390	−605
Mid-1952 ..	657	198	2,775	3,630	+240
End 1952..	739	235	3,020	3,994	+364
Mid-1953 ..	914	315	3,190	4,419	+425
End 1953..	1,017	345	3,200	4,562	+143

here are subject to revision, and in any case may convey an exaggerated impression of accuracy, since returns rendered of stocks depend somewhat upon definition and somewhat upon the consumer's state of mind; but the changes are extremely significant, particularly the continued growth in merchants' and consumers' stocks during the period of so-called "steel shortage" and the official maldistribution scheme. These stocks showed little change during the last six months of 1953, a period during which steel supplies to the home market amounted to some 7¾ million ingot tons, or about 5½ million tons of finished steel—which would indicate that actual consumption of finished steel in this country may now be something over 11 million tons a year.

A Monopoly Competes

BRITISH NYLON SPINNERS has reduced its prices sooner and further than most people expected. The cuts amount to about 15 per cent on fine denier yarns and about 10 per cent on staple fibre. British nylon prices which until Thursday were fractionally above American are now the lowest in the world. This has been arranged in spite of the fact that British Nylon Spinners still foresee well over a year in which they will be unable to supply all the yarn and staple for which they have a demand. The Pontypool plant extensions planned to bring production up from 10 million lb a year to 30 million should reach 25 million by the end of this year and full production by the end of 1955. That is not expected fully to satisfy demand. The new plant at Doncaster which is being built into the shell of British Bemberg's factory should fill the unsatisfied demand; it will be ready in about 18 months' time.

Why then has the price cut been made now? First because it is desired to give British manufacturers of woven and knitted nylon goods and mixtures a fair opportunity in overseas markets. South Africa provides a good example; since the lifting of import restrictions there American competition in fabrics has grown. Secondly for the paradoxical

WORLD PRICES OF NYLON
(Per lb)

Denier	Britain Old Price	Britain New Price	USA du Pont	Germany "Perlon"	Canada
	s. d.	s. d.	s. d.	s. d.	s. d.
Yarn 15.....	46 9	39 9	42 10	...	51 10
„ 20.....	...	...	...	48 7	...
„ 30.....	20 10	17 9	19 3	40 4	23 7
Staple 1½.....	11 6	10 9	11 1	11 5	11 11
„ 3 and 6..	11 3	10 3	10 9	11 1	11 7

reason that British Nylon Spinners has a monopoly in this country and recognises the responsibility that monopoly implies. Other textile fibres, for example rayon staple, may come down in the summer. British Nylon Spinners decided to play their full hand early. As a result nylon, jointly owned by ICI and Courtaulds, now comfortably undercuts Terylene wholly owned by ICI. Production of Terylene is not yet big enough to offer serious competition to nylon; but some day it may in the fields of underwear, woven fabrics, in some industrial uses, and as a mixture with wool.

The present move does not seem to be the prelude to any changes in the capital or ownership of British Nylon Spinners. It is to remain wholly owned by Courtaulds and ICI and it is hoped that the authorised capital of £8 million plus ploughed back profits will approximately suffice to carry through the development programme.

PRICES OF TEXTILE FIBRES

	Per lb s. d.		Per lb s. d.
Ardil:—		*Cotton:*—	
3½, 5 and 8 denier staple	3 11	American 15/16 inch.....	2 9·10
Terylene:—		*Wool:*—	
50 denier.....	16 6	Tops 64's warp	12 3
150 denier.....	13 6	*Silk:*—	
1½, 3 and 6 denier staple	12 0	Jap raw silk 20/22 grade.....	40 6
Viscose Rayon:—		*Nylon:*—	
150 denier.....	4 10½	60 denier.....	12 8
Staple fibre.....	2 0	150 denier.....	11 11
Acetate Rayon:—		3 and 6 denier staple.....	10 3
140 denier.....	4 10½		
3 denier staple	2 9		

Competition in Petrol

SINCE premium petrol came back on the market fifteen months ago, the price of the commercial grades has been brought down from 4s. 2¾d. a gallon to 4s. 0½d. a

gallon, the last cut being at the end of March. The price of derv fuel was cut at the same time, but by ½d. a gallon. Now the Esso Petroleum Company has posed a fresh problem in price strategy by cutting the price of its mixture petrol, a grade midway in quality between commercial and premium, by ½d. to 4s. 3½d. This makes it 2d. a gallon cheaper than the premium grades marketed by the other oil companies, but 3d. dearer than commercial petrol. Since last autumn the major problem of the oil companies has been the persistently heavy demand for premium petrols at the expense of the cheaper grades. Even with the wonderfully flexible catalytic crackers, the refineries are bound to produce a certain minimum proportion of lower grade petrol from every ton of crude oil refined, and it is not proving easy to tempt the market to consume all that is produced. Two successive price cuts were made last autumn, followed by a further general reduction last month. The spread of petrol prices now extends from 4s. 0½d. for commercial grades to 4s. 6½d. for the top premium grade marketed by Esso—at a price 1d. a gallon dearer than that of the other premium grades. When premium petrol first returned to the market, the spread was far narrower, from 4s. 2¾d. to 4s. 6¾d. a gallon.

If price differentials of 5d. and 6d. a gallon are proving barely sufficient inducement to persuade motorists and fleet owners to accept the slightly lower performance that comes with using commercial grades, the standard commercial rebates given to big users are also losing their attraction. Oil companies are apparently having to offer rebates of as much as 1½d. a gallon in order to get the custom of big fleet owners. To the companies themselves, these concessions are substantial ; to users paying 2s. 6d. tax on every 1s. 6½d. gallon of commercial petrol, they have lost much of their significance. When the tax is greater than the price of the petrol, these small variations in petrol prices lose their power to influence demand and tend to drive competition into other channels such as "additives," and, on a different level, special financial arrangements with garages.

New Issue Activity

ALTHOUGH the budget fireworks that carried the share markets aloft have finished, the flow of normal refinancing operations is being resumed. Plans are now going forward for a number of issues against an investment background that remains favourable. Early prospects include two issues by companies both built up by single industrialists from small beginnings. An offer is expected to be made early next month of the 6½ per cent £1 preference shares in Cyril Lord Textiles sponsored by Ocean Trust and Hoare and Company, Mr Lord and his partner retaining the equity of the business. As a fabric designer and pioneer in the adaptation of synthetic textiles, he has built up since the war a manufacturing and merchant converting business which is to have a nominal capitalisation of £2 million in one million preference and one million ordinary shares.

Another welcome addition to the list of Stock Exchange securities is the 10s. ordinary share of F. Perkins, the manufacturers of diesel engines. These shares, which up to this week were unofficially dealt in under rule 163 (2), are now quoted at around 35s. 6d., on the basis of a 20 per cent dividend. This Peterborough business, which is Mr Perkins' personal achievement, receives a quotation on the publication of its 1953 accounts which themselves imply that the company may shortly need to issue new capital. The chairman announces that the board has the question of increased working capital under active consideration. Present capitalisation consists of £1,500,000 of 4½ per cent first mortgage debenture stock and £1,300,000 in 2,600,000 10s. ordinary shares.

In the sphere of mining finance, African and European Investment announces plans to issue 1,580,000 new 10s. ordinary shares as part of its programme for following up its investments in the Orange Free State and elsewhere. Of the new shares 780,000 are being offered to existing ordinary shareholders at 45s. per share (compared with a market price of 48s. 1½d. for the existing stock) in the proportion of one for every 10 stock units held, and underwritten by Anglo American Corporation of South Africa for a 2½ per cent commission. The remaining 800,000 new ordinary shares will be subscribed by Anglo American Corporation of South Africa at 50s. per share. The shares to be subscribed by Anglo American will not rank for the one in ten "rights" issue. The operation refunds on a permanent basis Anglo-American's present investment of £1,700,000 in 4½ per cent unsecured notes.

Car Prices in Competition

THERE have been reports for some months of price reductions in the car export markets, but the variety of import restrictions in force in the majority of markets makes it difficult to obtain a fair price comparison between different makes of cars from different countries. The Swiss market, with no local automobile industry, but with a connoisseur's interest in car design and no import restrictions to curb individual preferences, provides one of the most reliable barometers for indicating competitive prices. The accompanying prices are those asked at the recent Geneva Motor Show. The price trends for the coming spring and summer—the car buying season in the Northern Hemisphere—tend to be set at Geneva, and the lists show that this year the manufacturers of medium-priced cars in Britain, France and Germany have made quite significant reductions in the prices that they were asking at last year's show.

Name	Cubic Capacity	Price 1953 Sw.frs.	Price 1954 Sw.frs.
Citroen C.V.	*375*	*4,490*	*4,490*
Lloyd L.P. 400	*386*	*4,950*	*4,475*
Fiat 500 C.	*570*	*5,450*	*5,450*
Renault 4 C.V.	*748*	*5,575*	*5,575*
Austin A. 30	803	6,500	5,500
Morris Minor II	803	6,560	6,560
Standard 8	803	...	6,350
Volkswagen	*1,131*	*5,750*	*5,575*
Ford Prefect	1,172	...	6,300
Ford Taunus	*1,172*	*7,175*	*7,500*
Austin A. 40	1,200	8,450	7,650
Simca Aronde	*1,221*	*8,250*	*7,985*
Wolseley 4/44	1,250	11,500	11,300
Hillman Minx	1,265	8,350	7,995
Peugeot 203	*1,290*	*7,850*	*7,400*
Fiat 1400	*1,395*	*9,975*	*9,975*
Vauxhall Wyvern	1,507	8,950	8,950
Ford Consul	1,508	8 985	8.575
Mercedes Benz	*1,697*	*13,420*	*13,800*
Borgward Hansa 1800	*1,758*	*10,950*	*10,450*
Alfa Romeo 1900	*1,884*	*19,800*	*18,500*
Citroen II	*1,911*	*8,980*	*8,980*
Triumph Sports	1,991	...	11,850
Renault Frégate	*1,996*	*11,900*	*10,500*
Vanguard	2,088	11,850	11,850
Rover 75	2,103	14,950	14,950
Ford Vedette	*2,158*	*10,900*	*10,900*
Austin A. 70	2,199	11,850	11,850
Wolseley 6/80	2,215	12,950	12,950
Ford Zephyr	2,262	10,330	9,900
Vauxhall Velox	2,262	11,500	10,300
Daimler Conquest	2,433	...	19,500
Opel Kapitan	*2,473*	*10 750*	*11,750*
Nash Rambler	*2,830*	*14,900*	*12,750*
Citroen 15-6	*2,867*	*12,780*	*12,780*
Hudson Super Jet	*3,310*	*14,200*	*14,200*
Armstrong Siddeley Sapphire	3,435	20 800	23,750
Jaguar Mark VII	3,442	20,500	20,500
Chevrolet Powerglide	*3,850*	*12,950*	*15,390**
Pontiac Chieftain	*3,920*	*18,250*	*18,250*
Humber Super Snipe	4,139	17.900	17,900
Buick 40 Special	*4,315*	*21,300*	*21,300*
Bentley	4,556	47,000	47,000

* With automatic transmission.

Jump in Exports

BRITISH exports recovered handsomely last month, even allowing for the fact that March had 27 working days, three more than February. The provisional trade figures, which were ready conveniently for the President of the Board of Trade's speech last Monday at the close of the Budget debate, show that exports jumped by £45 million to £246.4 million fob, and re-exports by £3.3 million to £11.6 million. The average daily rate of total exports rose from £8.7 million in February to £9.6 million, although it was still £400,000 below the rate in November. The improvement in March retrieved much of the ground lost in the two previous months, and the average value of

UNITED KINGDOM TRADE
£ million—monthly averages or calendar months

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit
1953 1st quarter	272·4	208·5	10·0	53·9
2nd ,,	291·7	210·0	8·0	73·7
3rd ,,	274·8	211·6	8·5	54·8
4th ,,	276·1	230·6	8·7	36·8
1954 1st quarter*	274·1	224·4	9·3	40·3
March*	298·6	246·4	11·6	40·6

* Provisional

exports, excluding re-exports, for the first quarter has reached £224.4 million a month, only 3 per cent less than the average for the last quarter of 1953 and 8 per cent above that of the first quarter. The even bigger rise of £56.6 million to £298.6 million cif in imports in March

EXPORTS TO NORTH AMERICA

	U.S.A.	Canada	Total
1953 1st quarter	12·7	11·3	24·1
2nd ,,	13·9	15·7	29·5
3rd ,,	13·9	12·8	26·7
4th ,,	12·4	12·5	24·9
1954 1st quarter*	11·9	10·5	22·4
March*	12·9	11·2	24·1

* Provisional

reflects mainly the longer month ; the daily rate was little higher than in February. The average value of imports in the first quarter, at £274.1 million a month, was almost the same as in the previous six months and in the first quarter of last year. The gross visible trade deficit in the first quarter was £40.3 million a month, £3.5 million above the monthly average in the last quarter of 1953, but £15 million below the average for the whole of last year.

Despite the American recession, exports to North America shared in the general recovery, rising by £3.6 million to £24.1 million. Shipments to the United States were £2.2 million higher at £12.9 million and the daily rate was also higher than in February. Shipments to Canada, which are affected not only by the recession but by the closing of the St. Lawrence, were £1.4 million higher at £11.2 million, but the daily rate was unchanged.

Confidence for Cotton

THE recent speech by Mr Oliver Jacks to the shareholders of Ashton Brothers and Company (Holdings) deserves study, for Mr Jacks has both confidence and first-hand knowledge. Ashton Brothers in recent years has grafted a successful merchanting business onto its old-established spinning and manufacturing departments and has kicked open the door of the dollar market in British cotton poplins. Now, like a breath of fresh air, Mr Jacks tells the world that the harm that the Anglo-Japanese agreement will do to Lancashire is being much exaggerated, and that in any case the challenge of Japanese competition is one which sooner or later must be faced. He does not expect that Ashton Brothers productions (sheets, pillow cases, towels and shirtings) will be much affected by it. He speaks with a confidence that was commoner in Lancashire a generation ago, when cotton was still the world's biggest exporting industry.

Two other leaders of the textile industry have also spoken of the Anglo-Japanese agreement though in less confident tones. Mr James Ewing, the chairman of Bradford Dyers, refuses to take an alarmist view, but he criticises the Government for not having consulted representative bodies in the industries mainly concerned before making it. Had that been done he believes that the same ends could have been achieved with a less harmful impact upon British exports. It fell to Mr W. T. Winterbottom, the chairman of Fine Spinners and Doublers, to tell the Federation of Textile Works Managers' Associations what the first effects of the agreement have been. Japanese merchants, he said, had complained that importers in this country had made offers for substantial quantities of Japanese grey cloth at prices well below current Japanese export quotations. No business had been done because the bids were so low. Mr Winterbottom was concerned at the loss of confidence which would result if a few quick deals were made at cut prices to Lancashire merchants of all people. It is also fair to point out that spinners and manufacturers would suffer if Lancashire merchant converters could only maintain their competitive position by using Japanese grey cloth.

Tin's Rapid Climb

PRICES of non-ferrous metals have recently been buoyant, but tin has bounded upwards—and then fallen part of the way back again. Two months ago, cash tin was

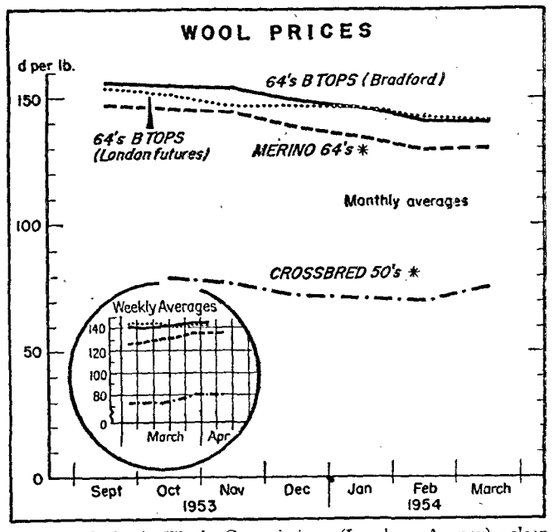
£650 a ton; it then climbed rapidly to £750, dropped to £725, and has recently shot up, reaching £825 last Monday. That price, however, was purely nominal, for no cash tin was in fact traded that day. On Tuesday cash tin was sold for £780 a ton, and the price has dropped further since then. The three months' price has been similarly erratic, but usually at a wide discount of between £30 to £50 a ton. These market spasms have been caused primarily by the continued shortage of supplies passing through the market—as distinct from supplies going direct to industry. Narrow markets spell wide fluctuations. There is no surplus of tin, and the prevailing discount for three months' tin discourages operators from selling forward.

The immediate strength of the market has several causes. Consumers, who had been buying from hand to mouth and running down their stocks, fear that the war in Indo-China may become another Korea, threatening to cut off supplies. There is also more confidence that the International Tin Agreement will come into effect. And last week Argentina bought 500 tons of tin and Chile 200 tons; these purchases were not unusual, but they were large in relation to supplies. Though the apparent world surplus of tin is some 35,000 tons a year, the renewal of the American contract with Indonesia for 20,000 tons reduces the real surplus to some 15,000 tons. This is not large in relation to an annual world consumption of about 130,000 tons, and may be no more than is necessary for the smooth distribution of supplies. As the sharp fall in the price last year from £950 to £565 a ton was caused by the threat of surplus, it is reasonable to expect the price to remain buoyant now that the threat has, at least for the time being, disappeared.

Recovery in Wool Prices

THE recovery in raw wool has carried prices of crossbreds back to the opening levels of the season; prices of merino wools, which had more ground to make up, are still below them. Prices of wool tops in Bradford, and of futures in London, have reflected the higher trend, although —as the chart shows—their relationship to raw wool prices is not always direct. The recovery has been due to a fairly widespread improvement in demand from the wool textile industries after stocks had been run down and when little of the season's sterling wool remains for disposal. Demand from Britain and the Continent was also stimulated by the need to place orders before the Dominion auctions closed for Easter. Though Russia and East European countries have been buying steadily, their bidding has been more restrained, and purchases of sterling wools by the United States have shown scarcely any improvement. Bradford bought heavily in London this month and the Continent has also taken substantial quantities. Greasy crossbred fleece wools were 10 per cent dearer than at the close of the previous auctions on March 5, and greasy merino wools were 2½ to 5 per cent dearer. The next London auctions will not begin until the middle of May.

Crossbred prices have been particularly firm owing to the shortage of sterling crossbreds, South American prices being considered too high by Britain and other countries which do not enjoy special rates of exchange with Argentina and Uruguay. The sizeable export orders secured by Bradford for crossbred tops, notably for China, have accentuated the shortage in this country. Owing partly to these export orders, and partly to some substitution of cheaper crossbred wools for merino in worsted cloth, output of crossbred tops in Britain has recently increased, while output of merino tops has fallen. Merino wools are in more ample supply and, in this country at least, in rather less demand for



* New Zealand Wool Commission (London Agency)—clean prices, delivered United Kingdom, for sales in London and the Dominions.

woollen cloth, in which there also seems to have been some substitution of crossbred wools for merinos. With the main part of the season over, there is every indication that the wool-growing Dominions will have enjoyed as good a year as in 1952-53. In the eight months ending in February exports of New Zealand wools, for example, rose to £44 million from £37 million in the same period of the previous season.

Uranium Progress

FURTHER progress in the exploitation of South Africa's uranium resources is disclosed in the mining returns for the March quarter now beginning to come in. West Rand Consolidated Mines was the first South African mine to earn a profit from uranium. The original plan was for the company to build a uranium extraction plant (with a monthly capacity of about 40,000 tons) and a sulphuric acid plant. The cost of the project, which came into production at the end of 1952, was put at about £1,600,000. So far the company has spent £1,778,852 on the plant, including interest on the £1,680,000 loan received from the Atomic Energy Board (acting as the agent of the British and American governments). Once the first plant was erected West Rand undertook to consider extending production.

The directors now say in their 1953 report that "the best means of obtaining the target of production undertaken by the company would be by means of increasing

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ELECTRICITY PROSPERITY

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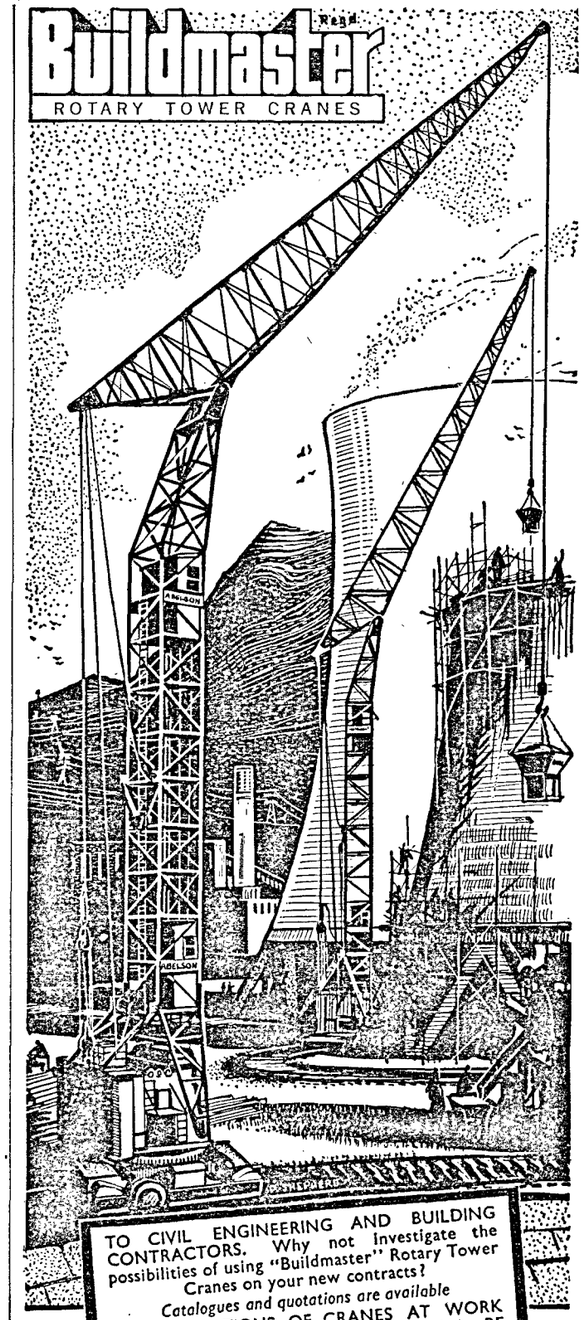

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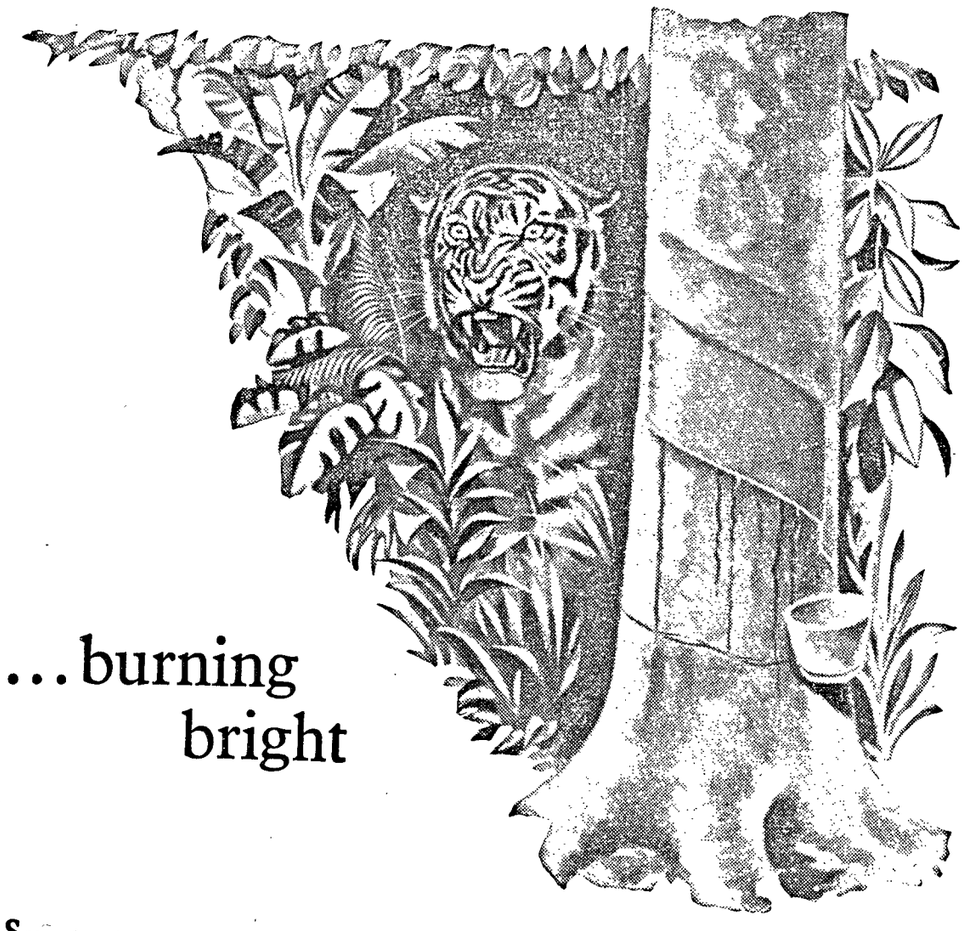

...burning bright

SOME eight thousand miles from London lie the jungles of Malaya.

We, the British, are the people who brought to this ancient land of tiger and jungle a common law and order, who constructed railways and roads, pushed back the jungle, built towns and cities, developed the tin mines and introduced the rubber tree. We have made it one of the most important countries in the world.

The rubber plantations of Malaya, which now supply industry with an enormous volume of cultivated rubber, were begun from the Brazilian seeds shipped to Britain towards the end of the 19th Century and propagated in Kew Gardens.

Today Dunlop Malayan Estates Ltd. cultivates 80,000 acres, the largest rubber plantation property in the world under single control. It employs many thousands of Tamils, Chinese and Malays. They work for good wages and live in good houses. They have schools, hospitals, crèches, laundries, bus services, entertainments and temples.

This is an age of greatly differing ways of living. We have no reason to be too modest. The British way of life has brought to millions a new conception of living, a greater prosperity, a wider freedom. Whether we work alone or as colleagues in one of our great industries, such as Dunlop, we still have to finish the job we started —the creation of a common prosperity and a common wealth of work and happiness for all peoples of the world.

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the capacity of the plant." The extension, including the expansion of the sulphuric acid plant, will cost about £550,000 and West Rand has applied to the Atomic Energy Board for loan facilities to cover the new expenditure. The extended plant should be in operation by the end of this year. West Rand's plant treats ore from the Bird Reef which has a higher uranium content than the other reefs in the mines. The uranium content, however, is low compared with that of producers outside South Africa.

West Rand is one of the mines which has deliberately mined ore of poor gold content but relatively rich in uranium. The result is reflected in last year's figures which show a fall in gold profits from £1,500,000 to about £420,000; but this is more than compensated for by a uranium profit of £1,367,998. Shareholders looking forward to still bigger uranium earnings will regard the decline in gold earnings with equanimity, but they may feel a tinge of envy when they see that another budding uranium producer, Stilfontein, is showing rising figures for both gold and uranium. The March return shows a rise in gold profits from £322,605 to £378,509 and in uranium profits from £44,833 to £71,575. Daggafontein and Western Reefs have also announced advances in their quarterly uranium profits, from £257,000 to £313,000 and from £228,000 to £270,000 respectively.

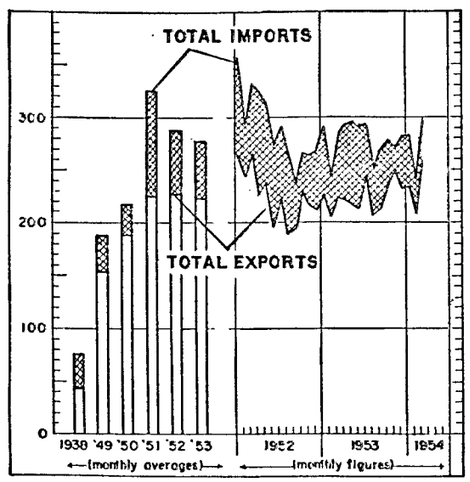
Productivity Loans Hang Fire

INDUSTRIALISTS and farmers have shown little anxiety to take up loans from the £1 million of "counterpart funds" earmarked by the Government as a revolving fund for loans to produce quick increases in productivity. Fewer than 430 applications have been received in the seven months since the scheme started, and a large number of these have had to be rejected because they did not suit the purposes of the fund. Of the 320 applications received from industrial firms, the advisory committee has approved only 32—involving about £320,000 out of the £700,000 set aside for industry. It still has 40 under consideration, but 250 or so have been turned down or withdrawn. Just over 100 firms have applied for loans from the £300,000 set aside for agriculture; 33 loans have been approved, totalling only £25,000, and another 47, which would involve £40,000, are still being considered.

Some industrialists have complained of the conditions under which these loans are offered: the Board of Trade prefers its loans to be a first charge on the company's assets, wants repayment in five years or less, and is charging 4 per cent interest. They are holding up the example of the Ministry of Fuel and Power's loans to industry for the installation of fuel saving equipment. The £1 million fund set up for this in May, 1952, attracted few applicants during its first year, when commercial terms were charged. In June, 1953, these loans were made interest free for the first two years, and the repayment period was increased to the taxation life of the asset, with a maximum of 20 years; the number of applications trebled in the next 10 months and eight times as many loans were approved, so that about £270,000 has now been lent and schemes involving £230,000 are under consideration. But there seems little case for any similar change in the conditions of the productivity loans. It is not unreasonable to expect small items of equipment that will raise productivity quickly to be written off in five years or so, and there is no case for giving particular little pieces of re-equipment specially favourable rates of interest.

THE UK TRADE GAP

£ MILLION



SHORTER NOTES

In a note on the Shell-Royal Dutch scrip issues last week it was wrongly stated that Shell was to issue one new free £1 ordinary share for every £4 of stock held and that Royal Dutch was to issue new free ordinary shares in the same one for four ratio. In fact, both Shell and Royal Dutch are to make scrip issues in the ratio of one new ordinary share for every five held. If the current price of Shell's £1 ordinary units of 5½ is adjusted to this issue, then their yield, if the current tax free dividend of 15 per cent were maintained on the increased capital, would be £5 19s. per cent. Similarly, the yield offered by the Royal Dutch fl. 100 ordinary units at the current price of 42⅜ and the current dividend of 16 per cent would be £4 5s. per cent.

★

The directors of Cammell Laird took the stock market by surprise this week. As in 1952 they have declared an ordinary dividend of 15 per cent, less tax, but in addition they have declared a tax-free bonus of 4 per cent, compared with a similar bonus of 2 per cent in 1952. Moreover, they have recommended a special tax-free distribution of 2s. 6d. on each 5s. ordinary share from capital profits and a scrip issue of one new free 5s. ordinary share for every two units now in issue. After this announcement, the 5s. ordinary units rose by 2s. 3d. to 18s. At this price, if the tax-free bonus of 4 per cent is lumped together with the 15 per cent dividend, the yield is nearly 6.2 per cent.

Company Notes

VICKERS. The decision by the directors of Vickers to leave the ordinary dividend unchanged at 15 per cent did not surprise the market. After the announcement the £1 ordinary stock units lost only 3d. to 59s., leaving the yield almost unchanged at 5.2 per cent. The repetition of the dividend is in keeping with the steadiness of net profits. They have risen by a mere £6,356 to £2,850,994, though there was apparently a decline of about £250,000 in gross profits for net earnings are struck after a tax charge of £3,745,876 (compared with £4,003,645 in 1952).

Until the full accounts are published it would be unprofitable to speculate how the main items of the group's activities—aircraft construction, the rearmament programme, and the shipyards — have impinged upon the profit figure. But the investor can still make some deductions. He will note that in reducing the company's holding of 3½ per cent Treasury stock (which arose from the nationalisation of English Steel) from £12½ million to £5½ million, a loss of £669,971, compared with a loss of £374,086 in 1952, has been incurred. This has been charged against profits (though it has been balanced by a transfer from the surplus arising from the nationalisation of English Steel). The investor can assume that after the recent rise in gilt-edged the potential loss on the residue of the holding must be much smaller.

The investor will also note that the Chancellor's new investment allowances should help Vickers both as a supplier of capital equipment and as a company which is still expanding its own productive capacity—witness the decision to advance another £1,500,000 to Powers-Samas and the group's growing interest in the manufacture of civil and military aircraft. The scope of Vickers' interests may also be greatly altered if agreement is reached to buy back its controlling interest in English Steel; at the moment, however, the board can hardly be criticised for not revealing the price at which it is willing to buy.

The investor cannot fail to gather the impression that little is likely to go wrong with the fortunes of Vickers this year. Yet he would be wise to consider the proposed 100 per cent free scrip issue exactly as the market has treated it—as an attempt to bring issued capital in line with employed capital but without any of the usual overtones murmuring an increase in dividend payments.

★

UNITED DRAPERY STORES. The preliminary report of United Drapery Stores (for the year to January 31st) has added to the standing of the company's 5s. ordinary stock units. The advance in their price from 43s. 6d. to 51s. 3d. suggests that investors now rank them among the "growth stocks" in the stores group—an appraisal that became possible last year when the company bought out Prices Trust.

Immediate support for a favourable view can be found in the decision to raise the ordinary dividend from 40 to 50 per cent and to issue one new free 5s. ordinary share for every existing stock unit. On a smaller scale this chain of drapery and furniture stores seems to be doing almost as well as Great Universal Stores. If the profits earned by Prices Trust in the seven months from July 1, 1953, are excluded from the calculation, trading profits have risen from £2,359,050 to £2,781,541 and net profits (in spite of an increase in the taxation and depreciation provisions) from £667,814 to £850,039.

	Years to Jan. 31, 1953	1954
Consolidated earnings:—*	£	£
Trading profit	2,359,050	2,781,541
Depreciation	150,412	256,363
Taxation	1,508,661	1,674,270
Net profit	*667,814*	*850,039*
Ordinary dividends	319,463	405,083
Ordinary dividends (per cent)	40	50
Retained profits	344,020	440,419

5s. ordinary stock at 51s. 3d. yields £4 17s. per cent.

* Latest year's figures exclude profits earned by Prices Trust in seven months from July 1, 1953.

If the profits of Prices Trust are included, then the group earned a trading profit of £3,113,006. Therefore Prices Trust (whose shops are to lose the name of "Fifty Shilling Tailors" and to be called John Collier) has earned in its seven months within the United Drapery group a profit of about £330,000, compared with earnings of about £164,000 in the year to June 30, 1953. Shareholders must remember that 1952 and 1953 were dismal years for the multiple tailors. The optimists would suggest that a full year's profits from Prices Trust and the disappearance of EPL (which took £309,000 from the 1953-54 profits) point to bigger dividends from United Drapery Stores.

★

BICC. British Insulated Callender's Cables, the electrical cable and equipment manufacturers, is one of the few electrical companies to report a fall in profits in 1953. Trading profits have fallen from the record level of £9,522,076 to £8,344,074. Thanks, however, to a sharp reduction in tax, net profits have actually risen—from £3,069,756 to £3,661,896. The decline in gross earnings bears out the chairman's warning of a year ago that conditions during 1953 were not likely to be as good as in the record year of 1952, when copper prices were high and competition was less keen. The "substantial falling off" in the rate of new orders to which he then referred has had an obvious effect.

	Years to Dec. 31, 1952	1953
Consolidated earnings :—	£	£
Trading profit	9,522,076	8,344,074
Total income	9,690,989	8,804,675
Depreciation	906,996	1,117,015
Taxation	4,869,146	2,819,395
Net profit	*3,069,758*	*3,661,896*
Ordinary dividends	673,075	679,250
Ordinary dividends (per cent)	10	10
Capital reserves	18,632	650,874
Revenue reserves	1,834,692	1,834,854
Added to carry forward	483,769	596,493

£1 ordinary stock at 43s. 6d. yields £4 12s. per cent.

Shareholders in British Insulated, however, benefited from the fall in the tax provision. The directors were able to leave the ordinary dividend unchanged at 10 per cent while appropriating a little more to reserves. In addition, equity shareholders are to receive a tax-free distribution of 2½ per cent from profits made on the sale of investments and properties in 1953 and earlier years.

★

REYROLLE. Unlike BICC, Reyrolle, specialising in the manufacture of switchgear, is among those electrical equipment manufacturers whose profits are still rising. Last year trading profits advanced from £2,786,148 to £3,111,067. This increase followed a rise in production to a new peak, but the result fell "slightly short of the target aimed at." The chairman, Sir Claude Gibb, does not explain whether this means that the group's industrial capacity failed to fulfill all the demands made upon it. It certainly does not seem to refer to any difficulty in securing raw materials for Sir Claude specifically draws attention to the "marked easing" in the flow of materials to the group's factories—a fact that may help to explain why the book value of stocks has risen from £5,194,360 to £6,061,931.

The directors have decided to distribute more to ordinary shareholders. In 1952, the full year's dividend was 12½ per cent.

	Years to Dec. 31, 1952	1953
Consolidated earnings :—	£	£
Trading profit	2,786,148	3,111,067
Total income	2,894,876	3,226,241
Depreciation	119,565	120,584
Taxation	1,817,895	1,888,153
Net profit	*907,506*	*1,159,105*
Ordinary dividends	133,566	195,898
Ordinary dividends (per cent)	12½	13⅛
Retained by subsidiaries	3,523	14,343
General reserve	200,000	300,000
Specific reserves	470,000	551,688
Added to carry forward	69,072	128,824
Cons. balance sheet:—		
Fixed assets, *less* depreciation	1,138,264	1,320,403
Net current assets	6,225,577	8,2[illegible],989
Stocks	5,194,360	6,061,931
Cash	1,370,215	2,531,283
Reserves	5,110,942	7,230,333
Ordinary Capital	2,035,294	3,052,911

£1 ordinary stock at 80s. yields £3 9s. per cent.

In 1953, the directors added to the interim dividend of 6¼ per cent (paid on a capital of £2,035,294) a final of 7½ per cent, declared on a capital of £3,052,941 as increased by the "rights" issue of 1,017,647 shares last October. This issue, at 40s. a share, enabled the company to take up its quota in the issue by C. A. Parsons and Company, the manufacturers of steam turbines and electrical equipment in which Reyrolle has a large interest; it also reinforced cash balances. This reinforcement will help the company to meet its tax liabilities and to pay for the extensions "to the assembly shop for extra high voltage switchgear and other projects now in hand."

Presumably, all that shareholders can now expect is that the full rate of 13¾ per cent will be maintained on the increased capital. They certainly must regard the tax free distribution of 2½ per cent from the surplus realised on the sale of the company's holding in Morphy-Richards as an exceptional payment. Beyond those assumptions shareholders should not venture in view of the chairman's warning that competition has grown fiercer and that to meet it the company has lowered its selling prices. On this view, the yield of £3 9s. per cent may look slender.

★

BRITISH-AMERICAN TOBACCO. The increase in the tax-free ordinary dividend of British-American Tobacco from 1s. 1d. to 1s. 3d. on each 10s. share was discussed in these columns on February 27th. The accounts now underline the comment then made that the preparation of these accounts is no mean feat and that it is the blocking of profits earned in many countries that forces the company to retain most of its earnings in the reserves of subsidiaries.

One aspect of this situation is that the shareholder has to take it on trust more than in most companies that his directors are pursuing as generous a dividend policy they can within the limits imposed by exchange controls. Another aspect is that the retention of profits, thus forced on the company, enables it to cover its immense commitments in stocks and debtors, which in a tobacco company can be regarded as stocks at one remove, without the aid of outside funds. Compared with Imperial Tobacco (which has a substantial stake in BAT) the group's bank overdrafts are negligible. Yet its stocks total over £156 million (compared with £159 million in 1951-52). Indeed, in the latest year—thanks to this reduction in stock commitments—the group reduced its bank overdraft and added about £2,800,000 to its cash balances and tax reserve certificates.

	Years to Sept. 30, 1952	1953
Consolidated earnings:—	£	£
Trading profit	46,265,944	45,808,754
Leaf devaluation surplus*	1,047,243	598,410
Other income	1,724,914	2,014,734
Depreciation	2,219,076	2,831,262
Taxation	20,829,500	19,194,358
Net profit	*18,606,523*	*20,147,297*
Ordinary dividends	3,860,636	4,452,464
Ordinary dividends (per 10s. stock)	1s. 1d.†	1s. 3d.†
Retained by subsidiaries	13,337,012	14,564,452
Retained by parent company	1,101,750	812,194
Cons. balance sheet:—		
Fixed assets, *less* depreciation	35,316,372	38,908,527
Net current assets	158,471,136	166,086,250
Stocks	159,063,180	156,379,663
Cash	28,021,111	28,884,480
Bank overdrafts	2,304,411	1,876,001
Reserves	127,263,569	127,207,716
Ordinary Capital	23,757,761	35,573,172

10s. ordinary stock at 38s. 9d. yields £5 14s. per cent.

*Transferred to replacement reserves.
†Tax free.

Full as the accounts are in accounting detail, they do not give the shareholder any guidance as to the course of the group's trade last year. Until the chairman makes his statement at the annual general meeting, all that the investor may legitimately assume is that the comparative stability in profits at a time of rising costs suggests that the volume of trade was at least maintained.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) Mar. 31, 1953	Dec. 29, 1953	Jan. 26, 1954	Feb. 23, 1954	Mar. 30, 1954	Average Yields (per cent) Mar. 31, 1953	Dec. 29, 1953	Jan. 26, 1954	Feb. 23, 1954	Mar. 30, 1954
2½% Consols	84·5	90·1	90·7	90·6	90·8	4·19	3·93	3·90	3·91	3·89
Debenture stocks :										
Industrial	81·5	87·6	87·7	87·8	88·3	5·05	4·70	4·69	4·69	4·66
Investment trust	81·9	89·6	89·6	90·0	89·9	5·04	4·61	4·61	4·59	4·59
Preference stocks :										
Industrial	86·6	91·7	91·7	91·7	91·3	5·24	4·94	4·95	4·95	4·97
Investment trust	83·7	88·4	88·6	88·5	88·5	5·27	4·99	4·98	4·98	4·98
Ordinary stocks :										
Banks	84·7	99·3	98·7	97·1	96·5	4·80	4·23	4·42	4·50	4·56
Industrial insurance	107·3	114·4	110·4	117·7	114·5	5·37	5·04	5·22	4·90	5·09
Investment trust	122·1	135·0	140·6	147·3	147·9	5·37	5·24	5·10	4·92	5·02
Electrical engineering	99·4	102·9	105·0	108·3	109·1	5·57	5·78	5·65	5·49	5·51
Engineering	112·4	114·4	117·9	122·6	123·0	5·07	5·26	5·11	5·07	5·12
Motors and aircraft	112·1	118·1	120·1	125·8	128·9	5·91	6·11	6·02	5·74	5·88
Breweries	95·2	99·8	102·6	104·0	102·8	6·72	6·65	6·45	6·38	6·62
Chain stores	124·9	167·0	178·1	179·7	186·4	4·59	3·95	3·89	3·88	3·74
Cotton textiles	92·9	110·7	113·8	116·3	118·2	6·84	6·05	6·10	6·46	6·69
Household goods	88·6	112·0	118·6	124·1	125·5	5·81	4·98	4·82	4·85	5·40
Rayon	75·4	79·5	81·5	84·3	82·4	4·76	4·41	4·33	4·77	5·00
Tobacco	86·1	88·8	87·4	84·6	79·1	6·84	6·65	6·76	6·98	7·86
Wool textiles	86·0	102·6	104·8	106·5	106·2	5·99	5·64	5·51	5·81	6·18
Chemicals	117·8	128·9	134·9	143·9	141·0	5·34	4·96	4·75	4·51	4·67
Oil	111·2	125·5	133·9	139·5	144·6	6·70	6·42	6·51	6·30	6·28
Shipping	115·5	114·3	120·4	126·3	129·1	6·14	6·67	6·35	6·06	5·74
Total (capital goods)	*110·3*	*112·5*	*115·2*	*119·6*	*120·6*	*5·51*	*5·83*	*5·70*	*5·55*	*5·61*
Total (consumption goods)	*97·0*	*110·8*	*114·5*	*115·9*	*114·7*	*6·13*	*5·70*	*5·60*	*5·68*	*5·94*
Total industrial (all classes)	**103·4**	**113·1**	**117·1**	**120·5**	**120·7**	**5·94**	**5·76**	**5·65**	**5·60**	**5·73**

LONDON STOCK EXCHANGE

Next Account begins: April 21st.
Next Contango Day: April 21st.
Next Settlement Day: April 27th.

ALTHOUGH gilt-edged securities continued to make a strong advance, industrial equities lost a little of their recent bloom this week. The *Financial Times* ordinary share index had climbed to 145.0 just before the week-end, but had fallen back to 144.0 by the close on Tuesday. Dealers in the gilt-edged market reported a heavy demand for British Government stocks from the institutions and on Tuesday, for instance, old Consols and Daltons both put on 11/16 to the common price of 66. Most of the buying orders were for the long and undated stocks. The longer dated home corporation and Dominion and Colonial stocks shared in the advance. In the foreign market, Japanese bonds improved on Tuesday on reports that the sterling issues would be granted a New York quotation in a few days' time. German issues remained dull, as dealings in Dawes remained suspended.

Further substantial gains, particularly in capital equipment equities, were made in the industrial market just before the week-end, though de Havilland were marked down 4s. 3d. to 25s. 9d. following the grounding of the Comets. A few of the better class issues, especially in the engineering and brewery groups, were given some support when dealings began on Monday. But elsewhere in the market (unsettled as usual by the approach of the Easter holidays) prices began to falter when profits were taken. And on Tuesday, in spite of a rally in the late afternoon, falls predominated in the market. The heaviest falls were made in those shares which had been in the van of the recent advance. Oil shares moved rather irregularly, but Wakefield jumped 7/32 to 2 15/16 on Tuesday on buying in anticipation of next month's dividend. Rubber and tea shares were firm in a quiet market. The fresh rise in the price of non-ferrous metals was reflected in an improvement among the metal shares. In the Kaffir market, some support was given at first to the OFS issues but the market then turned dull when selling was reported from the Cape.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
April 7	143·4	112·69	3·85	5·10
„ 8	144·3	122·77	3·85	5·07
„ 9	145·0	112·82	3·83	5·04
„ 12	144·6	112·87	3·83	5·05
„ 13	144·0	113·07	3·79	5·08
1954, High	145·0 (Apr. 9)	113·07 (Apr. 13)	Total bargains 1954 April 7	9,716
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 8	11,552
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 9	12,029
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 12	14,199
			„ 13	12,150

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Apl. 13 High	Prices, 1954 Jan. 1 to Apl. 13 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 7, 1954	Price, April 13, 1954	Net Yield, April 13, 1954 § £ s. d.	Gross Yield, April 13, 1954 £ s. d.
100¼	99⅞	Exchequer 2½% 1955	100 1/32	100 3/32	1 0 1	2 4 2
102⅛	101¼	Exchequer 3% 1960	102 1/16	102 3/16	1 5 6	2 12 9
100⅛	99 13/16	Exchequer 3% '62-63.....	100⅛	100⅛	1 12 6	3 0 8
99 15/16	99⅛	Serial Funding 1¾% 1954.	99 15/16	99⅞	1 9 11	2 3 6
99 15/16	99 15/16	Serial Funding 2¼% 1957.	99 15/16	99⅞	1 6 7	2 6 5
101¼	100 15/16	Serial Funding 3% 1955..	101 1/16	101 3/32	1 0 4	2 5 9
100 15/16	100	War Bonds 2½% '54-56...	100⅛	100 1/32	1 3 6	2 7 7
100 15/16	100 1/16	Funding 2¾% '52-57.....	100 1/16	100 3/32	1 2 7	2 9 10
101 15/16	100 15/16	Nat. Def. 3% '54-58.....	101 1/16	101⅛	1 3 7	2 11 11
102⅛	101¼	War Loan 3% '55-59.....	101⅛*	101 11/16*	1 6 7	2 13 4
97⅛	95 11/16	Savings Bonds 3% '55-65.	96 13/16	97 1/16	1 19 4	3 7 4
98⅛	97⅛	Funding 2½% '56-61.....	97 1/16*	97 13/16*	1 14 2	2 16 11
94	92 7/16	Funding 3% '59-69.....	93⅛*	93 5/16*	2 2 8	3 10 8
95⅛	93 13/16	Funding 3% '66-68.....	95	95 1/16	2 1 4	3 9 8
102 11/16	100 15/16	Funding 4% '60-90.....	101⅛*	101⅜*	1 18 10	3 14 2
92 13/16	90⅛	Savings Bonds 3% '60-70.	92 1/16	92 3/16	2 3 9	3 12 3
91 1/16	90⅛	Savings Bonds 2½% '64-67	90 1/16*	90⅛*	2 3 6	3 7 2
103 1/16	101 3/16	Victory 4% '20-76.....	102 1/16	102¼	2 0 3	3 16 2
90 1/16	87⅛	Savings Bonds 3% '65-75.	89⅛	90	2 5 2	3 14 4
95 13/16	93⅛	Consols 4% aft. Feb. '57.	95 11/16	95⅞	2 6 1	4 4 2
87 13/16	84⅛	Conv. 3½% aft. April '61.	86 13/16	87 1/16	2 3 11	3 19 10
99 15/16	99 1/16	Con. 3½% 1969	99 1/16	99⅛	1 19 8	3 11 7
65⅛	63 1/16	Treas. 2½% aft. April '75.	64 13/16	65⅛	2 1 9	3 16 0
77⅛	74 1/16	Treas. 3% aft. April '66..	76	77	2 2 11	3 18 6
95 13/16	92 11/16	Treas. 3½% '77-80.....	95⅛	95⅞	2 3 4	3 16 5
95 13/16	92 7/16	Treas. 3½% '79-81.....	95⅛	95⅝	2 3 2	3 15 11
86⅛	83	Redemption 3% '86-96...	85⅞	86⅛	2 3 1	3 13 0
88⅛	84 5/16	War L'n 3½% aft. Dec. '52	87 11/16	88⅜	2 3 11	4 0 5
65⅞	63⅛	Consols 2½%.....	64⅞	65⅝	2 1 9	3 16 0
90 11/16	88 7/16	Br. Elec. 3% '68-73.....	90 5/16	90⅜	2 5 4	3 14 6
89⅞	87 13/16	Br. Elec. 3% '74-77.....	89⅜	89⅝	2 4 6	3 13 6
105⅛	103 7/16	Br. Elec. 4½% '74-79.....	104 13/16	105	2 0 11	3 18 2
96 13/16	93 11/16	Br. Elec. 3½% '76-79.....	95⅛*	95 7/16*	2 3 0	3 15 3
86⅝	83 3/16	Br. Trans. 3% '78-88.....	86⅛	86⅝	2 4 7	3 14 10
90⅜	88 11/16	Br. Trans. 3% '68-73.....	90⅛	90 9/16	2 5 5	3 14 1
102⅞	100⅛	Br. Trans. 4% '72-77.....	102 3/16	102 13/16	2 1 9	3 18 0
86 3/16	84⅛	Br. Gas 3% '90-95.....	85⅛*	85 13/16*	2 3 5	3 13 4
98⅛	96⅜	Br. Gas 3½% '69-71.....	97 3/16	97⅜	2 1 8	3 13 10
103⅛	99⅜	Br. Gas 4% '69-72.....	102 13/16	103⅛	2 0 5	3 16 4

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan.1 to Apl.13 High	Prices, 1954 Jan.1 to Apl.13 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, April 7, 1954	Price, April 13, 1954	Yield, April 13, 1954 £ s. d.
92	84⅛	93⅛	90⅛	Aust. 3½% '65-69....	92½	93⅜	3 16 9
95⅛	91	95⅞	94⅛	N. Zealand 3½% '62-65	95⅛	95⅝	3 15 0
99⅛	93⅜	99⅜	97⅛	S. Africa 3½% '54-59..	98⅛	98⅜	3 16 9
73⅛	66⅛	75 1/16	71⅛	L.C.C. 3% aft. 1920..	74	75	4 0 0
95⅛	90⅛	96⅜	95	Liverpool 3% '54-64..	95*	95*	3 12 2
94⅛	88⅛	95⅛	93⅛	P.L.A. 3½% '66-71...	93⅛	93½	4 0 10
104⅛	101⅛	103⅛	101⅛	Agric. Mort. 5% '59-89	103	103	4 6 5
77⅛	66⅛	80⅛	75⅛	Austria 4½% '34-59...	80	79	4 5 5
21⅛	8	19⅛	11⅞	Chinese 5% 1913.....	16⅛	15⅞	Nil
102⅛	65	142	102	German 4½%.....	130⅞	129⅞	....
139⅛	119	159⅛	132⅜	Japan 5% 1907.....	157	156⅛	...

Prices, 1954 Jan. 1 to Apl. 13 High	Prices, 1954 Jan. 1 to Apl. 13 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, April 7, 1954	Price, April 13, 1954	Yield, April 13, 1954 £ s. d.
		%	%		BANKS & DISCOUNT			
46/–	42/3	7	*a*	9 *b*	Barclays £1	44/6	45/6	4 7 11 *m*
62/6	58/9	6	*a*	8 *b*	Lloyds "A" £5, £1 pd.	60/6	61/–	4 11 10
81/6	74/9	8	*a*	8 *b*	Midland £1, fully pd..	76/–	77/–	4 3 1
81/–	72/7½	8¼	*a*	8½ *b*	N. Prov. "B" £5, £1 pd.	75/–	75/–	4 10 8
90/–	79/6	9	*a*	9 *b*	Westminster £4, £1 pd.	81/–	81/6	4 8 4
100/–	92/–	7½	*a*	17½ *b*	Alexanders £2, £1 pd..	96/6	97/6	5 2 7
45/–	40/10½	5	*a*	5 *b*	Nat. Disc. "B" £1.....	44/–	44/–	3 8 2 *v*
51/6	44/6	5	*a*	5 *b*	Union Disc. £1.....	46/–	46/–	4 6 11
41/–	37/6	4	*a*	4 *b*	Barc.(D.C.&O.)"A"£1	38/6	38/6	4 3 1
45/7½	40/3	7	*a*	7 *b*	Chart. Bk. of India £1	43/–	43/–	6 10 3
					INSURANCE			
10 3/32	9⅛	50	*a*	85 *b*	Leg. & Gen. £1, 5/- pd.	10⅛	10⅜	3 3 6
22⅛	20⅛	20†	*a*	40† *b*	Pearl £1, fully pd.....	22	22	4 19 3
40⅛	35 15/16	105†	*c*	112½† *c*	Prudential "A" £1...	39⅛	40	5 2 3
					BREWERIES, ETC.			
129/–	126/–	10	*a*	33 *b*	Bass £1.....	128/1½	128/1½	6 14 3
20/–⅜	17/4½	15	*b*	7½ *a*	Distillers 4/-.....	19/3	19/9	4 11 2
33/6	31/–	7	*a*	11 *b*	Guinness 10/-.....	31/6	31/6	5 14 3
8/9⅛	8/2½	4	*a*	8 *b*	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 75½% of face value. (*e*) To earliest date. (*f*) Flat yield. (*k*) 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 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution, not included in yield. (*q*) Yield basis 15% as forecast by Company. (*r*) Yield basis 15% after capital bonus. (*s*) Yield basis 15¼%, as forecast by Company. (*t*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*u*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11¼%. (*z*) Yield basis 11½%.

Prices, 1954 Jan. 1 to Apl. 13 High	Prices, 1954 Jan. 1 to Apl. 13 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, April 7, 1954	Price, April 13, 1954	Yield, April 13, 1954 £ s. d.
6/–	5/6	5	*c*		7½ *c*	Allied Sumatra £1....	6/3	6/–	25 0 0
24/–	20/3	4	*c*		2½ *a*	Jhanzie Tea £1.....	21/6	22/3	3 11 11
49/3	37/9	12½	*b*		5 *a*	United Sua Betong £1	46/3	46/3	7 11 4
					MINES			
6 9/16	5 31/32	20	*a*		40 *b*	Anglo-Amer. 10/-	6½*	6 1/16*	4 16 6
37/–	32/6	53½	*b*		53½ *a*	Blyvoor 2/6.....	36/6	36/–	7 8 2
76/6½	70/–	60	*a*		60 *b*	Daggafontein 5/-.....	73/1½	73/1½	8 4 4
83/–	68/3	80	*a*		120 *b*	De Beers 5/- Bearer..	81/–	81/–	12 6 11
52/–	42/–	17½	*c*		17½ *c*	Johannesburg Con. £1	46/3	46/3	7 11 6
20 15/16	16 15/16	175	*b*		50 *a*	Rhokana £1.....	20½*	20½*	10 15 7

* Ex dividend.

New York Closing Prices

	Apr. 7 $	Apr. 13 $		Apr. 7 $	Apr. 13 $		Apr. 7 $	Apr. 13 $
Balt. & Ohio.	19½	20½	Am. Smelting.	34½	36	Inter. Paper..	63⅝	64⅞
Can. Pac.....	24½	24⅞	Am. Viscose ..	35	34*	Nat. Distill...	17⅜	17⅝
N.Y. Cent....	22½	21⅛	Cel. of Amer..	20½	20½	Sears Roebuck	61	61¼
Pennsyl.....	16⅛	16⅛	Chrysler.....	61½	62	Shell	9 2/16	9 1/16
Amer. Tel. ...	163½	164⅝	Gen. Elec.....	106¼	108	Std. Oil of N.J.	80¾	83¼
Stand. Gas...	13	13⅛	Gen. Motor...	66½	68⅞	U.S. Steel....	43	44⅜
United Corp..	5⅛	5⅜	Goodyear	60⅜	62	Westinghouse.	62⅛	63
W. Union Tel.	40⅜	40½	Inter. Nickel .	38⅛	40	Woolworth...	42⅜	41½

*Ex. dividend

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	April 3rd	Western Europe :	
Production and Consumption	April 10th	Production and Trade.....	April 3rd
Manpower.....	This week	British Commonwealth	April 10th
External Trade.....	Mar. 27th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits.....	Jan. 23rd	United States	Mar. 27th
		World Trade.....Jan. 23rd	

Manpower in Great Britain

	Unit	Monthly averages 1951	1952	1953	1953 Jan.	Feb.	Mar.	Dec.	1954 Jan.	Feb.	Mar.
TOTAL MANPOWER (1)											
Working population :											
Total	'000s	23,228	23,294	23,373	23,318	23,312	23,295	23,474	23,496	23,463	...
Men	"	15,791	15,864	15,883	15,889	15,887	15,869	15,920	15,947	15,930	...
Women	"	7,437	7,430	7,490	7,429	7,425	7,426	7,554	7,549	7,533	...
Armed Forces	"	827	872	865	873	873	871	850	847	844	...
Civil employment :											
Total	"	22,214	22,119	22,238	22,050	22,051	22,068	22,288	22,288	22,273	...
Agriculture, forestry and fishing	"	1,139	1,112	1,087	1,044	1,044	1,054	1,039	1,039	1,044	...
Mining and quarrying	"	856	875	877	879	878	876	867	869	870	...
Building and contracting	"	1,449	1,435	1,437	1,391	1,404	1,417	1,401	1,395	1,384	...
Distributive trades	"	2,600	2,616	2,664	2,642	2,639	2,637	2,704	2,687	2,679	...
Public administration	"	1,350	1,336	1,320	1,326	1,324	1,325	1,313	1,312	1,312	...
Manufacturing industries	"	8,736	8,626	8,746	8,715	8,711	8,704	8,932	8,955	8,959	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950 :											
Employees in engineering(2)	"	+ 103	+ 212	+ 213	+ 229	+ 222	+ 215	+ 295	+ 309	...	...
" " consumer goods industries(3)	"	+ 74	− 126	− 8	− 60	− 55	− 52	+ 56	+ 60	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	252·9	414·2	342·0	452·5	428·8	397·0	321·8	372·8	387·3	342·9
" " —men	"	161·5	227·8	218·2	287·2	272·6	251·1	207·5	244·9	261·7	224·1
" " —women	"	91·4	186·4	123·8	165·3	156·2	145·9	114·3	127·9	125·6	118·7
Temporary or under 2 weeks—men	"	49·8	87·8	68·8	94·2	85·8	80·3	62·6	82·5	83·0	63·2
" " —women	"	37·7	94·7	44·0	64·7	51·2	48·4	35·6	49·4	40·5	38·0
Over 8 weeks—men	"	73·2	85·9	96·7	114·9	116·5	114·1	89·4	96·7	103·9	106·9
" " —women	"	27·9	50·2	46·3	62·6	59·4	59·0	42·4	47·9	48·2	49·4
By industry (4) :											
Textiles	%	0·8	8·6	1·4	2·6	2·2	1·8	0·8	1·0	1·0	1·0
Clothing	"	1·7	2·9	1·3	1·8	1·4	1·2	1·5	1·7	1·4	1·3
Vehicles	"	0·5	0·7	0·8	1·1	1·2	1·6	0·6	0·7	0·7	0·6
Engineering, etc.	"	1·0	1·4	1·4	1·6	1·7	1·6	1·3	1·3	1·4	1·4
Coal-mining	"	0·2	0·2	0·2	0·2	0·2	0·2	0·2	0·2	0·2	0·2
Distributive trades	"	1·1	1·5	1·5	1·9	1·9	1·8	1·3	1·6	1·7	1·6
By regions (4) :											
Great Britain	"	1·2	2·0	1·6	2·2	2·1	1·9	1·5	1·8	1·8	1·6
London and South Eastern	"	0·9	1·3	1·2	1·7	1·5	1·4	1·2	1·4	1·5	1·2
Eastern	"	0·9	1·3	1·3	1·9	1·9	1·6	1·2	1·6	1·9	1·6
Southern	"	1·1	1·4	1·4	1·8	1·8	1·6	1·4	1·5	1·8	1·4
South Western	"	1·2	1·5	1·6	2·1	2·0	1·9	1·7	1·9	2·0	1·9
Midland	"	0·4	0·9	1·1	1·3	1·3	1·6	0·7	0·8	0·8	0·7
North Midland	"	0·5	1·0	0·7	0·9	0·8	0·7	0·6	0·7	0·9	0·7
East and West Ridings	"	0·9	1·9	1·2	1·6	1·5	1·3	1·1	1·3	1·3	1·1
North Western	"	1·2	3·6	2·1	2·9	2·7	2·4	1·7	1·9	1·9	1·7
Northern	"	2·2	2·6	2·4	3·0	2·8	2·5	2·4	2·8	2·8	2·7
Wales	"	2·7	2·9	3·0	3·6	3·7	3·4	2·7	3·1	3·2	2·8
Scotland	"	2·5	3·3	3·1	3·9	3·7	3·4	3·0	3·4	3·5	3·3
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	313	230	270	222	233	263	270	261	258	...
Men	"	208	131	147	126	130	144	147	140	136	...
Women	"	105	99	123	96	103	119	123	121	122	...
DISPUTES (5)											
Workers involved	"	32	35	112	22	32	28	1,076	47	37	...
Working days lost :											
Total	"	141	149	181	67	165	249	1,112	129	131	...
Mining and quarrying	"	29	55	33	38	74	36	24	38	44	...
Engineering, etc.	"	43	66	126	18	84	203	1,048	15	14	...
Other industries and services	"	69	28	22	11	7	10	40	76	73	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom.

Price 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
1952	253	114	143	163	165	149	129	97	140	152	148	104
1953	239	107	134	155	160	173	129	96	134	152	139	107
1953, October	238	106	132	153	159	191	128	96	133	153	138	106
„ November	239	106	131	154	159	190	129	96	134	152	139	109
„ December	239	106	131	155	159	190	128	97	134	152	138	111
1954, January	244	106	133	156	159	192	...	97	135	152	138	115
„ February	240	...	134	156	...	...	...	...	...	153	138	...
COST OF LIVING [1] (1948 = 100)												
1938	31	27	60	6	64	0·4	55	2	49	63	61	29
1952	211	106	123	145	110	146	119	114	130	133	129	109
1953	210	106	123	144	108	160	126	117	130	136	130	113
1953, October	211	106	123	141	107	171	...	117	129	137	130	114
„ November	211	107	...	141	107	172	126	117	128	137	130	114
„ December	211	106	...	142	107	175	...	117	128	137	130	115
1954, January	212	107	123	143	107	...	...	...	134	137	130	...
„ February	213	108	...	144	...	...	...	...	...	...	130	...
IMPORT PRICES [2] (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	182	121	...	129	109	131	132	152	91
1953	269	109	...	164	106	...	124	102	116	125	140	...
1953, September	281	108	117 [5]	164 [5]	103	...	123	100	113	123	138 [5]	91
„ October	280	107	...	}	101	...	124	93	116	122	}	89
„ November	276	107	...	161	102	...	127	97	113	120	136	80
„ December	280	106	...	}	102	...	125	99	109	130	}	...
1954, January	274	...	...	...	101	...	...	...	...	...	...	...
EXPORT PRICES [2] (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	24
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953	239	101	...	148	123	...	123	107	104	120	135	...
1953, September	248	100	106 [5]	147 [5]	121	...	126	106	99	117	135 [5]	112
„ October	243	100	...	}	119	...	135	106	99	116	}	106
„ November	242	96	...	143	121	...	131	104	97	116	134	115
„ December	239	96	...	}	122	...	120	108	98	120	}	...
1954, January	233	...	...	...	120	...	...	...	...	...	...	...

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. kronor	mn. £T.
1938	...	23·6	425	112	...	...	18·2	19	1,048	455	1,040	213
1952	8·79	102·1	1,889	2,124	10·22	2,476	69·9	1,343	3,171	2,787	4,620	1,280
1953	10·25	105·9	2,048	2,310	11·98	3,209	74·3	1,422	3,394	2,938	4,890	1,460
1953, October	9·46	104·2	1,844	2,229	11·15	3,141	71·0	1,272	3,275	2,847	4,590	1,518
„ November	9·62	103·9	1,861	2,222	11·13	3,173	72·7	1,290	3,291	2,833	4,590	1,486
„ December	10·25	105·9	2,048	2,310	11·98	3,209	74·3	1,422	3,394	2,938	4,890	1,460
1954, January	10·03	...	1,914	...	11·67	...	71·5	...	3,315	...	4,680	1,460
„ February	...	...	...	...	...	...	70·7	...	...	...	...	1,493

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
1952	...	1,077	142·1	988	1,165	9·9	219	918	929	148·3	379	191
1953	...	1,090	166·8	956	1,984	10·5	234	...	1,161	138·4	425	212
1953, October	...	1,058	165·4	913	1,795	10·5	232	...	1,138	151·8	411	213
„ November	...	1,077	168·1	941	1,862	10·5	235	...	1,154	147·6	418	215
„ December	...	1,090	166·8	956	1,984	10·5	234	...	1,161	138·4	425	212
1954, January	...	1,093	160·2	...	2,072	10·6	228	...	1,178	136·1	421	218
„ February	...	1,095	...	...	...	10·6	229	...	1,167	128·1	400	212

[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 average value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. [3] Notes only for France and Austria. [4] Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. [5] Average of third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the ten days ended April 10th, there was an "above-line" deficit (after allowing for Sinking Funds) of £11,162,000 compared with a deficit of £51,770,000 in the previous eleven days and a surplus of £5,152,000 in the corresponding period of last year. Net expenditure "below-line" absorbed £10,009,000, bringing the total deficit to £21,171,000 (£9,021,000 in 1953-54).

£'000	Estimate, 1954-55	Financial Year 1952-53	Financial Year 1953-54	11 Days ended April 11, 1953	10 Days ended April 10, 1954
Ord. Revenue					
Income Tax	1800,000	1736,233	1730,991	65,050	54,901
Sur-tax	132,000	131,200	132,400	4,200	5,600
Death Duties	164,375	151,850	164,500	7,600	6,300
Stamps	55,000	50,250	56,600	1,700	2,200
Profits Tax & EPT	172,000	376,100	188,400	9,000	4,500
Excess Profits Levy	60,000	2,950	65,850	600	2,600
Special Contribution and other Inland Revenue	1,000	2,020	1,390	60	...
Total Inland Rev.	2384,375	2450,603	2340,131	88,210	76,101
Customs	1062,500	1024,498	1042,396	27,932	33,533
Excise	719,000	739,093	721,975	5,130	10,945
Total Customs and Excise	1781,500	1763,591	1764,371	33,062	44,478
Motor Duties	77,000	67,658	73,115	3,281	3,153
Broadcast Licences	21,000	14,800	16,400	...	...
Sundry Loans	24,000	24,681	38,014	54	106
Miscellaneous	245,000	117,382	136,099	7,393	5,503
Total	4532,875	4438,715	4368,130	132306	129341
Ord. Expenditure					
Debt Interest	570,000	576,411	579,760	28,492	28,726
Payments to N. Ireland Exchequer	51,000	44,662	50,064	1,469	1,712
Other Cons. Fund	10,000	10,483	9,324	5	...
Supply Services	3855,399	3683,809	3599,719	96,600	109800
Total	4486,399	4315,364	4238,867	126566	140238
Sinking Funds	36,000	35,227	35,625	287	265
"Above-line" Surplus or Deficit		+ 88,124	+ 93,638	+ 5,152	— 11,162
"Below-line" Net Expenditure		523,818	379,224	14,173	10.009
		—	—	—	—
Total Surplus of Deficit		435,694	285,586	9,021	21,171
Net Receipts from:					
Tax Reserve Certificates		— 53,773	54,764	6,923	9,271
Savings Certificates		20,800	19,050	2,500	100
Defence Bonds		— 56,759	— 38,088	— 3165	— 1486

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Apl. 11	2,880·0	1,585·3	243·7	...	4,709·0
1954					
Jan. 9	3,110·0	1,679·9	249·6	...	5,039·5
„ 16	3,110·0	1,570·0	265·6	...	4,945·7
„ 23	3,090·0	1,669·9	266·1	...	4,816·0
„ 30	3,060·0	1,442·6	243·4	...	4,746·0
Feb. 6	3,040·0	1,362·5	236·0	...	4,638·5
„ 13	3,040·0	1,303·8	265·7	...	4,609·5
„ 20	3,040·0	1,331·9	293·5	...	4,665·4
„ 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
„ 13	3,080·0	1,345·5	301·7	0·3	4,727·4
„ 20	3,100·0	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
Apl. 10	3,150·0	1,387·8	298·2	...	4,836·0

THE MONEY MARKET

CREDIT conditions in Lombard Street were varied in the week to Wednesday last. On Thursday before the weekend some houses were under pressure and the authorities gave relief by small purchases through the banks; but conditions eased on the following days, and on Saturday overnight money was offered at rates down to 1 per cent. At the beginning of this week credit tightened; the authorities again came to the aid of the market through the banks on Tuesday, and some houses were forced to sell July bills at 2⅜ per cent (as against the usual rate of 2⅛ per cent). On Wednesday the market was easier and the authorities gave a smaller amount of support direct.

At last week's Treasury bill tender the market again maintained its bid at £99 9s. 5d. per cent for the £270 million of bills on offer. As applications fell from £399 million to £392.2 million, the market's allotment rose from 58 to 59 per cent. At Thursday's tender the offer was reduced to £230 million, compared with maturities next week of £210 million, so that the excess of new bills will shrink from £40 million to £20 million.

In the bullion market turnover was somewhat smaller than in the opening weeks of dealing; and prices at the fixings declined from the peak of 248s. 10½d. on Thursday of last week to 248s. 7d. on Tuesday and Wednesday.

LONDON MONEY RATES

	%		%
Bank rate (from 4%, 17/9/53)	3½	**Discount rates**	
		Bank bills: 60 days	2⅝
Deposit rates (max)		3 months	2⅝
Banks	1½	4 months	2⅝–2¾
Discount houses	1½	6 months	2¾–2⅞
Money—Day-to-day	1½–2½	Fine trade bills:	
Short periods	1½–2⅝	3 months	3¼–4¼
Treas. bills 2 months	2⅝	4 months	3¼–4¼
3 months	2⅝	6 months	4 –4¼

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	April 15	Mar. 31	April 7
Issue Department:*			
Notes in circulation	1,516·9	1,576·9	1,592·2
Notes in banking dept.	33·5	48·5	33·2
Govt. debt and securities*	1,546·8	1,621·7	1,621·8
Other securities	0·7	0·8	0·7
Gold coin and bullion	2·9	2·9	2·9
Banking Department:			
Deposits:			
Public accounts	19·2	30·6	13·3
Treasury special account	39·5	1·0	1·0
Bankers	269·0	262·7	287·0
Others	73·8	72·9	64·0
Total	401·5	367·2	365·3
Securities:			
Government	357·9	303·4	319·4
Discounts and advances	13·5	15·2	13·6
Other	12·6	15·9	14·0
Total	384·0	334·5	347·0
Banking department reserve	35·3	51·3	36·0
"Proportion"	% 8·7	% 13·9	% 9·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

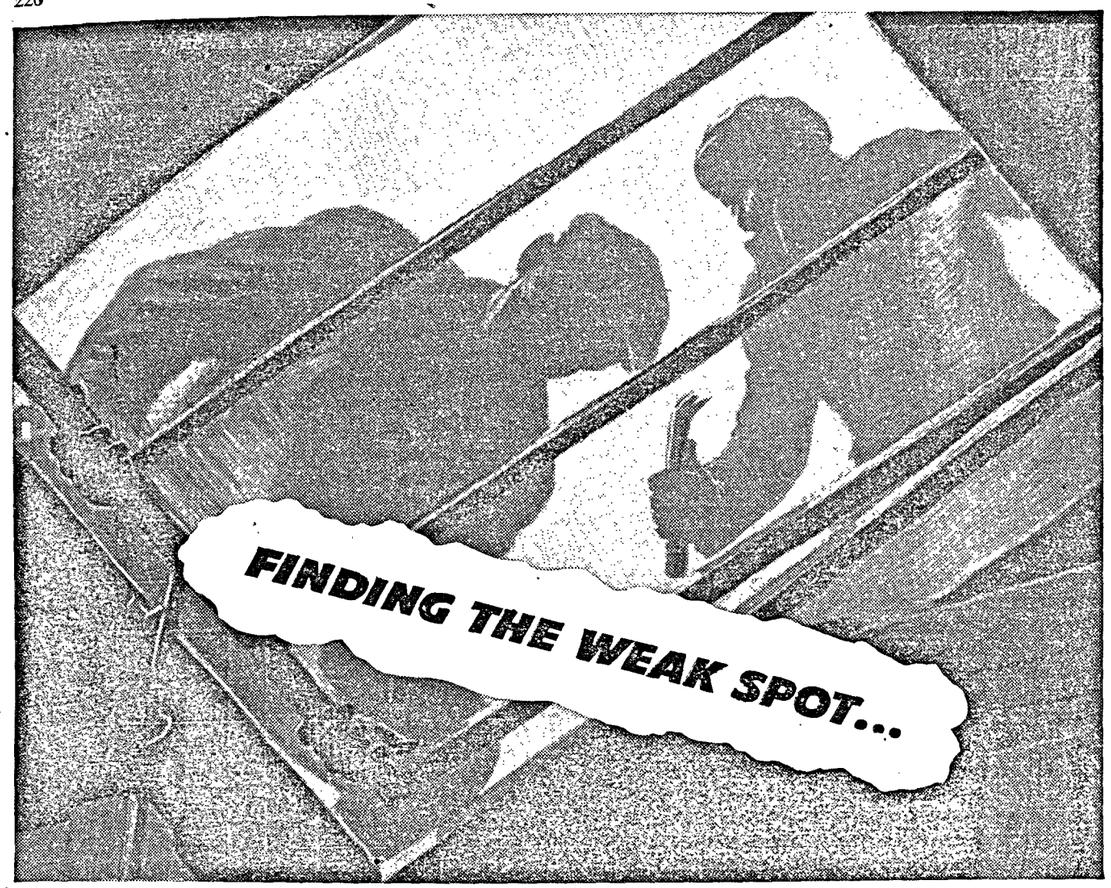
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate %*
1953						
April 10	250·0	357·6	250·0	48	4·20	62
1954						
Jan. 8	230·0	319·3	230·0	42	7·90	64
„ 15	220·0	335·5	210·0	42	7·72	61
„ 22	210·0	343·8	210·0	41	11·78	58
„ 29	220·0	382·0	220·0	41	11·04	36
Feb. 5	220·0	386·4	220·0	41	3·68	49
„ 12	230·0	369·9	230·0	41	4·00	58
„ 19	240·0	398·9	240·0	41	3·56	45
„ 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	412·9	270·0	41	3·83	53
„ 12	270·0	414·6	270·0	42	2·61	45
„ 19	260·0	365·6	260·0	42	3·64	60
„ 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
„ 9	270·0	392·2	270·0	42	4·05	59

* On April 9th tenders for 91 day bills at £99 9s. 5d. secured about 59 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 13	Market Rates: Spot: April 7	April 8	April 9	April 10	April 12	April 13
United States $	2·78–2·82	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞
Canadian $	...	2·75⅛–2·76⅛	2·75⅛–2·75⅞	2·75⅛–2·75⅛	2·76–2·76⅛	2·76⅛–2·76⅜	2·76⅛–2·76⅜
French Fr.	972·65–987·35	983½–983⅝	984–984½	983½–984	983⅝–984	984¼–984½	984⅝–985⅛
Swiss Fr.	12·15⅜–12·35⅜	12·21⅝–12·21⅞	12·22–12·22⅛	12·21⅝–12·22⅛	12·21⅝–12·22⅛	12·21⅝–12·22	12·21⅞–12·22⅛
Belgian Fr.	138·95–141·05	140 35–140·45	140·40–140·50	140·45–140·55	140·50–140·60	140·60–140·70	140·65–140·75
Dutch Gld.	10·56–10·72	10·64⅞–10·65⅛	10·65–10·65⅛	10·64⅞–10·65⅛	10·65–10·65⅛	10·65⅛–10·65⅜	10·65⅛–10·65⅜
W. Ger. D-Mk.	11·67⅜–11·84⅛	11·72⅝–11·73⅛	11·72⅝–11·73⅛	11·73–11·73⅛	11·73⅛–11·73⅝	11·73⅛–11·74	11·73⅛–11·74
Portuguese Esc.	79·90–81·10	79·90–80·10	79·90–80·10	79·90–80·10	79·90–80·10	79·90–80·10	79·90–80·10
Swedish Kr.	14·37⅛–14·59⅜	14·55–14·55⅛	14·55⅛–14·55⅜	14·55⅛–14·55⅜	14·55⅛–14·55⅜	14·55⅛–14·55⅜	14·55⅛–14·55⅜
Danish Kr.	19·13½–19·43½	19·42–19·42½	19·42½–19·42½	19·42½–19·43½	19·43–19·43½	19·43½–19·43⅞	19·43½–19·43⅞
Norwegian Kr.	19·85–20·15	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01⅛
One Month Forward Rates							
United States $		⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm	⅛–¼c. pm
Canadian $		1/16–⅛c. dis	1/16–⅛c. dis	1/16–⅛c. dis	1/16–⅛c. dis	1/16–⅛c. dis	1/16–⅛c. dis
French Fr.		2–4 dis	2–4 dis	2–4 dis	2–4 dis	2–4 dis	2–4 dis
Swiss Fr.		2–1c. pm	2–1c. pm	2–1c. pm	2–1c. pm	2–1c. pm	2–1c. pm
Belgian Fr.		½ pm–par	½ pm–par	½ pm–par	½ pm–par	½ pm–par	½ pm–par
Dutch Gld.		2–1c. pm	2–1c. pm	2–1c. pm	2–1c. pm	2–1c. pm	2–1c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm
Swedish Kr.		3–1o pm	3–1o pm	3–1o pm	3–1o pm	3–1o pm	3–1o pm
Danish Kr.		1ô pm–par	1ô pm–par	1ô pm–par	1ô pm–par	1ô pm–par	1ô pm–par
Norwegian Kr.		1ô pm–1o dis	1ô pm–1o dis	1ô pm–1o dis	1ô pm–1o dis	1ô pm–1o dis	1ô pm–1o dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/10	248/10½	248·9	...	248/8	248/7



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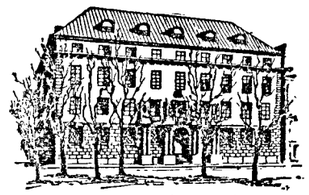

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Managing Director - - - - H. C. Captain

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COMPANY MEETINGS

BRITANNIC ASSURANCE COMPANY, LIMITED

CLAIMS PAID £107 MILLION

£1,742,000 ALLOCATED TO POLICYHOLDERS

Mr J. A. Jefferson, FIA, presiding at the eighty-eighth annual general meeting on April 2, 1954, said:

I am again pleased to lay before you evidence of sound and solid progress in 1953. The life premium income was £11,228,000—an increase of £428,000—and gross interest £3,401,000—an increase of £304,000. The total funds increased by £5,454,000 to £85,370,000, the mortality experienced was satisfactory, and the net rate of interest earned improved. In both life branches our expense ratios were moderate and slightly reduced, and we have declared increased bonuses.

ORDINARY BRANCH

The ordinary branch premium income reached £3,787,000, compared with £3,639,000 and the fund increased by £2 million to £31,504,000. Net interest amounted for the first time to over £1 million, and the rate rose from £3 5s. 6d. per cent to £3 6s. 8d. per cent. Net sums assured under new policies, after deduction of reassurances, totalled £7,047,000 at annual premiums of £361,000 and single premiums of £33,000. New business was somewhat less than in the previous year due to a tightening up of our requirements under our house purchase scheme.

Death claims, although £36,000 more, were at about the same level as two years ago. Maturities, however, at £1,346,000 showed an increase of £150,000. For very many years the bulk of our claims payments in this branch have been made to surviving policyholders, who have thus reaped the reward of their own thrift. Surrenders at £360,000 were £30,000 up, but the figure is not large when compared with the volume of our business. Expenses were at the very moderate rate of 11.79 per cent.

The Millard Tucker Committee, which was set up in 1950 by the then Chancellor of the Exchequer to consider the financial and taxation problems in connection with provisions for retirement, has recently reported. The report is a lengthy document of a very involved character, and we shall not know until the Chancellor makes his Budget speech whether he is going to accept the whole or a part of the recommendations. There can be no question whatever that the great body of self-employed persons, professional men, shop-keepers and others, have been at a serious disadvantage compared with the employees of large firms who have been able to contribute to an approved pension scheme.

If the recommendations are implemented, this disadvantage will be removed, and we are studying the position closely so that we shall be able to offer a satisfactory scheme to such people.

INDUSTRIAL BRANCH

The industrial branch premium income increased by £280,000 to £7,441,000, while the fund increased by £3,076,000 to £46,338,000. The net rate of interest earned was £4 3s. per cent, which was 3s. 9d. higher than the previous year.

Death claims at £1,585,000 were up by £69,000. Maturities amounted to the substantial sum of £1,591,000. It is interesting to note that these payments on death or maturity averaged £60,000 per week.

The expense rate at 26.66 per cent was virtually unchanged and has in fact varied little since 1943, when it was 27.98 per cent. We regard it as an achievement to have been able to reduce it during a period of rapidly rising costs, particularly as during the same period we have been able to improve staff conditions.

It is interesting to note that whereas in 1938 our new premiums were almost equally divided between whole life and endowment assurances, last year approximately 90 per cent were for endowment assurances and only 10 per cent for whole life policies.

Endowment assurances are essentially savings and represent one of the chief forms of saving in the country today. Savings through home service insurance would not be made without the regular call of the agent at the home of the policyholder, and we know that in nearly two thirds of the cases there is no other form of regular saving in these homes.

The ordinary branch earned surplus of the year was £1,015,606—a record in the history of the branch and for the first time in excess of £1 million. The directors have allotted £782,158 (as against £708,854 in the previous year) to policyholders and have been able to declare a reversionary bonus of £1 12s. per cent compared with one of £1 10s. per cent in the previous year.

The industrial branch surplus earned in the year was £1,824,454. The directors have allotted £900,000 (as against £800,000) for bonuses to Britannic policies, which again enables them to improve the vested reversionary bonus scheme. Bonuses attached to premium-paying policies in force on December 31, 1953, on which 10 years' premiums had then been paid, will now be 9 per cent of the sum assured, increasing by 1 per cent for each additional year's premiums paid, up to a maximum of 33 per cent after payment of 34 or more years' premiums. All the policies to which these bonuses have been added were issued without any right to share in profits.

INVESTMENTS

Nineteen fifty-three was a year of steadily rising prices in all classes of securities and we end up 1953 in a much stronger position as regards the valuation of our assets. In fact, we are able to give a certificate that the assets are fully of the value stated in the balance sheet without taking into account any part of our investment reserves.

We have again increased our holdings of ordinary shares—this year by £1,364,000—and the ratio of our assets in this class is now 16 per cent of the total. Much has been said and written during this past year about the importance of risk capital in industry, and I consider that £14 million in this class of security, out of total assets of just under £87 million is a reasonable but not excessive proportion of our policyholders' moneys to have at stake.

I think it should be restated that in the investment of a life assurance company's funds, the directors' first duty is to their policyholders. The directors are in a position of trust in relation to their policyholders, and they have a duty to see not only that the money entrusted to them through the medium of premiums is kept secure, but also that it should return the best rate of interest possible. It is now being suggested that the primary consideration in the investment of insurance offices' funds should be the "national interest." This is a high-sounding phrase, which carries in itself the unproved assumption that investment in the policyholders' interests cannot be at the same time investment in the national interest, and this is something I would challenge straight away. I believe that by investing in the best interests of the policyholders, which means investing in the best securities and the most efficient industries, we are, at the same time, investing in the national interest.

The Rt Hon Peter Thorneycroft, President of the Board of Trade, said recently that he believed that the guiding principle in the investment of insurance funds was the interests of the policyholders; these considerations were certainly present in the minds of the investors of those funds; they sought safety, and very properly so.

A peculiar development in the financial world during recent years has been operations which have become known as "take-over" bids, followed very frequently by the liquidation and re-leasing of the companies' properties. Where a "take-over" bid is inspired by the desire to bring efficiency to a mismanaged business, or to promote further efficiency by amalgamation, the transaction may be of great benefit. Further, where a concern finds itself short of working capital, the sale of its properties and the acceptance of long leases may be a very desirable way of raising money. In some cases, however, this transaction provides the directors of the company with money which they cannot use in the business. The shareholder is then faced with the risk that his money will be used in some extraneous project in which his directors are not expert, or in which he had no intention of interesting himself when he originally purchased shares in the company.

The amount outstanding under our house purchase scheme increased during the year by £1,088,000, and we now have just over 17½ per cent of our total assets invested in this way. During the last five years we have advanced £14 million under our scheme, which we still regard as a suitable investment for a part of our funds, and it is of course a valuable source of new life and general business.

In the fire and accident branch the premium income increased by £35,000 to £633,000. The claims experience was satisfactory and our gross profit for the year was the record one of £41,031, compared with £33,700 for the previous year.

STAFF

We are again transferring £200,000 to the staff pension fund, which affords valuable

and comprehensive security for the members of our staff, for it now provides pensions for the widows and children of deceased pensioners and members of the staff.

The satisfactory results of the year are a reflection of the efforts of our staff, and I end—as always—with a sincere word of thanks to them. It gives me great pleasure to do so and to say that our relations continue to be firmly based on mutual goodwill and co-operation.

The report and accounts were adopted.

CO-OPERATIVE INSURANCE SOCIETY LIMITED

MR S. LEONARD KASSELL'S REVIEW

Mr S. Leonard Kassell, chairman, at the eighty-sixth annual general meeting held on April 14, 1954, said:

This is the first annual report which it is my privilege to submit to the shareholders since my election as chairman, and I am naturally very gratified that the results for the year under review are very satisfactory.

The general picture presented by the statement of accounts and balance sheet for the year 1953, is one of progress in all departments and a substantial recovery in the volume of our ordinary life new business. Contrary to general assumption, this recovery is not due to an expansion in our house purchase business and has been secured by an increase in straightforward life assurance business, an expansion which we believe will continue during 1954.

FINANCIAL STRENGTH

During the year our income reached a total of £37,621,559, and our assets increased by £11,691,670 to £134,029,518, most of which relate to our life funds.

This increasing income means of course that increasing sums of money have to be invested and this is undoubtedly one of the greatest responsibilities which falls upon your board.

It is now generally appreciated that life assurance is one of the best and most widely adopted forms of saving in this country.

The CIS, as an office transacting both ordinary and industrial life assurance, is in an exceptional position as it is entrusted with the life assurance premiums of persons in all walks of life.

We now have over 11 million life policies in force and it is a measure of our responsibility that we hold over £120 million in trust for the holders of these policies. It is our duty to make sure that this fund is administered to their best advantage.

FACILITIES FOR POLICYHOLDERS

Through our full-time agents our policyholders have excellent facilities for life assurance and saving and there is little doubt that were it not for the regular calls made by our agents, most of this saving would not be made through any other channel.

By making small regular payments our policyholders not only secure the inestimable advantages of life assurance, the provision of which is still the primary purpose of our life department, but they are able to secure also the advantages which accrue to them from investment facilities and opportunities made available to them collectively as members of the general body of CIS policyholders. These facilities could not in most cases be taken advantage of by them as individuals.

FUNCTIONS OF THE SOCIETY

The rapid growth of an office such as the CIS, in which practically all the policyholders are persons of moderate means, is of undoubted social significance. It indicates that such persons are steadily acquiring a direct interest in the capital assets of the country, as represented by property and other securities in which their funds are invested.

I have gone to some length to deal with this aspect of our affairs as there is, I think, a certain amount of misunderstanding inside and outside the co-operative movement as to the functions and responsibilities of the CIS.

ADMINISTRATIVE COSTS

Our methods of operation are constantly under review with a view to securing greater efficiency and reducing costs. The fact that during 1953 our commission and expense ratio was further reduced in all departments shows that our efforts were not unsuccessful and I am satisfied that there was no diminution in our standards of efficiency.

LIFE DEPARTMENT

I have already referred to the recovery in the volume of new business in the ordinary section where the total sums assured completed during 1953 amounted to £21,797,619, being an increase of £5,182,909 over the figure for 1952.

Despite the fact that we are relying on individual life assurance policies, we are looking forward to a further increase in new business this year.

We are laying greater stress on the need to provide, through life assurance, for an income to be payable in the event of the death of the breadwinner, and we have prepared a special scheme showing how life assurance policies with income benefits can be used to provide for definite commitments such as mortgage repayments to be met in the event of death. A new option policy for children is also to be introduced shortly, which will provide valuable benefits and options for the child, and will in addition provide a regular income to help keep the child should the parent die before the policy matures.

We are also introducing a special option for women on our whole life and endowment assurance policies, so that on marriage the policyowner can alter the policy to make it an assurance on her husband's life, and receive a return of all the premiums previously paid less the first year's premium on the new assurance. With this new option, our policies will provide a particularly attractive method of regular saving for the younger women.

MOTOR DEPARTMENT

This account continues to make rapid progress, and the very satisfactory increase of £378,302 during the year brings the motor premium income to £3,293,464.

FIRE DEPARTMENT

The 1953 results for the fire department are very favourable. The net premium income, which amounted to £1,459,517, showed an increase of £50,000 over 1952.

ACCIDENT DEPARTMENT

The premium income in the personal accident account was £120,720. The results were again satisfactory.

In the general insurance account, which includes miscellaneous business such as public liability, burglary and employers' liability, the premium income amounted to £1,328,507, which was £120,134 more than the corresponding figure for 1952.

An interesting example of the service which the CIS renders to its policyholders is given by the severe storms and floods which occurred on the east coast of England and in the Thames Valley on January 31 and February 1, 1953. During 1953 payments amounting to £113,000 were made under the society's policies, in respect of claims arising from these floods. Seventy per cent of these claims were paid by the accident department. The balance related to claims under fire and motor policies.

PROFIT AND LOSS ACCOUNT

After making adequate reserves for contingencies, the total amount to be distributed to policyholders in respect of our operations for the year 1953 is £3,107,000, of which £2,685,000 is due to our ordinary life and industrial life policyholders.

The report and accounts were adopted.

CONWAY STEWART AND COMPANY

(Fountain Pen and Gold Nib Makers)

CONTINUED PROGRESS

MR S. W. JARVIS'S SPEECH

The nineteenth annual general meeting of Conway Stewart and Company, Limited, was held on April 14th at the Holborn Restaurant, High Holborn, London, W.C., Mr S. W. Jarvis (chairman and managing director) presiding.

The secretary (Mr W. G. F. Nash, ASAA) having read the notice convening the meeting and the report of the auditors,

The chairman said: The accounts and directors' report for the year ended December 31, 1953, have been in your possession for some little time, and with your permission I will take them as read. (Agreed.)

I am pleased, once more, to be able to present to you accounts which reflect the continued progress of your company. The balance sheet at the end of 1953 showed that net current assets had increased by £14,000. The past year presented many difficulties, including continued import restrictions in South Africa, Australia and New Zealand, despite which the value of our sales was again a record, and the net profit, after taxation, was greater than for 1952.

IMPROVED EXPORT OUTLOOK

While there has been a reduction in the import licence value into South Africa, restrictions on imports of fountain pens into Australia have virtually ceased and in New Zealand relaxed. The outlook for exports of your company's goods during 1954 is, therefore, better than for 1953, which represented over 40 per cent of the total turnover.

In the home market our prospects are bright, and I anticipate an increase in sales. Costs, however, continue to rise, but your directors expect to counter any advance in costs by increased efficiency in production.

As the volume of business has grown considerably since the present company was formed in 1935, your directors felt it was desirable that some of the reserves should be capitalised. Your directors recommend the issue of bonus shares, in proportion of two for every three held, and this will bring the capital of the company more in accord with the actual capital employed in the business.

TRIBUTE TO STAFF

I would take this opportunity of paying a very warm tribute to the members of our staff for their continued co-operation and loyal support.

The report and accounts were unanimously adopted, and a final dividend of 30 per cent (making 40 per cent for the year) was approved.

The retiring director, Mr R. H. Garner, was re-elected, and the remuneration of the auditors, Messrs Chalmers Wade and Company, was fixed.

At a subsequent extraordinary general meeting, resolutions were passed authorising the issue of bonus shares.

Proceedings terminated with a vote of thanks to the chairman, directors and staff.

F. PERKINS LIMITED

(Manufacturers of High Quality Diesel Engines)

RECORD TURNOVER

IMPORTANT OVERSEAS DEVELOPMENT

MR F. A. PERKINS ON NEED FOR VERSATILITY IN MANUFACTURING

The twenty-second annual general meeting of F. Perkins Limited, will be held on Monday, May 10, 1954, at the Mayfair Hotel, London.

The following is the statement by the chairman Mr F. A. Perkins, which has been circulated to shareholders with the report and accounts for the year ended December 31, 1953:

The report and accompanying accounts are the twenty-second in the history of the company. They have been set out as last year.

At the time we gave you various information on our activities, which we thought would be of interest to you. This year we are again supplying you with such additional information.

I am pleased to be able to report to you that we have been able to increase our turnover to the record figure of £13,216,796 in 1953, an increase of £1,842,593, being 16 per cent over the 1952 figure. This increase in turnover was obtained without raising the price of our products, despite the fact that during the year there have been increases in wages and services.

The net profit for the year after charging all working expenses and depreciation was £778,645 as compared with £710,433 for the previous year. After giving the matter of dividend careful consideration, the directors recommend a dividend of 20 per cent for the year, which compares with 15 per cent for last year.

Full details of the appropriations of the profits are shown both in the accounts and the directors' report.

OUTPUT

Our output has been seriously affected by the restricted supply of crankshafts, in fact, we have again to say that this is a severe limitation on our production. The purchases of stampings from the Continent to which I referred last year were in a large part essential in maintaining the increased output. These contracts have now expired and the reserve of £65,000 made last year in connection with these purchases from the Continent, being no longer required, has been credited in the appropriation account. The emphasis has now moved to machining capacity, and our programme for 1954 will be maintained with difficulty. Steps are now being taken, to be effective in 1955, which should ensure adequate cover for future requirements.

The capital commitments standing at £575,000 at December 31, 1952, are to-day £168,000, which represents the completion of the programme of re-equipment started in 1951.

Last year I referred to the increased figure of stock and work in progress, and I am sure that you will all be satisfied to see this item reduced by £1,112,532 and now standing at the low figure of £2,208,800 in spite of the increased turnover. We had a balance in hand at the bank at the end of the year, and I am pleased to be able to tell you that this position has continued up to now in the current year. Our increasing turnover will, however, lead to a need for an increase in our working capital requirements and the board has this question under active consideration.

The demand for long term credit in certain overseas markets still continues, but nevertheless we have been successful in maintaining our trade debtors at approximately the same ratio to the turnover as last year.

For 20 years our Company has been pioneers of the lightweight high speed diesel engine. The time has now come when one of the vehicle manufacturers has begun to follow our lead and to manufacture diesel engines for their own vehicles. Nevertheless new uses for our engines are arising every day. You will be pleased to hear that we confidently expect to increase our output for 1954 by a similar percentage to last year, and we look forward to this growth continuing through 1955.

NEED FOR VERSATILITY IN MANUFACTURING

A manufacturing company is a living entity and like a living animal can only survive by virtue of its adaptability to changing circumstances. For an industry so competitive as the manufacture and supply of components to the automotive industry, adaptability and flexibility is one of the essentials for success.

The growing impact of the accumulation of scientific knowledge and of changing economic conditions calls for versatility in manufacturing to meet the technical requirements of the customers, and this must be paralleled by equal resource in a sales policy which will meet the changing economic conditions.

We are therefore preparing to be able to offer improved and better engines.

DEVELOPMENT IN INDIA

At the same time we are developing our marketing organisation to deal with the changing conditions overseas and in particular with the general demand for indigenous manufacture in different countries. Because of this your board decided that it was in the interest of the Company to co-operate with the Government of India in fulfilling its ambition to establish an indigenous automotive manufacturing industry. With this object in view an agreement was signed in January, 1953, between your Company and our distributors in India to provide for the assembly of the engine in India and to lead on to the manufacture of the details of the engine by progressive and practical stages.

With this important step, the first to be taken by your Company in the matter of overseas manufacture, and with the considerable importance we attach to the Indian market, my board thought that I should pay a visit to India and satisfy myself that the action they have taken was in the best interests of our Company. Arriving at Bombay on January 2nd of this year, I was able to make a concentrated but thorough examination of the Indian market and of the industrial potential.

I am able to report that our products have had a very gratifying reception throughout India, there being no less than 14,000 Perkins engines in use, and some 80 per cent of the diesel vehicles on the road are powered by Perkins engines. I believe our programme for India has secured for the Company an appreciable part of the Indian market for commercial vehicle diesel engines for some time to come. I found our distributors held in very high esteem throughout India, and in linking our fortune with theirs I am convinced that we have an association which is most effective and as promising as any in that country.

OTHER MARKETS

At home another of the largest manufacturers of commercial vehicles has standardised on our P6 and R6 engines in their 5 and 7 ton trucks. In the 20 cwt van class another manufacturer has been very successful with the introduction of the P3 engine as the power unit. Satisfactory arrangements have been made with some of the leading North American manufacturers of vehicles and industrial equipment for supply of Perkins Engines for their sterling area markets.

During the year a new dollar market was opened with substantial orders from Cuba. Spain and Italy have both shown very satisfactory business with substantial increases on last year.

Our Subsidiary Companies in Australia, Canada, France and South Africa continue to look after our interests in the countries concerned. An engine reconditioning plant has been installed at Dandenong, Australia, and an exchange engine scheme covering some 17,000 engines in use in that Dominion has now been put into operation.

Our training schools for instructional work in the good maintenance of diesel engines, among the largest in the country, have been re-modelled and some 200 pupils pass through them every month.

TRIBUTE TO EMPLOYEES

A great part of the credit for the success of the year's trading is due to our employees of all ranks both in the field, in the offices and works, and to all of them we tender our very best thanks.

A notable example of private enterprise is the united effort of 28 employees to build their own houses. Building of a very superior type house with garage commenced last March, and up to date 14 houses have been occupied and the remaining 14 will be completed during the summer. All this has been done with only a temporary loan of £1,200 from the Company. Just as soon as the municipal authorities are able to find new sites, another 30 families are ready to embark on a similar enterprise.

NORTH BRITISH & MERCANTILE INSURANCE

ANOTHER SUCCESSFUL YEAR

The annual general meeting of the North British & Mercantile Insurance Company, Limited, will be held on May 6th in Edinburgh.

The following is an extract from the circulated statement of the chairman, the Rt Hon Lord Brand, CMG, DCL :

FIRE DEPARTMENT: Premiums at £16,239,922 show an increase of £192,925 over the 1952 figure of £16,046,997, while losses, amounting to £7,811,461, 48.10 per cent of premiums, compare with the previous year's figure of £7,315,300, 45.59 per cent. We are able to report a profit of £963,414, 5.93 per cent, transferred to the profit and loss account.

CASUALTY DEPARTMENT : Total premiums in the casualty department were £5,077,266, being £329,568 in excess of the 1952 figure of £4,747,698. Losses were £2,575,669, against £2,391,869, the percentage of losses to premium income being 50.73 per cent, compared with 50.38 per cent for 1952. Commission, expenses and overseas taxes accounted for £2,003,395, against £1,853,461 in the previous year, the respective ratios being 39.46 per cent, against 39.04 per cent in 1952. The underwriting profit is £366,374, representing 7.22 per cent of premiums, compared with £290,943, representing 6.13 per cent for 1952.

MARINE DEPARTMENT : The Marine income for 1953 was £1,702,750, compared with £1,845,375 in 1952. Claims were £1,321,578, against £1,384,701 in the previous year, and expenses of management and overseas taxes were £294,922, compared with £252,730 in 1952. We have transferred £216,855 from our Marine fund to profit and loss account.

LIFE DEPARTMENT : The total group life and group endowment assurance for 1953 was lower by nearly £3 million than in 1952. The actual figures were £3,124,437, against £6,119,281, and this is reflected in the total new business completed which, after deducting reassurances, amounted to £10,283,433 last year, compared with £13,713,864 in 1952.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The results for the year are summarised in the consolidated profit and loss account. Net interest on investments amounts to £945,913, compared with £864,023 in the previous year. The transfers from the fire, accident and marine accounts total £1,546,643, as against £1,825,353 in 1952. In addition, we have taken credit for the balance remaining of the shareholders' profit from the 1949 quinquennial valuation in the life department amounting to £49,881. A further valuation will take place at the end of this year.

The proposed dividend of 10s. per share, which is the same as last year, and the preference dividend, will absorb £643,500. United Kingdom taxes require £617,934. There is also an item of £195,000 transferred to the general reserve, making a total for that reserve of £500,000. We have made the usual transfers to the staff pension fund and the widows' pension fund.

We are left with a final balance on the account of £13,622,933, representing the aggregate amount carried forward in the accounts not only of the "North British," but also of its associated companies at home and overseas.

BREVITT LIMITED

DEMAND WELL MAINTAINED

The fifth annual general meeting of Brevitt Limited was held on April 14th in London, Mr E. S. Harding (the chairman) presiding.

The following is an extract from his circulated statement: The confidence I expressed a year ago has, I am glad to say, been justified, as will be appreciated on a perusal of the accounts and the directors' report.

The group profit before charging taxation shows an increase of £77,000 and the net profit, after providing for taxation, an increase of £93,879. The preference dividend having been paid or provided for up to the end of the year, a sum of £24,500 has been placed to preference shares redemption reserve, and a sum of £2,500 to replacements reserve.

Your directors have felt themselves justified this year in recommending a slightly increased dividend at the rate of 25 per cent per annum, less tax at 9s. in the £. The amount carried forward, including the amounts retained by the subsidiary companies, is £97,599, and the total capital and reserves now stands at £629,837.

The demand for the Brevitt goods is well maintained and your directors will continue to do their utmost to maintain and enhance the Brevitt reputation.

The group reorganisation mentioned in my last statement has been completed during the year with beneficial results. Your directors now have under consideration schemes for development on the production side, which it is hoped may come into effect in the reasonably near future.

I wish again to convey to the management, staff and operatives thanks and appreciation of their efforts during the past year.

The report was adopted.

GENERAL REFRACTORIES LIMITED

GENEFAX HOUSE, SHEFFIELD, 10

A comprehensive range of refractories serving all industries is produced by the Company and its Subsidiaries at their Works and Quarries situated in many parts of England, Scotland, Wales, and in Belgium. Research and technical field service facilities are available. The Company has Offices and Representatives throughout the United Kingdom and Agents in all parts of the world.

SUMMARISED CONSOLIDATED BALANCE SHEET OF GENERAL REFRACTORIES LTD., & SUBSIDIARIES.

Based on figures as at 31st December, 1953.

	£	£	£
Issued Capital	1,040,000	Fixed Assets	3,130,399
Capital Reserves	190,673	*Less* Accumulated Depreciation	1,617,501
Revenue Reserves and Unappropriated Profits	755,144		1,512,898
Liabilities	1,569,345	Trade Investments, etc.	10,407
		Current Assets	2,031,857
	£3,555,162		£3,555, 62

SUMMARISED APPROPRIATION ACCOUNT OF GENERAL REFRACTORIES LIMITED.

	£
Profit for the year after providing for Depreciation, Taxation, etc.	222,472
Net Distribution for year to Stockholders	100,100
Retained in the business	£122,372

EXTRACTS FROM THE CHAIRMAN'S STATEMENT

Your Company has again experienced a very satisfactory year's trading, and I am sure you will be as glad as I am to see that the trading profits of the group amounted to £704,269, to which all member Companies made satisfactory contributions. This excellent result represents an increase of £71,131 over the year 1952 and reflects the progressive vigour and efficiency of the Group.

During the year our manufacturing resources were fully employed, and fresh tonnage records were again established.

I am pleased to report that new sales records were again established in both the home and export markets in 1953. This is particularly gratifying in view of the change over from a seller's to a buyer's market.

Your directors recommend the payment of a dividend of 17½ per cent. (less income-tax at 9s. in the £). The Company's financial position remains very strong, the surplus of current assets over current liabilities in the Company's balance-sheet amounting to £604,692, the corresponding figure in the consolidated balance-sheet being £983,177.

As regards the prospects for the future, competition is increasing and quality of production and delivery dates are again becoming dominant features of our business. We have in fact returned to normal trading conditions, and the abnormal conditions arising from the war and the succeeding years of scarcity are probably at an end.

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Genefax House, Sheffield, 10.

BALLITO HOSIERY MILLS, LIMITED

INCREASED NET PROFIT AND DIVIDEND

SIR CYRIL ENTWISTLE'S SPEECH

The twenty-fifth annual general meeting of the Ballito Hosiery Mills, Limited, was held on April 8th at St. Albans, Sir Cyril F. Entwistle, MC, QC, chairman of the company, presiding.

The chairman, in the course of his speech, said: The net profit for the year, before deduction of tax, amounts to £168,836, which shows an increase over the previous year of £48,900—that is, an increase of 40 per cent. In view of the difficulties I pointed out in my speech last year, I am sure you will regard this as a highly satisfactory result.

We are accordingly able to recommend an increase in the dividend on the ordinary shares from 25 per cent to 33⅓ per cent. We also recommend a transfer to general reserve of £40,000, as against £25,000 for the previous year, and an increase in the carry forward from £34,898 to £37,846.

The total of all our reserves now amounts to the figure of £436,944, which sum is the equivalent of over 7s. per share of the present issued ordinary share capital.

You have received notice of an extraordinary general meeting to be held immediately after this meeting, at which a resolution will be moved for the making of a bonus issue of shares on the basis of one free ordinary share for every four held.

PRODUCTION

In 1952 we commenced a three-year plan for increased production to be brought about by complete modernisation of plant. Progress has been limited due to delays in building, but the plan is now running smoothly.

The factory extension to which I referred in my last report was completed in August, 1953, since when a considerable amount of new machinery has been installed. In addition, the whole of our new machinery from our branch factory at Earl Shilton has been brought to St. Albans.

The shortage of nylon yarn is still acute, but supplies of foreign yarn have enabled us to step up our production, which is reflected in our increased profits.

The installation of machines of finer gauge and improved design is still continuing, and the wisdom of this policy will, we hope, be more than justified in 1954. It has been our policy to replace all our prewar fully fashioned machinery and over 95 per cent of our plant is now postwar in date.

EXPORTS AND HOME TRADE

Again I am very pleased to report our export trade has exceeded the previous year, and the figures are a record for all time.

Our Ballito brand is enjoying great popularity in practically every market in the world, and regular and steady repeat business reaches us from all markets.

During the past year we were able to change over the whole of our machinery to nylon production, and therefore are now giving our customers more regular supplies of our various types of Ballito nylon stockings.

We are, unfortunately, not yet able to meet the total demand for our productions, but new machinery is coming into operation weekly, and further machines are on order and will be coming through later in the year, which will help us to increase distribution in the home trade.

I should now like to refer to the circular letter dated January 1, 1954, that was sent to the shareholders informing them of a tentative approach by a finance house with a view to purchasing a controlling interest in the company. I endeavoured in that letter to give what I hoped were convincing reasons for advising shareholders not to consider at the present time disposing of their holdings. Your board much appreciates the overwhelming support given by shareholders to this letter.

As a result of this letter and the inability of the finance house to disclose the names of the persons associated with them, it was mutually agreed that negotiations should not at this time be entered into.

In view, however, of this approach I think it desirable that shareholders should have the fullest information we can give them so that they can form an adequate judgment on the value of their holding.

FINE MODERN FACTORY

I need not repeat all that is stated in the letter of January 1st, but I wish to emphasise particularly that practically the whole of our machinery is of the most modern and efficient type, and that the full benefits of the very considerable expansion of our machine capacity during recent years have not yet had time to be realised. Such expansion is continuing and will continue.

We have as fine and modern a factory as there is in the whole country, a skilled and contented band of workers, and two managing directors of great experience and ability in whom I have the fullest confidence.

When the above approach was made, your board thought it desirable to have an independent valuation of the fixed assets of the company. On the basis of this valuation the net assets value of the present issued ordinary capital is over 20s. per share.

THE CURRENT YEAR

With regard to the prospects for the current year, it is early days to venture on any forecast, but I will give you the facts to date. During the last four months of the year under review the profits averaged over £20,000 per month, as against an average for the year of £14,000 per month. The first three months of the year for seasonal reasons are normally not so good as the remaining months, but the profits for the first three months of the current year are estimated to average also over £20,000 per month.

All the signs look promising for the remainder of the year. There may, of course, be some reductions in gross profit margins, but these should be offset by increased productive capacity and increased supplies of nylon yarn. Unless there is a general recession of trade affecting the industry as a whole, of which there is no indication, your board has every confidence that the rate of dividend now recommended for the year under review will be maintained in respect of the current year on the increased capital to be issued by the extraordinary meeting that follows this meeting.

In future the board have decided to pay an interim dividend on the ordinary shares on or about October 15th in each year.

The report was adopted, and at a subsequent extraordinary general meeting the proposed capitalisation of reserves and bonus issue of shares were approved.

ASHANTI GOLDFIELDS CORPORATION

£2 MILLION PLAN JUSTIFIED

REASONS FOR CONSERVATIVE DIVIDEND POLICY

The fifty-seventh annual general meeting of Ashanti Goldfields Corporation Limited will be held on May 5th in London.

The following is an extract from the circulated statement of Major General Sir Edward L. Spears, Bart, KBE, CB, MC, FInstD (chairman and managing director):

The year under review has been one of steady progress towards completion of the enormous programme of work that was initiated after the war. There have been no setbacks such as we experienced last year, but these important capital developments are not yet reflected by increased earnings.

On profits of £886,107 we are charged a total of £534,611 for taxation in this country and the Gold Coast, or more than 60 per cent before any provision may be made for reserves.

An interim dividend of 9.6d. per unit of stock was paid in November, 1953, and a final dividend of the same amount, making 1s. 7.2d. for the year, is recommended by the board.

In order to pay a dividend of 2s. per unit stock last year we drew £59,772 from profits brought forward. This year the profits, after deducting EPL, which is a first charge, are only £5,000 better than last year, so that the dividend could not have been maintained at the same rate without further withdrawal from past profits. The board are not prepared to recommend this in view of the heavy expenditure on capital account now being incurred.

HEAVY DRAIN ON RESOURCES

Although the premium received in the year under review was considerably less than we had hoped, it amounted to some £120,000. It is unlikely that we shall receive any such amount during the current year, nor can we reckon on any substantial decrease in costs; so that in spite of the disappearance of EPL we do not expect that the results will enable us to recommend an increase in the dividend this year. Expenditure on shafts and capital equipment will continue into 1955. Moreover, depreciation will absorb more of our income until this expenditure becomes revenue producing. While this heavy drain on our liquid resources continues we must pursue a conservative policy; and the rate of dividend will depend upon the investment we have made enabling us to produce more gold.

Since the war we have spent no less than £1,302,000 on plant and equipment and £618,000 on shafts. We have found the whole amount from our own resources, without making any call on the members or the public for new capital.

Shaft Sinking and Development: The results last year and in recent months, particularly in depth, have been most encouraging and continue to be so.

In our postwar programme the most important need was to develop new ore reserves by extending existing shafts and replacing the obsolete and inadequate main and timber shafts by a new deep shaft of much larger capacity for operations in depth.

The chairman then referred to his visit in January to the property, and continued: The decision to sink the Eaton-Turner shaft was one of major policy which required an

act of faith in the future of this great mine. As the work has progressed, developments at depth have justified that faith. But, as I have indicated, the time and cost involved have represented a heavy burden and a serious drain on our liquid resources without any immediate increase in earnings. We can truly say that without it the prospects would have been by no means bright. When it is in full operation I believe it will justify the policy we have followed.

THE PYRENE COMPANY

RECORD SALES AND PROFITS

MR FRANCIS A. J. HARRISON'S STATEMENT

The fortieth annual general meeting of The Pyrene Company, Limited, will be held on May 6th at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman and managing director, Mr Francis A. J. Harrison, which has been circulated with the report and accounts:

Your company's year, 1953, was both successful and eventful. It was successful in that record results were achieved and eventful, particularly because it provided the first occasion on which the general public had the opportunity to participate in the company's affairs. This was rendered possible by the acquisition by British interests of the controlling shares from the former United States parent company, the subsequent reorganisation of the capital structure, and the offer for sale to the public of ordinary and preference shares with permission to deal obtained from the Council of the London Stock Exchange.

DIVIDEND ESTIMATE EXCEEDED

The results of the company's operations surpassed the previous records of 1952 in sales, gross profits and net profits before tax. Your directors recommend a total distribution on the ordinary share capital amounting to 22½ per cent, as compared with the estimate of 20 per cent in the offer for sale. On this basis, and after providing for all taxation, the net profit remaining from 1953 operations is £191,444. This is slightly lower than the 1952 figure, when the total ordinary dividend was 17½ per cent on the one class capital and when no distributed profits tax was chargeable on dividends paid to the former parent company in the United States.

Sales in 1953 succeeded in overtaking the previous high record of 1952 when they were increased by 31 per cent over the previous year. Home sales were practically level while lower Government requirements were more than offset by direct export sales which, increased by 36 per cent, accrued from shipments to 91 countries. With indirect exports, the value of the company's export contribution represented 45 per cent of total sales.

The net profit of £574,016 before tax was £63,692 (12 per cent) higher than in 1952, after charging £24,219 in respect of extra depreciation compared with only £6,262 in 1952.

Total assets at £2,647,800 increased by £320,760, following an increase last year of £310,253. Net assets after deducting pension fund increased by £106,685 to £1,428,296. Cash increased by £274,362 to £492,400. This has since been affected by the purchase of the share capital of the Pyrene Manufacturing Company of Canada, Limited, to which I refer later. Rigid control of inventories has resulted in a reduction by £94,858 to £849,470. Gross capital expenditure during the year was £225,620. It has been considered necessary to transfer £100,000 to general reserve.

At the end of 1953 the estimated amount of capital expenditure sanctioned was £44,539, but it is estimated that a further £80,000 will be required.

Unexecuted orders at December 31, 1953, were a little lower than at the beginning of the year. Incoming orders since the beginning of 1954 have kept approximately level with outgoing shipments. Sales over the first three months of 1954 are running at a slightly higher annual rate than that of 1953.

FORTY YEARS OF PROGRESS

On February 25th the company reached its fortieth anniversary. Having been started by its founder chairman, Mr Wallace B. Phillips, with only one product, the world-famous Pyrene Fire Extinguisher, the company's range of products has been built up over the years to cover all approved fire-extinguishing media in the form of appliances most suitable for the application of such media to the risks for which they are advised. These appliances range from the small Pyrene pump-type extinguisher to 10-ton foam crash-tenders for airfields and large foam trucks for oil company and refinery use. Special built-in installations are provided for such specific hazards as electricity generating plants, ships, aircraft, vehicles, chemical and other plants having dangerous fire risks. With its staff of specialists, your company is in a position to provide the soundest advice on the most suitable forms of fire protection whatever the risks involved. Shareholders are invited to avail themselves of this impartial service.

The number of car bumpers and the number of customers supplied with bumpers as standard equipment has increased during the year.

The Metal Finishing Division has extended its field of activity, and Parkerizing, Bonderizing and Pyluminizing Processes as well as the many special treatments for metal provided by this Division now have wider applications than ever.

On January 14, 1954, your company completed the purchase of the whole of the share capital of the Pyrene Manufacturing Company of Canada, Limited. The price of US $675,000 was paid out of the company's own resources.

We believe that this acquisition will eventually make a valuable contribution to your company's profits and to the country's dollar earnings.

Our thanks are due to the staff and employees in all departments, who have co-operated enthusiastically in the work of the year. We shall continue to devote our efforts to the most effective use of the company's resources in maintaining and developing its interests.

ALBERT E. MALLANDAIN

IMPROVED RESULTS

The seventeenth annual general meeting of Albert E. Mallandain Limited was held on April 14th in London, Mr Albert E. Mallandain (chairman and managing director) presiding. The following is an extract from his circulated review for 1953:

We have been able to take full advantage of the improvement in conditions both at home and abroad. The demand in the home market for the company's products has been well maintained and our fancy goods have been specially in demand in connection with the Coronation celebrations. Our export trade has also shown a most satisfactory increase both in volume and value. This improvement has been achieved partly as a result of the gradual easing of import restrictions in certain of our established overseas markets and partly by the development of fresh markets.

The net profit for the year 1953 amounted to £74,467, compared with the previous year's figure of £59,414. From these earnings has to be met the heavy burden of taxation, which this year at £44,760 exceeds 60 per cent of the year's profits. After this appropriation the profits available amount to £29,707. Your board therefore have felt justified in recommending the payment of a dividend of 50 per cent, less tax.

Your directors have constantly in review the maintenance and development of our overseas markets and we look forward confidently to obtaining our full share of the available trade. Your business is in good shape. Our order books are well filled, and I anticipate that the company will at least maintain its present profit level.

The report and accounts were adopted.

NOTICES

THE REGIONAL ECONOMIC COMMITTEE OF THE BRITISH WEST INDIES, BRITISH GUIANA AND BRITISH HONDURAS invites applications for the post of Assistant Trade Commissioner in Canada.

Annual salary in the scale $3,600 x $150—$4,800 (Can.) plus a representation allowance of $1,400 (Can.) per annum, with a house allowance of $1,200 (Can.) p.a. and a child allowance of $500 (Can.) p.a. for each dependent child under 18 years of age, up to three in all. Salary and allowances are tax free in Canada. Passages will be paid on assumption and termination of appointment for the Assistant Trade Commissioner and family up to five in all from and to the place of engagement.

The appointment will be for a period of two years in the first instance; the post does not at present carry pension or superannuation rights.

Candidates should possess a sound knowledge of office organisation and administrative experience of trade and commerce. They should also be proficient in the assembly and presentation of statistical material, commodity market reports, publicity material, etc.

Applications, with full details of candidates' education, special qualifications and experience, together with supporting documents and names of two referees, should be addressed to the Executive Secretary, Regional Economic Committee, Hastings House, Barbados, before May 15, 1954. Further information regarding the appointment may be obtained from the office of the Trade Commissioner for the British West Indies, British Guiana and British Honduras, 40 Norfolk St., London, W.C.2 (Temple Bar 1908).

THE National Council of Labour Colleges requires a divisional organiser for division 3—Cambridge and Ipswich area. Salary £500 rising by £15 a year to £575. Superannuation Scheme. Applicants must be able to lecture on a number of N.C.L.C. subjects and should apply to J. P. M. Millar, Gen. Sec., N.C.L.C., Tillicoultry, Scotland.

EXCHANGE CONTROL relaxations on the international use of Sterling fully explained in the March issue of our 5,000-word monthly Bulletin. Annual subscription £6 6s. home, £7 7s. overseas, single copies pro rata.—Evitt Publications, 8 Great Winchester Street, E.C.2. 'Phone: LONdon Wall 1488/89.

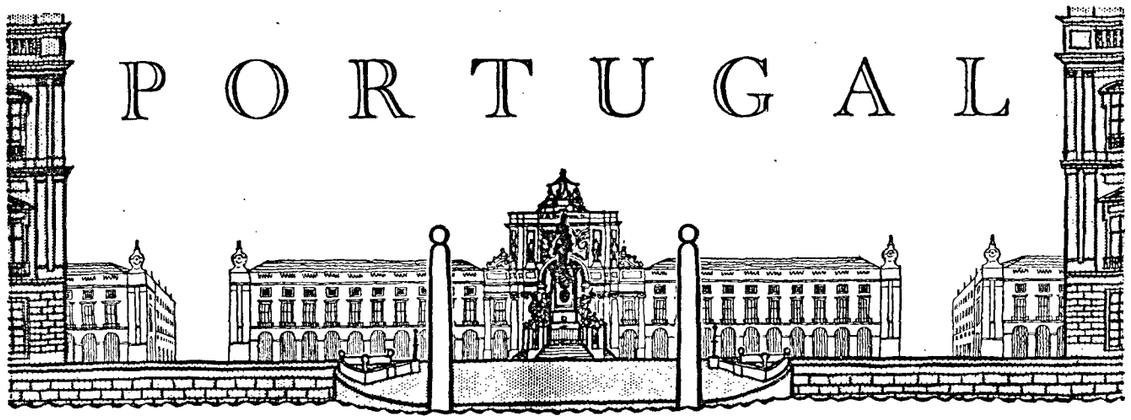
IMAGINATION and thoroughness do not always go together, but Honours Graduate (Economics), 33, believing he has both, would welcome a responsible position where he can give them full scope, preferably in EXPORT or SALES MANAGEMENT. Full practical experience of export up to executive level, selling experience at home and abroad. German, French, Italian.—Write Box 518.

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*).

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.

PORTUGUESE Evening Classes. All grades. Portuguese Language Committee, 2 Belgrave Square, S.W.1. SLO 7180.

OTHER NOTICES APPEAR ON PAGE iii OF COVER



The Quiet Phenomenon

IN an age of many anxieties, the usual penalty that a country must pay for stability and quiet progress is oblivion. Portugal has paid this penalty. For a quarter of a century it has been free from dramatic crises, and its affairs have received astonishingly little attention in other countries. This is something to be deeply regretted. What has happened in Portugal in the past twenty-six years has been unique; and there are half a dozen reasons why this quiet phenomenon deserves the careful attention of other nations —and most particularly, of Britain.

What are these compelling reasons? The most obvious is the hard fact of the Portuguese economic renaissance. Thirty years ago, the country might have been justly described as an economic pariah. A full century of political turbulence and administrative failure had brought it down into an abyss of debts, deficits and despair. The public finances were chaotic, the general economy paralysed by universal lack of confidence, and Portugal's international credit had never been lower. It is often wrongly assumed that its present state of respected economic health is simply the result of a profitable neutrality. In fact, while the war meant keen bidding for such exports as wolfram, it also dealt severe blows to a country so dependent on imports of food, fuel and machinery and on the sale of wine and other non-essentials. If, today, Portugal's budgets are comfortably balanced, its reserves of gold and foreign exchange high and mounting, and its former stagnation replaced by slow but steady progress, this is primarily the result not of any lucky bonanza but of the country's own efforts.

A few months ago this fact took human shape, with the return to Lisbon of M. Jacques Rueff, the French economist. In 1927, M. Rueff was one of the experts, sent by the League of Nations, who ruled that Portugal should be granted a fresh loan only if it agreed to strict international surveillance of its finances. Portugal rejected these terms; and now, a quarter century later, it has had the gratification of hearing M. Rueff himself declare that it had been right to reject them, and to seek salvation within its own boundaries.

One illusion, however, must here be dismissed. Although the country's revival has been shaped and directed by one man, Dr Antonio de Oliveira Salazar, and carried out under an authoritarian regime, which frankly proclaims its distaste for parliamentary democracy; although both the parliamentarians of the last years of the monarchy and those of the early republic amply demonstrated their incapacity, modern Portugal provides no evidence to support the claim that the "iron hand" is in itself a cure for economic difficulties. The Portuguese officers who overthrew the parliamentary regime in May, 1926, came nowhere near a solution to the country's basic problems until, nearly two years later and after many misgivings, they appointed Dr Salazar to be Minister of Finance with virtual authority over all economic affairs.

What Dr Salazar has since achieved must not be exaggerated. (It is seldom exaggerated by the Prime Minister himself, who regularly reminds his fellow countrymen of the tasks that still lie ahead.) Even today, Portugal is not ashamed to avow itself an under-developed country, and as such to accept technical aid from the United Nations. But here again something about Portugal catches, or ought to catch, the eye. It is the fashion today for under-developed countries to clamour for vast sums of foreign aid, while, on the other hand, rebuffing their former trading partners and pursuing misty mirages of autarky. All such countries might well take a good look at Portugal, which has a marked preference for pulling itself up by its own bootstraps, and recognises its dependence on foreign trade.

Notably, moreover, it is a non-industrialised country with extensive possessions overseas. At first sight this would seem a unique situation. But, if the familiar "salt-water fallacy" is set aside, there emerge interesting comparisons with such countries as Brazil, India, and perhaps even China, not to mention many smaller nations whose governments are responsible for remote and backward tracts. Portugal's record on race relations compares well with that of most such governments. Might they not also profit from a study of its policy of economic development in Africa?

Nor have the other European colonial powers any less need to follow events in "Overseas Portugal." Not only the general policy of political integration, but also the current attempt to settle a large white population in tropical Africa, call for their attention. Not only is the economy of Mozambique and Angola directly linked with that of British and

often the only effective form of agriculture among the hills. Of the active farming population in this area, only a third are employees. In the southern prairies, on the other hand, over 70 per cent of the farming population consists of workers paid daily or weekly. *Latifundio* is here the rule, and although the plains are sparsely peopled seasonal unemployment is a recurrent and serious problem. Professor Salazar himself, speaking recently of "the extreme irregularity with which land is distributed over our country," said

It is more than doubtful whether, despite our respect and even our love for private landed property, the phenomenon can continue indefinitely without some legal orientation or corrective process for the more serious evils.

Irrigation, so directed by the state that it encourages the smaller and more intensive farmer (inevitably to the disgruntlement of the larger), is seen as the eventual, but slow, solution to the problems of the plain. Meanwhile, however, the prolific north, where little marginal land remains to be broken, still seeks outlets for its children. They have peopled Madeira and the Azores; they have swelled the cities; they have flocked to Brazil, the United States and Venezuela. Still the population of Portugal and the Islands rises; from 6,033,000 (66 to the square kilometre) in 1920 to 8,441,000 (92) in 1950, and in recent years, in spite of emigration, at the rate of some 80,000 a year. Internal colonisation, of land reclaimed from the sea, newly irrigated, or otherwise brought under cultivation, is one way in which the problem is being tackled; another is white settlement in the Angola highlands—but here there is obvious difficulty in adapting a *Minhote* smallholder to the wildly unfamiliar role of managing a plantation.

Apart from its growth, the population presents a further obstacle to economic progress by its need for more education. The 1950 census showed the creditable figure of 4,295,000 persons able to read, as against only 2,193,000 in 1930; but only 1,115,000 of them could boast of primary, and 134,000 of secondary education. Technical training is now making considerable strides, but there remains an acute shortage of skilled and experienced men to fill the gap between the college-educated engineer and the ordinary workman.

HOW THE PORTUGUESE LIVE
(Census of December, 1950; Mainland only)

	'000s
Total population	
Households	7,857
Population over 12 years	2,033
Fully active	6,014
Of which :—	3,005
In farming	1,410
„ fisheries	40
„ mining, etc.	25
„ textiles and clothing	223
„ wood and cork industries	72
„ food industries	71
„ machinery, metals, etc.	82
„ other industries	130
„ construction	145
„ transport and communications	102
„ commerce	216
„ public services	108
„ professions, etc.	81
„ personal service	290
"With occupation" (mainly women)	2,583
Unemployed	88
Inactive but not invalid	218

What does their homeland offer to these eight million Portuguese? In the past, it has not even enabled a primarily agricultural people to feed themselves. The need to import corn was one of Pombal's problems in the eighteenth century; it was one of Dr Salazar's first preoccupations in this. By various inducements, including guaranteed prices and sales in a protected market, an impressive increase in sowing has been obtained. Over 2.4 million hectares are now under cereals, potatoes and beans, against only 1.5 million before the war. But yields remain poor, with only 8-9 quintals of wheat obtained per hectare, a low figure even by south European standards; and droughts and floods still present an annual threat to the major crops.

MAJOR FOOD CROPS
('000 tons)

	1937–39 (average)	1951	1952	1953
Wheat	448	554	572	630
Maize	352	473	476	317
Potatoes	593	1,209	1,025	1,020

To these figures must be added some 400,000 to 450,000 tons of rye, oats and barley, and in good years about 140,000 tons of rice. The cultivation of the latter has been much increased, but it too is vulnerable to drought; in 1953 only 120,000 tons were yielded. In broad terms, Portugal is now almost self-sufficient in cereals in good years; but in bad

ones it must still buy 2-300,000 tons of wheat, and further long-term problems are presented both by the population growth and by the tendency for people to eat more wheat-bread and less maize as general living standards improve.

Meat, too, is bound to be more in demand if standards continue to rise. Until now it has been little eaten by the majority of Portuguese; estimates of consumption vary between 10 and 15 kilos a year per head. Quality is held down by poor grazing and by the fact that cattle are primarily draught animals in Portugal. Dairy products suffer in the same way, providing only about 20 kilos of milk and cheese (some of this coming from sheep, in season) per head annually. The livestock census of 1940 recorded 973,000 cattle, 3,948,000 sheep, 1,253,000 pigs, 1,244,000 goats and 453,000 horses, mules and donkeys. Abnormally large slaughterings are the rule in drought years, and it may be doubted whether any spectacular increase in numbers of livestock is a practical aim; but quality could certainly be much improved, especially on the small farms.

However, it is misleading to relate the country's food supplies too closely to the pattern familiar in northern Europe. Portugal eats at least twice as much fish as meat; it uses olive oil (and, today, African fats and oils) for its cooking; and it draws a wide variety of fruit from the Adjacent Islands as well as from its own orchards. But fish presents a paradox. The fishing villages are one of the most

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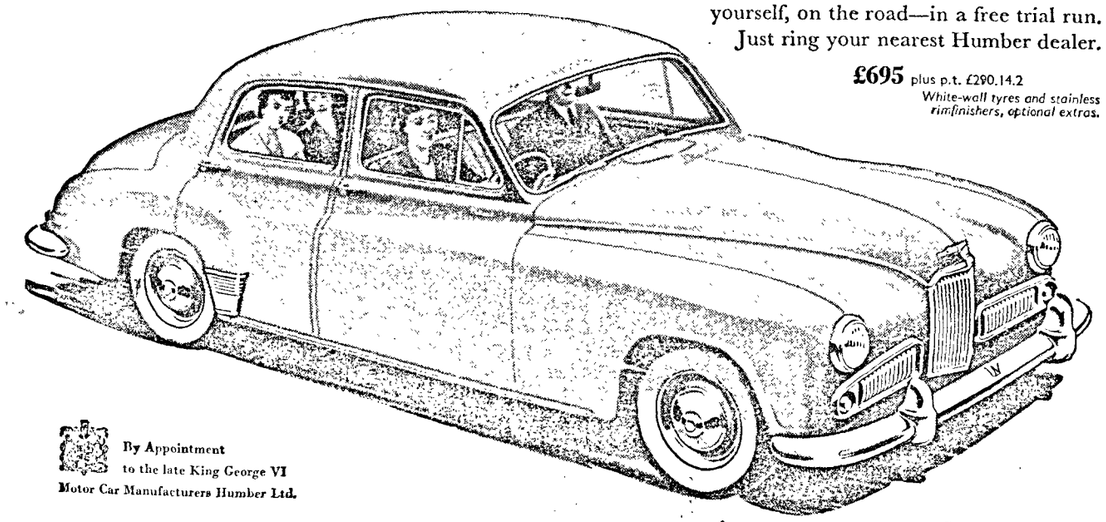

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found in half a dozen places in Alentejo and north of the Douro, but in conditions at present uninviting to exploitation). The pyrites of Alentejo, on the other hand, has long served both the export trade and the domestic manufacture of sulphur and chemicals; of the 756,000 tons produced in 1952, a third went to domestic users. (Sulphur is much in demand in Portugal as, among other uses, a fungicide for the vineyards; annual consumption, now easily met from domestic sources, averages 12,000 tons.)

Two factors limit the export of pyrites: its low value in relation to bulk, which discourages the trade when shipping is scarce or costly; and Portuguese anxiety about the high rate of extraction in relation to known reserves. Similar fears have recently been expressed as to hematite, but these would seem groundless if one officially published estimate which places the Moncorvo reserves as high as 200 million tons is to be accepted. As to the other main export minerals, no question arises of exhaustion of reserves, which are vast, and likely to prove vaster as the surveying of Portugal's mineral resources continues its slow course.

Recent exploration has, admittedly, somewhat enlarged the picture of coal deposits; but it has also confirmed the gloomy fact that low-grade anthracite and lignite is all that can be expected. The lignite is so poor that, although there are several deposits in Estremadura, only that at Cabo Mondego, which is well placed for cheap haulage, has been worked on any scale in recent years. But prospects are brighter for the anthracite mines astride the lower Douro at Pejão and São Pedro da Cova, for the Six-Year Plan includes the building of a large thermal power station equipped to use their product.

Neither Portugal nor its overseas territories produce petroleum (although a strike near Lisbon was reported last year, and exploration continues). The country's dependence on imported fuels has thus been a primary concern for many years, especially in wartime. In 1938 over 1.1 million tons of coal and coke—two thirds from Britain and most of the rest from Germany—and 196,000 tons of petroleum products were imported. War meant a shortage of fuel so acute that destructive inroads were made into the forests, and most industries suffered a severe setback. Not until 1948, when Britain resumed its place as chief supplier, did coal imports recover their prewar level; and meanwhile the demand for petroleum had trebled. (In 1933, 32,000 vehicles were in use; in 1948, 74,000; in 1952, 103,000.) Although Portugal's one oil refinery was worked to capacity in the effort to cut costs by importing petroleum as crude, in 1950 the total paid for imported fuels was 11 per cent of the cost of all imports, and demand was still rising steeply.

In 1951, however, the whole position as regards power began to change; for in that year the first two of the big postwar hydro-electric plants went to work, and output of hydro power rose from 437 to 813 million kwh. In 1952 it reached 1,200 million; and by 1958 a capacity of 2,000 million kwh is planned. This great addition to Portugal's economic strength comes appropriately enough from the oldest and least promising of its natural resources: the swift northern rivers, cutting steeply through the bleak hills, unnavigable and infertile, but yielding at last to the engineer the power that Portugal must have if it is to stride forward. Where once only the tree grew, symbolic of the old Portugal, the turbine now spins; and its quiet revolutions will largely determine the future fate of the country.

The Conto

is an admirable Portuguese device, used throughout these articles, for reducing the number of digits when referring to large sums. It is a thousand escudos. Thus, in round figures, with 80 escudos to the £ and 28 to the US $, a conto is worth £12 10s., or US$35. (Before sterling and escudo devaluation in 1949, however, the conto was worth £10 or US$40.)

Development and Reluctant Dragons

INDUSTRY is officially credited with a third of Portugal's gross national product; agriculture and forestry with little over a quarter. These estimates, as in most countries where smallholders are numerous and reticent about the contents of their sheds, probably do an injustice to agriculture. The Finance Minister himself has shown some justified scepticism about the various national product and income figures available for Portugal; for instance, the gross product, at factor cost, for 1951 has been placed at several levels between 40 and 46.5 million contos, and a rather hasty calculation of national income for 1950 at 33 million contos was ill received because, taking price rises into account, it implied a lower real income than the 15.5 million estimated for 1938.

What is fairly certain, however, is that industry today provides no notably greater proportion of the national wealth than it did before the war. This does not imply that industry has been completely static; it now employs a third more people than before the war, and its total real output is estimated to have risen by a quarter. But progress has been uneven. Indeed, Portuguese industry lends itself to striking contrasts rather than to generalisation. At one end of the scale there are several large and complex enterprises; outstanding among them is the vigorous Companhia União Fabril, with a dozen factories producing fertilisers, chemicals, soap, jute goods, cigarettes, and metal products, with its own bank, shipbuilding yards and shipping line, and what amounts to its own township at Barreiro across the Tagus from Lisbon. At the other end are, for example, nearly 400 tanning and leatherworking establishments with an average of less than ten employees each.

But size is not always an accurate gauge of efficiency. In Portugal's Lancashire, the valleys around Braga where the cotton mills crouch above the streams that provide them with power, a small but progressive textile company may be found next door to a larger concern that shows every sign of decay. Some sections of the textile industry provide the clearest examples of the stagnation that security can bring in its wake. With their markets protected both at home and in Africa, many mill-owners have rested on fading laurels. The government has tried to jolt them out of this apathy by such measures as forbidding imports of second-hand machinery, but a good many mills still use antiquated equipment and fail to train workers in new techniques.

The cork processing industry provides an instructive contrast. Essentially an export industry—Portugal provides half of all world cork exports—its fate depends mainly on straightforward competition; and in many fields it must now compete with artificial substitutes. Although one of the oldest Portuguese industries, it has shown itself aware that it cannot survive merely by relying on a well established reputation. On the one hand, efforts have been made to extend the efficient techniques already used by the leading firms to the more backward ones, and to extend scientific methods even to small-scale strippers. On the other, the best firms in the industry have vigorously developed the newer uses for cork, particularly in agglomerated forms; the ingenious processes now employed not only open up new markets but also make profitable use of much material that would formerly have been mere waste. Thanks largely to these efforts, Portugal, which in 1938 exported 11,000 tons of cork in worked forms, valued at 50,000 contos, in 1953 exported 32,000 tons worth 472,000 contos—and this in a year of low prices and serious temporary depression.

The Hand of the State

It is difficult to assess the real impact of the corporative system on industry. In some cases, mismanaged or apathetic concerns have been stimulated to new life, either by the guidance of the corporative institutions or at least by the publicity turned on to them by the system. In other cases, the guilds, syndicates and semi-official councils would seem

GROWTH OF INDUSTRIAL PRODUCTION
('000 tons)

	1938	1952	1953
Sulphuric acid	118	271	284
Superphosphate	197	324	398
Cement	268	727	767
Bricks	166	374	n.a.
Paper	18	43	n.a.
Cotton fabrics	16	29	n.a.
Glassware	11	38	n.a.
Soap	41	52	54

n.a.—not available.

OTHER SELECTED PRODUCTS, 1952

	Value ('000 contos)		Quantity ('000 tons)
Cigarettes	558	Cork stoppers	8
Paints, inks, pigments	104	Cork agglomerates	16
Nails, screws, nuts, etc.	90	Cork granulated	37
Crockery	53		
Plain tiles	38	Edible oils	12
Ornamental tiles (azulejos)	30	Non-edible oils	22
Sanitary ware	19	Jute textiles	8·5
Electrical porcelain	11	Rayon fabric	0·6
Other ceramic	30	Socks and stockings	0·7
Aluminium kitchenware	26		
Cutlery	11	Woollen cloth (million metres)	1·1
Bath tubs	9	Wool mixture (million metres)	1·6
Matches	72		
Beer	83	Leather footwear (prs.)	678,000
Brandy, etc.	42		
Tyres and tubes	110		
Other rubber products	80		

to have merely claimed credit for the successes of the enterprises themselves. And the corporative bodies have, of course, earned some unpopularity where they have served, in war and other emergencies, as little more than extensions of the state bureaucracy.

Complaints from industry of too much state intervention would, however, ring more true if private enterprise in Portugal as a whole was more enterprising. The Prime Minister, for his part, tirelessly reiterates his fear that

> apart from tending to corrupt governments, the economic force of the state can only be created and maintained to the detriment of individual liberty.

But in expounding the new Six-Year Plan, Dr Salazar was forced to add that

> The inertia into which some sectors of our economy appear to have fallen shows that a strong thrust is required. . . . We are offered the alternative of either waiting until private individuals start along the road that must be trodden in order to satisfy the general need, or taking the initiative in undertakings that would normally be inappropriate to governmental activity. . . . Nothing is demanded of private individuals, no capital belonging to them will be forcibly mobilised, but we must ensure that the train of national resources takes a certain course and meets certain requirements.

The new plan is by no means the first plunge into state capitalism taken by this government devoted to the principles of free enterprise. A rather tenuous plan for industrialisation was introduced in 1935; this, however, had shown few results by the time that war halted imports of heavy equipment. Between 1944 and 1946 a series of decrees launched a whole set of development programmes, covering hydro-electric power, ports, merchant shipping, reafforestation, internal colonisation of neglected land, and general industrialisation. Investment in development from 1946 to 1951 averaged about a million contos a year. The new plan, running from 1953 to 1958, calls for investment in metropolitan Portugal of 7½ million contos (£94 million), the annual average being thus only 25 per cent greater than in the previous period. (The provision in the plan of a further six million contos for colonial investment is, however, a sizeable increase on the previous record.)

Electric power, to which 2.7 million contos are allotted, takes pride of place in the plan in metropolitan Portugal. It is a continuation of the impressive work already done since the war. On the Zezere river, the big Castelo do Bode dam and power station, opened in January, 1951, is being supplemented by two smaller stations, Cabril and Bouça. On the Cavado and its tributary Rabagão in the extreme north, the Vila Nova station, opened in June, 1951, has already been joined by that at Salamonde, opened last summer; a third station, Caniçada, is now being built, and the plan covers a fourth, Paradela. Altogether, the average annual output from the two river systems is expected to be 1,600 million kwh by 1958, as against 580 million from the first two stations alone.

The plan also covers the first stages of work on the upper Douro, where it forms the frontier with Spain. The two countries have divided this stretch of the river into two sectors, Portugal having full rights to exploit the northern one. In this vertiginous area, however, painful work on road building had to be done before even access to the site

for the first station, at Picote, was possible. The potential output of the frontier Douro is very high—it has been reckoned at 1,600 million kwh; but its full exploitation must evidently await the next decade. Meanwhile, with a proper respect for the severity of the recurrent droughts that afflict Portugal—1953 was a dry year, and cut hydro output from the 1952 record of 1,200 million kwh down to under 1,000 million—the plan provides for the building of a new thermal power station equipped to use the low-grade anthracite from the fields near Oporto. This would bring a great relief in drought years, for the 401 existing thermal plants only muster 500 million kwh between them and mostly use imported coal.

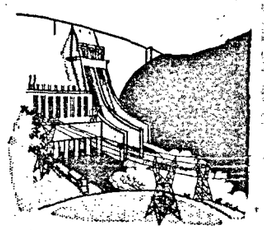
There is no doubt about Portugal's need for these additions to its power resources. The Minister of the Economy pointed out last June that 40 per cent of the population and 64 per cent of all parishes still had no electricity; that in many places the local supply was very poor; that the total demand, after rising by about 7 per cent a year from 1927 to 1950, was now rising much more steeply, and that a demand for 1,960 million kwh of permanent energy plus 300 million kwh of temporary energy must be reckoned with by 1958. There are, therefore, good reasons for devoting over a third of all metropolitan expenditure in the plan to power development; if Portuguese industry is to expand, the rivers must supply the essential means.

Agriculture as Cinderella

It is not so clear that communications need the third of all plan expenditure allotted to them (which does not include the separate programme for roads). The main items covered are the electrification of the Lisbon-Oporto railway as far north as Entroncamento, further improvements at Lisbon, Leixoes and smaller ports, and the acquisition of two more oil tankers and a passenger ship for the Africa route. All these works will help to conserve or earn foreign exchange; but it has been asked whether the railways, in particular, merit so much expenditure at a time when road transport is robbing them of a good part of their custom. Admittedly transport has in the past proved the key to many of Portugal's problems; the tremendous improvement of roads in the past 25 years has lifted whole regions out of semi-isolation. Some disproportion, however, remains between the 2.4 million contos to be spent on communications, and the 826,000 allotted to irrigation and agricultural colonisation. The Prime Minister himself expressed doubts about the relegation of agriculture to the role of Cinderella in the plan when he said:

> The budgetary expression of a development plan as regards agriculture ought to be very different from this one. I hope the next plan, six years from now, will be wholly satisfactory in this respect.

The 880,000 contos allotted to selected basic industries provide for expanding the state-sponsored oil refinery near Lisbon to an annual throughput capacity of a million tons; which would enable Portugal to import nearly all its petroleum as crude; for foundries and plant to produce modest initial quantities of pig iron and rolled steel; for increased output of cellulose and fertilisers; and for a tinplate plant with an annual capacity of 25,000 tons.



The plan as a whole cannot be called over-ambitious; indeed the Corporative Chamber criticised the original draft for excessive caution, but failed to persuade the government to put the net total up by more than 100,000 contos. Dr Salazar has held to the principle of budgeting according to clearly available resources, and of keeping to a minimum Portugal's dependence on foreign finance. An Export-Import Bank loan of $17 million (490,000 contos) for the Lourenzo Marques-Rhodesia railway has been obtained; but although the plan may call for a further half million contos from foreign sources, the Prime Minister has expressed his hope that this will not be necessary. Meanwhile, Portugal itself faces the task of finding eight million contos for the plan, of which 1½ million will be passed on to the oversea provinces. Half of the eight million is to come—and should come without difficulty—out of budgetary and state development funds; the other half is expected from the semi-governmental social security funds (*Previdencia*), the commercial and savings banks, insurance companies and the private investor. But according to the Finance Minister, the private investor can be counted on for only 750,000 contos during the whole six-year period.

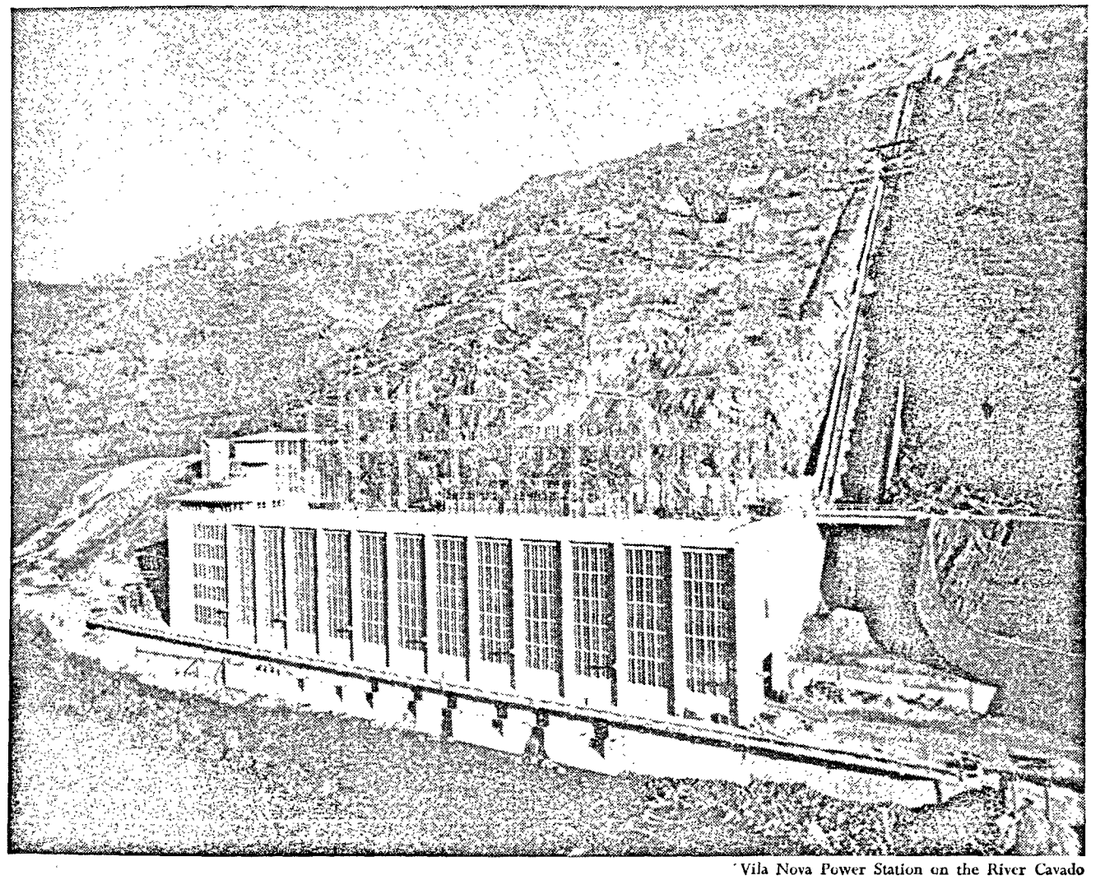
WHERE THE SIX-YEAR PLAN MONEY WILL GO
('000 contos)

	Home	Overseas	Total
Electric power	2,736	962	3,698
Cavado hydro	816		
Zezere hydro	680		
Douro hydro	430		
Thermal	170		
Distribution	640		
Communications	2,421	2,915	5,336
Lisbon port	484		
Other ports	431		
Railway electrification	517		
Africa liner	300		
Tankers (2)	161		
Posts and telegraph	300		
Airports and airline	130		
Irrigation and water control	556	1,013	1,569
Afforestation	464	...	464
Colonisation and colonial projects	270	1,070	1,340
Colonial bank	...	200	200
Technical schools	215	...	215
Industry	880	...	880
Oil refining	280		
Iron and Steel	250		
Tinplate	120		
Fertilisers	165		
Cellulose	65		
TOTALS	7,542	6,160	13,702

The Coy Investor

Here emerges the nigger in Portugal's economic woodpile: the coy investor, or rather non-investor. Very rich men are, admittedly, few in Portugal; but the now large class of persons with substantial capital show a marked preference for either keeping it in liquid forms or buying land. Relatively low taxation of the larger incomes, the sense of security given by a quarter of a century of sound public finance, and the numerous openings for new enterprises

POWER FOR PORTUGAL



Vila Nova Power Station on the River Cavado

Important contributions to Portugal's growing prosperity have recently been made by new hydro-electric power stations to generate electricity for industrial development schemes.

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The total installed capacity of these stations is 390,000 kVA, which almost equals the entire capacity of all other generating stations in the country. The full electrical power demand of Lisbon was at one time provided by the output from a single alternator at Castelo do Bode.

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enjoying protection by tariff or otherwise, might be expected to tempt a large proportion of this idle capital into industry; but this has not happened. Similar apathy has been shown in recent years by many industrialists who have failed to seize the most obvious opportunities to extend their operations at times when they had plenty of new-made profits with which to buy equipment. Some of them seem able to rouse themselves only when fighting off an attempt by a more vigorous Portuguese firm to break into a field of production which they have managed to monopolise by securing state protection.

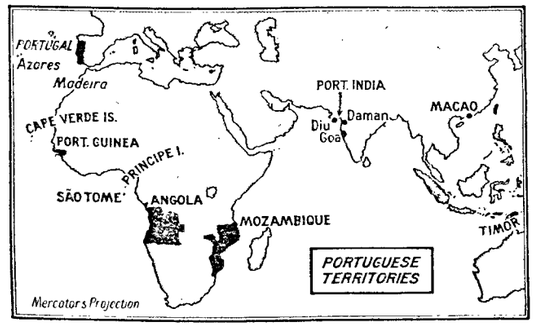
It is this inertia of private capital that has forced Dr Salazar's government to develop a split personality. The government, holding as fast as it can to its faith in free enterprise, seeks in most cases to draw private capital into its economic enterprises from the start, and to sell out its own share as soon as each new project is firmly on its feet. The hydro-electric companies provide an example of this technique. But, as long as the investor remains lethargic, it is difficult for the state to extricate itself from such undertakings without weakening them; for, as a general rule, only when the investor sees the government participating in an enterprise is he willing to put his own money into it. The result is that the state, directly or through the various institutions which it virtually controls, has itself become a gigantic capitalist: its dividends on its own investments now bring in a million contos a year, financing one sixth of the whole budget, and exceeding the annual amount that it proposes to contribute to the Six-Year Plan.

The OEEC, in its last annual survey of Portugal, suggested that the final remedy for the situation was heavier taxation of the higher incomes, possibly combined with the floating of larger public loans. The complicated tax structure, although it has been slowly modified in the general direction of a graduated tax on incomes, certainly leaves room for a considerable increase in revenue from the more wealthy citizen. But since the OEEC suggestion amounts to urging the state to become an even bigger capitalist, it is not likely to find favour in Dr Salazar's eyes. In the matter of financing industry, the government is not such a reluctant dragon as the average investor; but it is by no means an enthusiastic one.

Beyond the Seas

THE main stream of Portugal is neither Tagus nor Douro. It is the ocean itself. This has been so for five centuries, ever since Prince Henry the Navigator went to Sagres and there, peering from Europe's last headland at an empty but challenging horizon, launched the expeditions to West Africa that burst Europe's bonds. The Portuguese will never forget—and nor should any other people—their glorious century of leadership in exploration and commerce, the oceanic urge that carried them to India, Malaya, Japan and Brazil.

The names remain—Cape Verde, Lagos, Agulhas, Natal, Curaçao, Magellan; Portuguese-speaking Brazil, its relationship to the older country now intriguingly parallel to that of the United States to Britain, still aborbs emigrants, although less easily than some Portuguese could wish; and in southern Africa, newer colonisations now succeed the vanished empires of Guinea, the Indies and South America. The carrack and the navigator's spheres remain true emblems of the country's needs and tasks. Oversea connections and trade are as vital to it as to Britain—and the government's grasp of this point is reflected in its heavy expenditure on improving the ports and in the doubling of the merchant marine tonnage (now over 500,000 tons) since the war.



MAIN EXPORTS OF OVERSEA PROVINCES, 1952
(Value in '000 contos)

	Angola	Mozambique	Other
Mainly to Portugal:–			
Cotton	92	413	...
Sugar	95	166	...
Maize	137	...	...
Groundnuts	19	10	98 S. Tomé
Coconut	50	...	15 S. Tomé; 50 Guinea
Palm oil	69	...	11 S. Tomé; 4 Guinea
Other:–			
Coffee	1,137	...	6 S. Tomé; 2 C. Verde
Sisal	268	168	...
Diamonds	288	...	...
Copra	...	134	16 S. Tomé
Cacao	...	...	145 S. Tomé
Cashew nut	...	134	18 India
Manganese	...	...	120 India
Fish meal	95	...	...
Other fish	103	...	8 C. Verde
Iron ore	...	...	90 India
Wood	33	37	8 Guinea
Tea	...	42	...
TOTAL EXPORTS ...	2,752	1,542	650*
Re-exports	24	728	n.a.
Direct transit	3,890	10,399	n.a.

* Estimate. n.a.—not available.

There is no doubt as to the proud place in the country's trade now occupied by the "Oversea Provinces." (Portugal is not ashamed of such words as "colonial," but that is their accepted title.) In 1953, they furnished 16 per cent of Portugal's imports, and took 27 per cent of its exports. They meet its needs of coffee, tropical fats and oils, supply

most of its sugar, supplement its maize and meat, and—according to the Lisbon press—they provide the textile mills with raw cotton at about half the price that Portugal would have to pay in the world market. They are also a heavily protected market, not only for the products of the mills but also for most other Portuguese exports. (The Congo treaty provisions as to free trade apply only to the northernmost sectors of Mozambique and Angola.) In 1952, Portugal supplied 47 per cent of Angola's imports and 28 per cent of Mozambique's ; the percentages would be higher if both territories' imports had not included much heavy equipment obtainable only from foreign sources.

The oversea provinces are also important earners of foreign exchange, including dollars from the sale of coffee, cacao and sisal. In 1952, 70 per cent of Angola's exports and 58 per cent of Mozambique's went to countries outside the escudo area ; Portuguese India, too, has in the past few years become a sizeable exporter of manganese and iron ore. But exports are not the only form in which the provinces contribute to the escudo area's balance of payments.

Foreign exchange, largely sterling, comes in from such major "invisibles" as the Rhodesian and South African transit traffic through Mozambique ; Belgian and Rhodesian transit through Angola; the earnings of up to 80,000 Mozambique Africans working in the Rand mines (although the scale of this item is sometimes exaggerated, and the Portuguese seem prepared to cut it down despite the resultant loss of sterling) ; the services of the Cape Verde fuelling station, and of the airports serving trans-Atlantic routes ; and the little publicised commercial activities of Macao.

Under Dr Salazar's government, Portuguese policy for the oversea provinces has been sharply changed—both politically and economically. The trend toward local autonomy has been replaced by emphasis on the absolute unity of metropolitan and oversea Portugal—a principle reflected in the quiet but firm assertion, made in reply to Delhi's recent demands on Goa, that it is constitutionally impossible to consider the cession of any part of the national territory. The colonial economy, too, has been brought much more closely under the metropolitan eye ; corporative institutions have been set up in Africa as in the home provinces, and some striking expansion achieved (in 1938 the African territories exported 18,000 tons of coffee and 13,000 of cotton ; in 1952, 48,000 and 36,000). In apparent contrast, Dr Salazar's principle of strict budget balancing was as briskly and as firmly applied overseas as at home ; there was

to be an end of the over-free borrowing that had made Angola, in particular, notorious. This principle, however, is modified in the new six-year plan ; the oversea provinces are to find from their own resources only half of the six million contos (£75 million) to be spent in them.

White settlement, in the high Cunene valley in south Angola and elsewhere, is one of the projects featured in the plan. The difficulties involved have already been mentioned ; but in recent years the rate of emigration to Africa (excluding emigrants who returned) has been over 10,000 a year. Angola's white population is already close to 90,000 and Mozambique's over 50,000 ; the total "civilised" populations—entitled to full legal rights whatever their race—being respectively about 150,000 and 100,000. But while the settlers in Africa develop the colonial economy, the considerable financial support which Portugal gets in the form of remittances from its sons overseas comes primarily from Brazil, the United States and Venezuela ; and the recent collapse of Brazil's payments position, involving the stoppage of these remittances, was a real blow. So, too, was the temporary loss of the Brazilian market for Portuguese wines and other traditional products ; in 1953 exports to Brazil were worth only 74,000 contos, less than £1 million, against 329,000 in 1951.

The fact that this Brazilian headache has been common to both Portugal and Britain is a pointer to something more important. Portugal, a country that must trade to live, is by no means a mere exporter of raw materials and importer of manufactures. On the contrary, it buys some 60 per cent more of raw materials (excluding fuels) than it sells ; it spends more on buying these raw materials than on all its purchases of machinery, appliances, vehicles and miscellaneous manufactures ; and raw materials make up little over a third of its exports. Admittedly, another quarter of its exports consist of food and drink ; but most of these items are in a fully processed form, the product of canning factories or of the complex operations of the wine "lodges."

Moreover, Portugal exports three times as many textiles as it imports ; and although its chief market for them is colonial, sales to foreign countries roughly equal its total expenditure on imported textiles. (High quality Madeira embroideries sold in the United States and Venezuela largely account for this ; last year these dollar sales were worth £1½ million.) Portugal even exports more than it imports under the heading of "miscellaneous manufactures," and here colonial sales account for only a third of

GENERAL NATURE OF PORTUGAL'S TRADE, 1953
(million contos)

	Imports			Exports		
	From Colonies	Other	Total	To Colonies	Other	Total
Raw materials	1·0	2·6	3·6	0·1	2·1	2·2
Fuel	...	1·0	1·0	...	...	...
Food and drink	0·5	0·7	1·2	0·3	1·4	1·7
Textiles	...	0·3	0·3	0·7	0·3	1·0
Misc. manufactures	...	1·0	1·0	0·4	0·8	1·2
Machinery, appliances, vehicles, ships	...	2·4	2·4	0·1	...	0·1
Totals	1·5	8·0	9·5	1·7	4·6	6·3

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the total. Thus, the country's industrial weakness emerges plainly only in the quarter of its import bill that is spent on machinery, vehicles, and heavy or complex equipment.

Unfortunately the true weakness of Portugal's trading position lies deeper. It is that a good half of its staple exports to foreign countries are highly vulnerable to general world trends, even to world fashions. This applies both to steel-hardening minerals and to canned fish, port wine and nuts. The sardine itself may be a fickle fish (as recently as 1948 it virtually disappeared from the Portuguese fishing grounds for two years); but Portugal has found customers for its sardines almost as undependable. By their very nature, canned fish, wines, almonds, figs, embroideries, and some kinds of cork and wood products are early casualties whenever a buying country is forced to restrict its imports; and when a period of such restriction coincides, as it is all too likely to do, with a slump in "strategic" commodities, the outlook for Portugal is bleak.

Portugal's trade thus rises and falls on the waves of the Atlantic world. (The Soviet bloc has recently entered the picture as a buyer of cork, but takes less than six per cent of this and under 3 per cent of all exports.) No less than 80 per cent of all exports (setting aside those of the colonies)

EXPORT PATTERN, 1953

	Value ('000 contos)	Percentages (of volume) to: Oversea Provinces	Other Africa	Brazil	US	UK	Gy.	Belg.	Fr.	Other
Mainly to Africa										
Textiles*	854	79	14	...						
Wines†	287	83	4	3						
Machinery, etc.	83	87	...	...						
Olive oil	66	65	...	33						
Cement, etc.	59	64	28	...						
Tyres and tubes	54	92	...	...						
Iron and steel, worked	52	92	...	...						
Other										
Cork, raw	733				45	10	10	1	2	USSR, etc. 7
Cork, worked	472				16	22	3	6	3	USSR, etc. 1
Sardines	462				10	5	27	8	8	Italy 8
Wolfram	398				67	31	...	...	...	...
Port wine	278				2	32	4	15	17	Scandinavia 16
Rosin, turpentine	235				...	40	18	1	2	Scandinavia 20
Boxwood, etc.	164				...	25	...	...	...	Israel 18
Almonds	129				2	47	6	11	5	...
Pyrites	123				...	3	18	38	23	Netherlands 15
Embroideries‡	120				65	...	...	...	...	Venezuela 13
Pitprops	64				...	86	...	3	...	Spain 10
Tin ore	50				82	18	...	...	...	...

* Except embroideries. † Except port and madeira. ‡ Percentages by value.

IMPORT PATTERN, 1953

	Value ('000 contos)	Percentages (of volume) from: Oversea Provinces	Other	UK	Gy.	Belg.	US	Fr.	Other
Tropical Products									
Cotton	693	90	10						
Sugar	322	71	29						
Oilseeds and nuts	226	100	...						
Coffee	152	100	...						
Petroleum and products	790	...	100						
Other									
Heavy machinery	676			23	26	9	7	9	...
Iron and steel — Unmanufactured	674			7	8	50	10	19	...
Worked	204			21	25	16	6	21	...
Ships	402			...	...	100	...	...	...
Wheat	303			...	...	...	84	...	Canada 18
Coal and coke	281			67	19	5	3	...	Spain 26
Textiles	258						(Not available)		
Cars	243			25	45	...	7	10	Italy 9
Trucks	129			56	30	...	...	11	...
Cod	189			4	...	...	...	29	Iceland 8

PERCENTAGES OF IMPORTS AND EXPORTS

	1938	1949	1951	1952	1953
Imports from :—					
Britain	17	24	15	16	15
Germany	17	1	5	7	11
USA	12	18	15	14	10
Belgium	7	6	9	11	11
France	6	7	5	5	5
Switzerland	2	3	3	3	3
Holland	3	3	3	3	2
Oversea Provinces	12	13	12	15	16
Exports to :—					
USA	5	10	13	15	17
Britain	21	19	20	12	13
Germany	13	3	5	6	7
Belgium	5	7	3	4	4
France	8	6	4	4	3
Oversea Provinces	13	26	23	26	27

now go to the Nato and OEEC countries and their dependencies. Since 1951 the United States has replaced Britain as the foremost customer; in 1953 it took 17 per cent of all Portuguese exports, chiefly in the form of cork, wolfram, tin ore, embroideries, wool, anchovies and other fish. Since 1950, Germany has returned as an important customer as well as a supplier, ranking third and taking 7 per cent of all exports last year; its 1953 sales to Portugal, however, were more than twice as great as its purchases. Belgium, France, and Scandinavia are Portugal's next most important markets.

The importance of these markets is reflected in the agitated record of Portugal's membership of the European Payments Union. By February, 1952, its cumulative net surplus had rocketed to 114 million. Drastic measures were taken to reduce this swollen figure; on the one hand, export quotas were tightened and 30 per cent of earnings from exports of certain products were temporarily blocked; on the other, liberalisation of imports was extended (from 84 to 92 per cent for metropolitan Portugal and from 60 to 82 per cent for the oversea provinces). This accelerated the descent from the Korea boom position that was in any case affecting Portugal by mid-1952, and by the beginning of 1953 the cumulative surplus with EPU was down to 68 million; at the beginning of 1954 it was 56 million—still 80 per cent of the quota.

But the fact that Portugal can balance its books with the outside world at all is made possible only by the contribution of the oversea provinces. Its importance is shown by the fact that in 1953 metropolitan Portugal's imports could be as high as 9.5 million contos and its exports as low as 6.3 million, without causing either alarm or a fall in reserves of gold and foreign exchange; the reserves in fact rose slightly, and now equal the value of two years' imports into the whole escudo area. Striking trade deficits have, indeed, been habitual for many years; only between 1941 and 1943 was the sequence broken.

METROPOLITAN PORTUGAL'S TRADE BALANCE
(Million contos)

	1938	1942	1946	1948	1950	1951	1952
Imports	2.3	2.5	6.9	10.4	7.9	9.5	10.0
Exports	1.1	3.9	4.6	4.3	5.3	7.6	6.8
Balance	−1.2	+1.4	−2.3	−6.1	−2.6	−1.9	−3.2

The table reflects both the postwar buying spree, which

reached its peak in 1948, and the marked narrowing of the trade gap in 1951, when Korea had swung both the volume of exports and the terms of trade strongly in Portugal's favour. But the continuing trade deficit itself is the most obvious feature. Since mid-1949, contributions towards closing the gap have been made by American aid; ECA and MSA grants and loans between 1949 and 1952 totalled nearly two million contos; and off-shore purchases are now playing their part. Normally, moreover, Portugal can nowadays count on about 700,000 contos a year in remittances from oversea emigrants and 1-200,000 in dividends on investments abroad; these items have been reduced by the blocking of remittances from Brazil. And since 1950 the increase in the merchant fleet, together with tourism, payments for airport facilities, and lesser "invisibles," has transformed metropolitan Portugal's deficit on services into a surplus now running at about 200,000 contos a year.

It is to Africa, however, that the country looks for the greatest contribution to solving the balance of payments problem. In 1951 the oversea provinces showed a trading surplus with the outside world of 1.7 million contos and a further surplus on invisibles of 0.6 million; in 1952, despite the slump in colonial products, the corresponding figures were still 1.1 and 0.6 million; and it is estimated that their total surplus with foreign countries in 1953 will prove to be well over two million contos, and perhaps nearly as great as in the peak year 1951. Small wonder that the prices of coffee, sisal and copra are anxiously followed in Lisbon, for on them, fully as much as on cork, wolfram or wine, depends the fate of the escudo area.

Old Ally, Modern Partner

THE most conspicuous characteristic of the British trader in Portugal is conspicuousness. His competitors from Germany, Belgium or France seem to blend with the background. But English names stand proudly over the doors of old-established firms, and new arrivals from London also prefer to trade under their true colours. This habit has been criticised. It is argued, and reasonably, that Portugal, intent on developing its own economy, must always prefer semi-Portuguese firms to wholly foreign ones, and must place contracts so as to give the maximum employment to its own workers. But the matter is not quite so simple. Many British firms have shown that, without masking their identity, they can collaborate very successfully with Portuguese concerns; and Portugal—unlike some countries—is shrewd enough to judge by results rather than by the label on the bottle.

Moreover, friendship between Portugal and Britain remains a very real thing—although well-meaning English-

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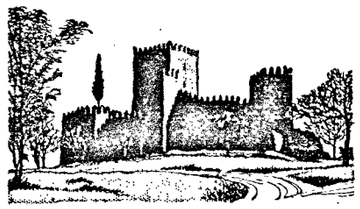
men occasionally mar it by revealing their confident assumption that England has loyally befriended Portugal in all its troubles since 1386. The alliance concluded in that year is undoubtedly still in force (it was formally reaffirmed in 1904), but the relations between the two countries through the centuries have varied ; and their good relations today spring from the sensible and understanding behaviour of twentieth century Portuguese and Britons as much as from the marriage of King João I to John of Gaunt's daughter Philippa. Fortunately, friendship has never become one-sided adulation. Modern Portugal sees Britain steadily and sees it whole, and any criticisms pass between the two countries as between friends.

The fact that British merchants no longer predominate in Portugal's trade undoubtedly makes this friendship easier. The Portuguese today, with their good reputation for settling accounts, are desirable customers and free to buy almost where they will. (Exchange control limits dollar purchases to essentials, but exports to the Americas have now developed so successfully that in 1953 Portugal achieved a surplus in its dollar trade.) In other ways, too, Portugal has fully regained its self-respect ; it is an equal



partner in Nato and the European economic organisations, and master in its own house in Africa. Portuguese patriotism and desire for national progress are untainted by xenophobia. Portuguese and Englishmen can, and do, take common pride in such joint achievements as the Castelo do Bode, Cabril, and Vila Nova power stations, and the great Marshal Carmona bridge at Vila Franca de Xira, opened in 1951, which has vastly improved road communications between Lisbon and the south.

But there can be no complacency about the outlook for Anglo-Portuguese trade. It has already suffered severe blows. The collapse of British coal supplies during the war hastened Portugal's efforts to reduce its dependence on imported fuel. Portugal's entry into the EPU, and its subsequent efforts to take more imports from the other members, further depressed Britain's share of the trade. Greater Portuguese production of manufactures has supplanted former imports; and this trend will continue. Britain's exports to Portugal must in future depend primarily on machinery, vehicles, and an occasional large ship (Portugal can now tackle construction up to 16,000 tons itself), with iron and steel manufactures, chemicals, and electrical goods playing lesser parts. In all these fields there is keen competition from continental Europe ; as regards heavy equipment it is the keener because of the publicity given up to the Six-Year Plan.

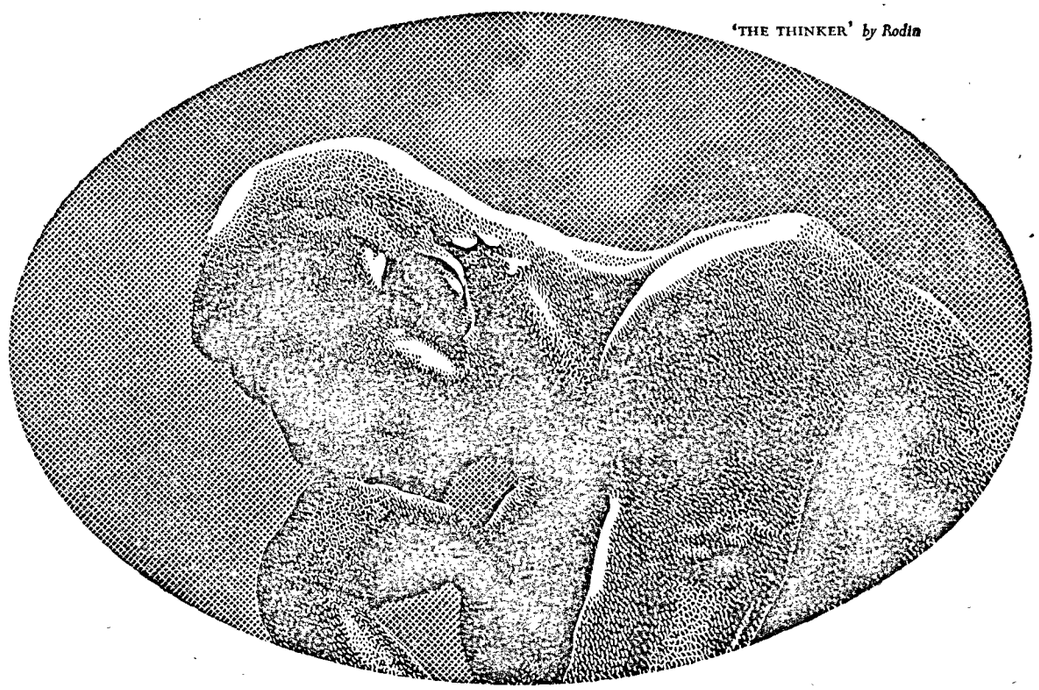
In 1953, Britain virtually retained its prewar share of Portugal's imports (allowing for the country's increased imports from the African territories). Germany was climbing the ladder rapidly, but had not recovered its 1938 position of equality with Britain. Belgium's exports to Portugal in 1953, while equal in value to Germany's included one large ship, the only one bought by Portugal last year, which accounted for 40 per cent of the total. German cars, including Fords and diesel taxis, have now found more favour than British ones in Portugal, although Britain still leads in the sale of trucks and tractors ; and German or semi-German firms have lately won important contracts for wharves and railway bridges. Thus it is quite possible that during 1954 Germany may emerge as Portugal's foremost supplier.

Much will depend on the placing of the next batch of Development Plan contracts. In some cases, British firms tendering for these have been beaten on price by Continental rivals more ready to adopt cheaper standards. Portugal's anxiety to keep the cost of the Plan within the limits set by available resources fully explains its preoccupation with price ; but it may be questioned whether it is prudent to cut too near the bone on projects so vital to the national economy—especially where the equipment must stand up to great strains and abrupt climatic changes. Where British firms in general may perhaps be more fairly criticised is in regard to their rigidity on unimportant details ; this sometimes gives the impression that while, for example, the Swiss or the Belgians take the Portuguese market very seriously, some British concerns are too busy elsewhere to give it full attention.

★

What of the other side of the picture? Portugal's trade with Britain is unbalanced (its 1953 imports being 1,452,000 contos and exports 792,000); but this applies to all Portugal's other major trade partners except, lately, the United States. However, Britain takes a much smaller share of Portugal's exports than before the war ; and the main casualty here has been port wine (although Britain is still by far the biggest buyer of port). It is strongly contended in Oporto that Britain's duties on heavy wines are primarily to blame for the fact that, in 1953, it imported only 70,000 hectolitres of port, against 196,000 in 1937. But this claim founders on the fact that British imports of sherry from Spain have risen while those of port have fallen. It is clear that port is the victim of a social change. For every British household where a decanter of port is ritually circulated after dinner, there are now a hundred where a bottle of sherry is permanently on hand in the sideboard awaiting the casual guest. Too busy to perform the ceremonies they feel port requires, and ashamed to treat it in the disrespectful manner of the French and the Scandinavians, the British await guidance on the right way to reintroduce this admirable but exacting wine into their cautious social pattern. The inspired suggestion that port goes ideally with television may yet solve their problem and that of Portugal's exporters ; but it will need to be hammered home.

This, however, may serve to point a wider moral. The trend of Portugal's trading pattern has been towards the reduction of non-essential imports ; why should we pay, the Portuguese very shrewdly argue, for what we can make ourselves, or do without ? The snag is that so many of their own exports are also non-essentials. A cou cannot reasonably look to a future in which it has suc fully shut out other nations' minor manufactures relying on them to buy its wines, nuts and anchov1952 moral here is equally applicable to both Portu10.0 Britain. Both can prosper only as traders ; and t6.8 obvious reasons why a fair proportion of their trade 2 continue to be reciprocal—and some of it non-essentia



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But the climate in which such thoughts can first arise, and can be expressed in action, is one of free enquiry and research. Without this, invention gives way to maintenance. A trained man can be a technician; it takes a free man to be a thinker.

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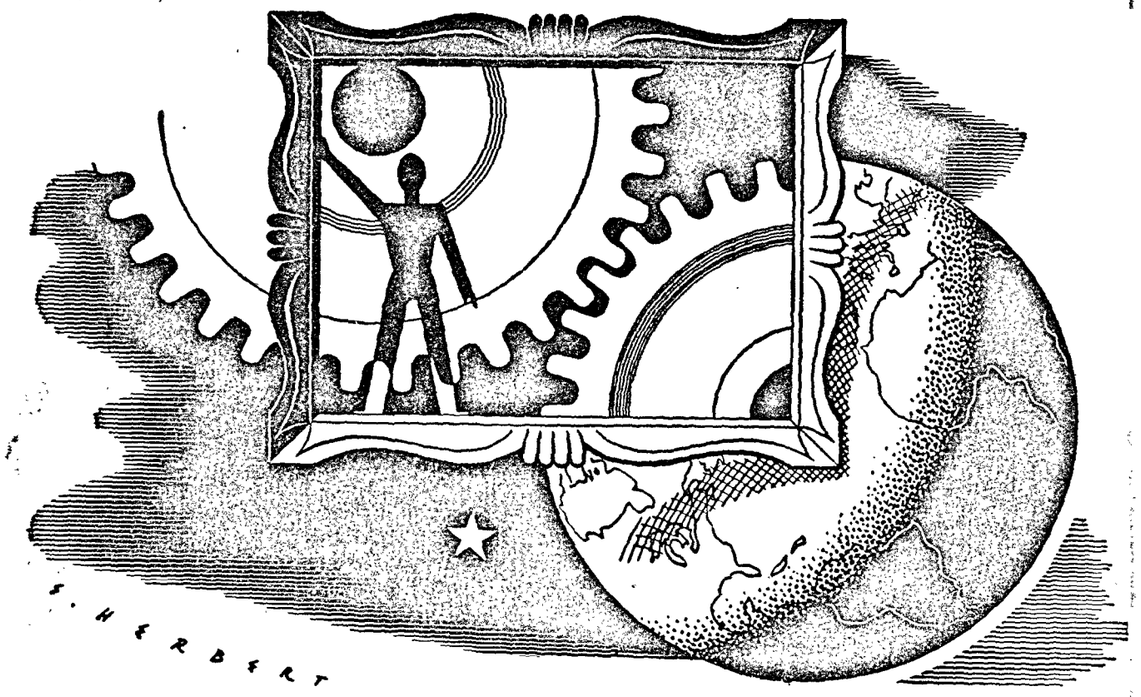

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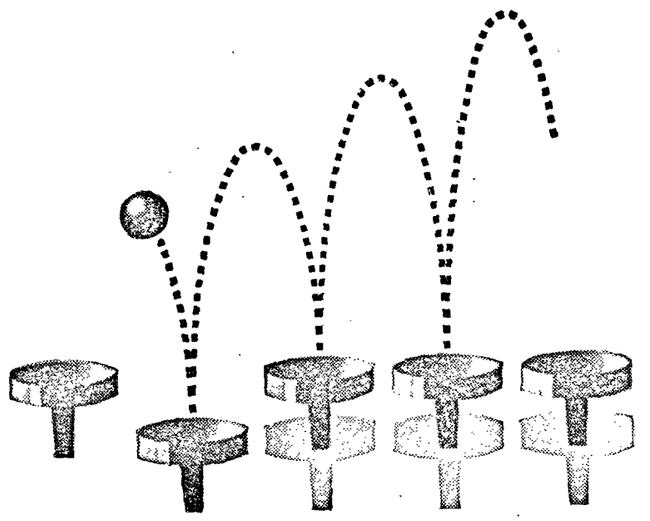

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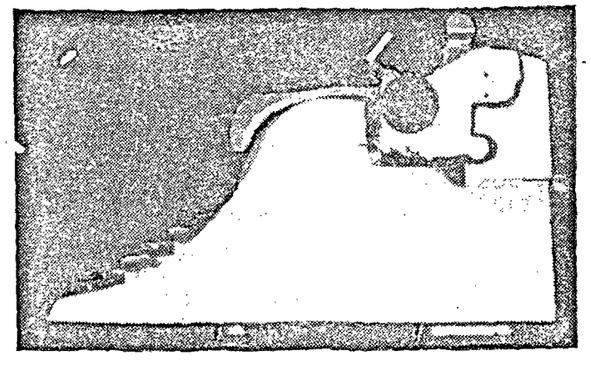

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In the April issue, Fortune puts this question...

Is the U. S. recession over?

A respectable case can be made that the 1953-54 business readjustment may be about over. To be sure, industrial production has ebbed 12 per cent since last summer, and some cities and industries are feeling the unpleasant after-effects of that decline. But in the economy as a whole, production appears to be leveling and should soon rise. Steel use, for example, is now outrunning production by 15 per cent. As CEA Chairman Arthur Burns recently observed, "a foundation is being laid for a new economic advance."

FOR WHAT the U. S. has been experiencing to date, Burns and most other economists agree, has been primarily an inventory readjustment; the most clucked-over inventory readjustment in history, perhaps, but an unclogging of the nation's supply pipelines nevertheless. The turnabout from inventory building to inventory reduction has cut demand for goods by $14 billion a year while "final purchases" have dropped less than half that much.

WHAT complicates matters, of course, is that the nation has also been readjusting from a part-war to a peace economy. In most discussions of this larger transition, however, two immensely important facts have had less attention than they deserve. The first is that consumers have remained remarkably unperturbed by all the glooming and brooding about the economic outlook. Savings have risen slightly, but only because people have been paying off debts (and getting in shape for a new round of credit buying).

WHILE the politicians and pundits have been arguing whether we are in a "depression," "recession," or "readjustment," the consumer has been blithely treating the present for what it is, a period of unusual prosperity. Although sales of specific items such as cars and appliances have sagged sufficiently to make news (both have picked up recently), last month Americans were earning and, in the aggregate, spending just about as much as in the record year 1953.

THE SECOND fact that is frequently overlooked is that most consumers have never had it so good. Consumer prices have not changed appreciably for more than two years now. Price stability for that long in a time of rising wages and incomes is unprecedented. It even connotes a sort of economic millennium. For price-stability with rising wages has meant a rise in the "real" standard of living for millions of Americans and a respite from the corrosive effect of inflation for those living on fixed incomes. With prices right and consumers buying, it might well be asked what all the shooting is about.

UNEMPLOYMENT, of course, is the answer. The March figures, when announced, conceivably may record a further rise in joblessness. And Dwight Eisenhower, in effect, promised to take "remedial" action if any substantial rise occurred in March. But there is one fact about the present unemployment situation worth noting. The present range of 3,400,000 to 3,700,000 unemployed is remarkably low for a year of business decline. In the 1949-50 recession the work force was smaller and unemployment rose considerably higher—i.e., to 4,700,000.

IF THE government provides a salubrious business climate (it has already provided ample money and credit), the nation's long-term readjustment from war to peace may be accomplished as expeditiously and with as little relative discomfort as has been the current inventory cleanup. For the business community, no less than the consuming public, seems remarkably confident about the future. As Sears, Roebuck's retiring chairman, General Robert E. Wood, remarked, "The people of this country couldn't talk themselves into a depression if they tried."

A GOOD many business executives apparently agree with General Wood. Despite all the recession talk, a substantial number have announced impressive expansion programs. According to the F. W. Dodge reports, in fact, new construction awards rose to an all-time high for the first two months of the year, and non-residential construction awards were up 21 per cent from a year ago. General Motors' billion-dollar pledge of faith in the economy and in its own ability to expand sales beyond the $10-billion level naturally made the biggest headlines.

BUT THERE were other sizable corporate bets being placed on continued industrial growth and prosperity. General Electric planned to spend $160 million on expansion in 1954 and a like amount in 1955; Standard Oil of Indiana earmarked half a billion dollars for expansion in the next two years; Standard of California mapped a $275-million expansion and drilling program for 1954. The Bell System companies will lay out $1.4 billion; the electric utilities $3 billion as compared with $2.8 billion last year. Steel firms, despite all the forebodings of the Cassandras, plan to invest another three-quarters of a billion dollars in modernization and added capacity in 1954.

BUSINESSMEN do not invest such large sums in expansion unless they expect their sales to increase. Nor do they commit such sums if they believe new plant is going to become much cheaper than it is today. And consumers do not keep spending as freely as they have been if they expect their incomes or prices to drop substantially. Thus, by their actions to date, both businessmen and consumers have demonstrated considerably steadier nerves than have the political and professional pundits.

AND THIS raises an interesting question for the "experts" to ponder in their contemplation of the economic outlook. When there is such widespread confidence in the long-term prospects for prosperity, can any readjustment possibly get very bad? The fact that neither businessmen nor consumers appear perturbed about the outlook for next year or the year after is probably the best assurance that this "recession" year will turn out to be the second best in the nation's history, and that the present inventory readjustment, if not already completed, soon will be.

Reprinted from FORTUNE'S *lead editorial in the April 1954 issue. If you wish reprints of this message, write:* FORTUNE *Magazine, Time-Life Building, New Bond Street, London W. 1, England.*

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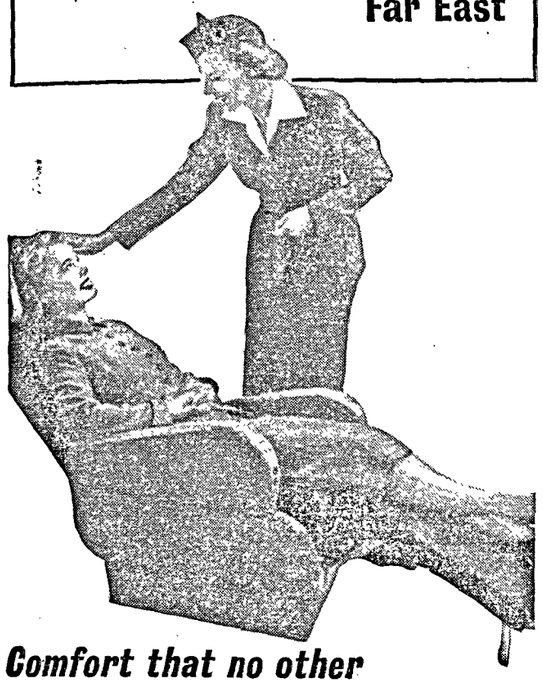

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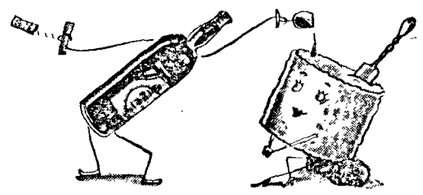

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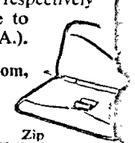

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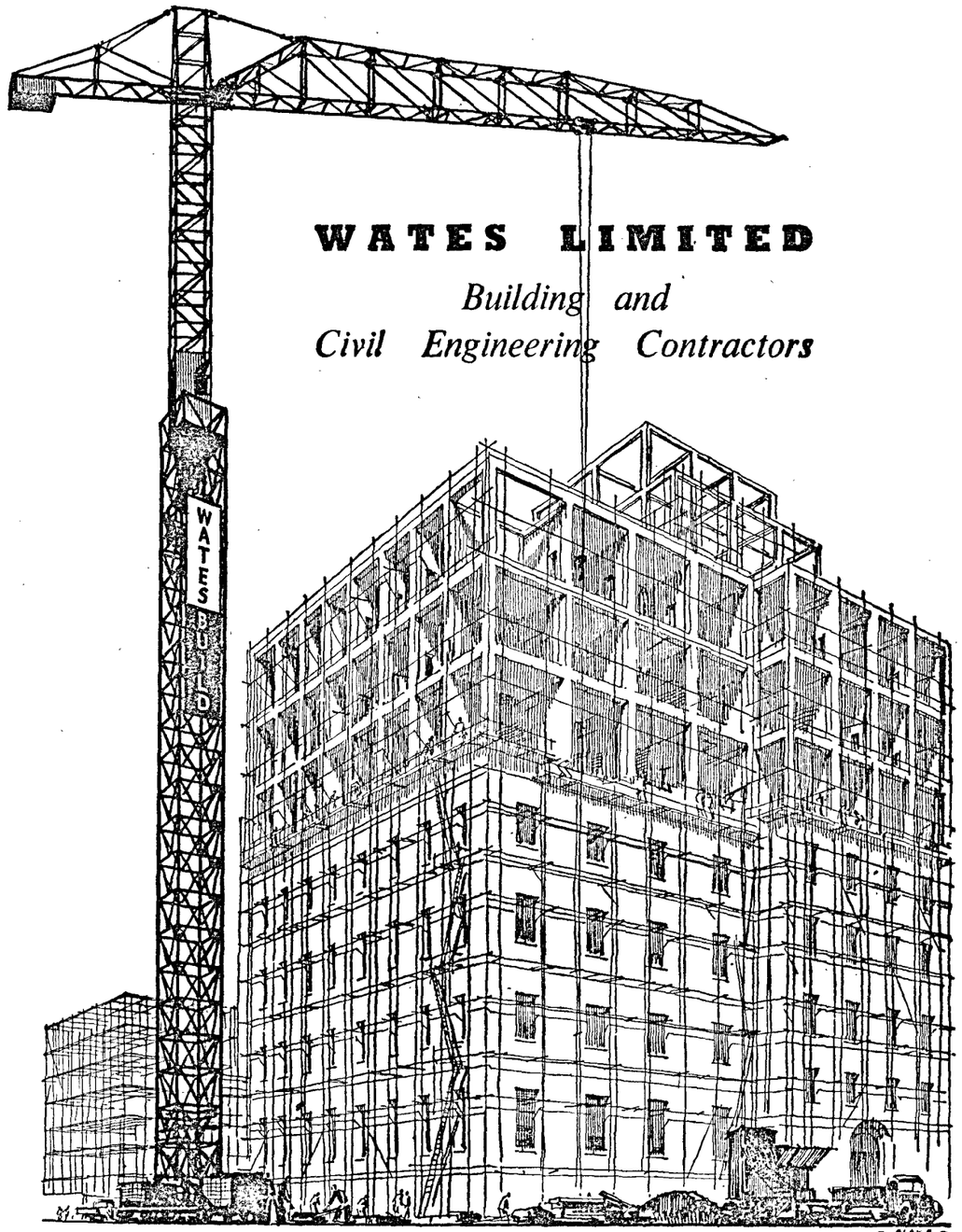

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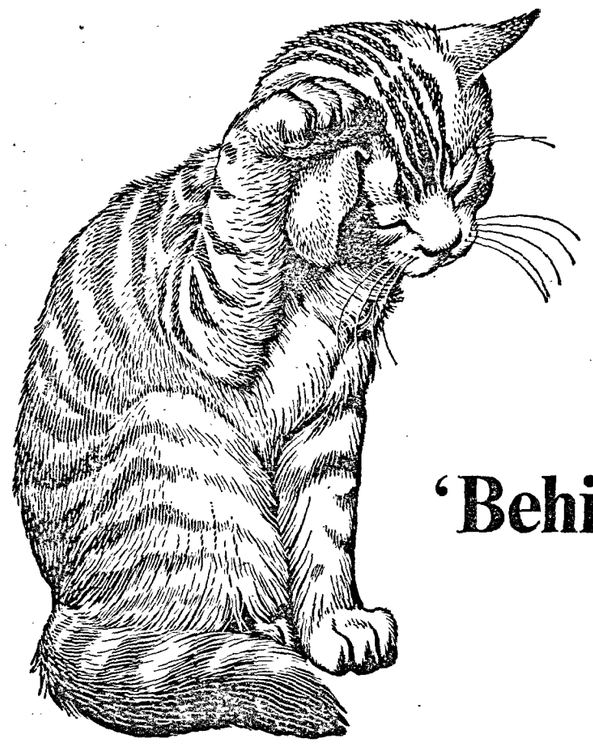

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The Economist

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ONE SHILLING

Who Goes Left? 261
Return to Geneva 263
Comrades in Conspiracy 264
Sterling Area Stamina 266

NOTES OF THE WEEK

In Big Brother's Footsteps?; Last Words on EDC; Petrov and Petrova; Manœuvres on MPs' Pay; Ministers in the Queue; Co-operatives Look Abroad; Purge in Egypt; Another Iraqi Cabinet Crisis?; A Day for Nato; The Queen in Uganda; Talking Shop; Margins for Margarine; Ministry for the Middle Class; Japan's Reparations; The Right to Work; Paying for Negligence; Welfare in Prisons; Shorter Notes. 267

LETTERS TO THE EDITOR . . . 277
BOOKS AND PUBLICATIONS. . . 278

AMERICAN SURVEY

Pacific Pact Comes to Life . . . 284

Economic Easter Parade; Guarantees for EDC; Industrial Heretics; Full Use of the Atom; Search by Wiretap; Miracles Down to Earth; Shorter Notes.

THE WORLD OVERSEAS

Shepherd in the Kremlin 292

Quebec Picks a Quarrel; Israel Goes on Spending; M. Faure Beats the Protectionists; Trade *versus* Industry in Hongkong; What's What at Geneva; A Victory for Gheorgiu-Dej; Auntie Government in India.

THE BUSINESS WORLD

Prepared Positions in Lancashire . 303
Profits in Flood 305

BUSINESS NOTES

Spring in the Markets; The FBI and "Freedom to Co-operate"; Purchase Tax Easter Egg; Death Duty Concessions; Productivity and Steel Deliveries; Shipping and the Shareholder; Rubber at Colombo; Hunter and Mystère; Britain Uses More Oil; Green Light for Airwork; Reasonable Prices for State Lorries; Cotton Market and Exchange Control; Higher Dividends in Lombard Street; Titanium in Canada; Rise in Prices of Materials; Tungsten Prices Soar; *Shorter Notes.* 307

COMPANY NOTES AND SECURITY PRICES 319
STATISTICS 322

Building Societies and Housing

PAGE 335

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Who Goes Left?

THE meeting of the Parliamentary Labour Party after the re-assembly of the Commons next week will be one of the most crucial in its history. For Mr Attlee and his closest colleagues will then have to give some indication of the way in which they propose to handle Mr Bevan's latest and noisiest breakaway from the party line. In the past, the effort has been concentrated on "preserving the unity of the party"—which has meant that, after he has talked himself out, Mr Bevan has given some sort of indication of reformed behaviour, while the official leaders of the party have sidled towards him in the matter of policy. The result has been to continue the Attleeite leadership of the party with a more Bevanite hue to its policy. Hitherto, this has been mainly a matter for the party itself. But the issues on which Mr Bevan has built his new platform of revolt are such that this time the answer concerns the whole nation. Are Mr Attlee and Mr Morrison and Mr Gaitskell determined this time to fight both Mr Bevan and his ideas? Or will they once more try to neutralise him by outbidding him?

To the politician, of course, it is always the clash of personalities that fills the stage. The more important is it to understand the issues that are at stake. In the statement that he issued after resigning from Labour's Shadow Cabinet, and in an article that he wrote for last week's issue of *Tribune,* Mr Bevan has made clear what his line of opposition will be. He will oppose the Government's present plans for collective security in Asia, to which Mr Attlee gave a cautious and qualified blessing, because he regards them as plans for provocative encirclement of the Chinese. He will oppose the present plans for confronting the Red Army in Europe, which were first drawn up in the time of the Labour Government, because he does not want any arms to be put into the hands of what he calls "the reactionary government (which) has been financed into existence in Western Germany." Finally, and most vitally, he will oppose the basic principle of foreign policy that Ernest Bevin laid down—the principle of according paramount importance to the Anglo-American alliance—because he believes that this lays Britain "open to indefinite blackmail." "We shall never be able to make America understand our attitude and adapt herself to it," writes Mr Bevan, "until we are prepared to break with her unless she does." By demanding American adaptation to "our attitude," Mr Bevan is, of course, demanding an American surrender to his own system of appeasement, which he knows will not be made. This is a deliberate recipe for striking down the free world's shield.

There is no mystery about how Mr Bevan has acquired these views—no mystery, that is, except perhaps to Mr Bevan himself and to some of his colleagues in the Labour Party. For more than a year every step in Soviet and Chinese policy has been cunningly and carefully devised to induce non-Communists to utter and believe precisely this brand of nonsense. Within the broad context of history, it will not seem surprising that this one restless, disappointed man of prominence has snatched

at their bait. But that will be no excuse for others, who will know what they are doing, to move in the same direction, however much they may wish to outmanœuvre the fish that has been caught on the line. For, odd though it may seem, the danger of a tragic mistake in Labour policy is being exacerbated by the force of the anger against Mr Bevan as a man. He has, for once, been far too brusque and rude even for some of his usual followers. The tempters are therefore telling Mr Attlee that he has a golden opportunity both to ditch Mr Bevan and to cement party unity ; by this they really mean that they think he has an opportunity to capture the Bevanite wing of the party from Mr Bevan by putting on a few of its clothes. The tempters are quoting, and trying to adapt to new and very different conditions, Mr Attlee's own comment on the previous Bevanite crisis of 1951 : that there is "no real difference of principle" involved. This plea was heard from half a dozen Labour platforms during the Easter weekend.

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There are two reasons why Mr Attlee ought to reject this plea—indeed, why he must do so if, in trying to save his party, he is not to see it damned instead. The first reason is, quite simply, that Mr Attlee knows in his heart that the argument is not true. Sometimes it is right to keep a great party together, even at some cost to its principles. But the differences of principle between Mr Attlee, who knows that with all its annoyances the Anglo-American alliance is the chief hope of peace for the world and of security for Britain, and Mr Bevan, who wants to smash it, are the most important differences of principle in the modern world. To put party above peace and salvation would be damnable—and Mr Attlee and Mr Morrison and Mr Gaitskell must know it.

Nor have they very much room for compromise. It is true that, on the surface of things, they have left themselves avenues of escape. Mr Attlee attached two conditions to his approval of the South-East Asian Nato —that it should have Asian members and that it should not be used to buttress obsolete colonialism. He could always say that the first meant that Mr Nehru must approve and the second that the French must first leave Indo-China. But he knows quite well that to say yes on impossible conditions is merely a hypocrite's way of saying no. Again, it is fairly easy to ride off from the problem of the European Defence Community by talking about the need for concessions to the genuine uneasiness about German rearmament. Mr Attlee knows that the issue is not whether the Germans shall be rearmed—the right to be armed cannot, in any case, be withheld from them for very long—but whether they shall be rearmed in a way that strengthens the western alliance or weakens it. He is under plenty of pressure to make these equivocations ; there is plenty of support in the Labour party for them, and it may take a full exertion of the block vote of the big unions to keep the party conference in line. But if Mr Attlee yields, it will be clear beyond any disguising by fine words that he has run away on an issue that he knows to be vital.

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The second reason why unity of the party would be too dearly bought at the price of a sly acceptance of Mr Bevan's policies, is that it would not be real unity at all. Those who are now urging Mr Attlee to cement party unity, by lending his name to the story that there is "no real difference of principle involved" in the present controversy, are really urging him to drive out of his party at least as many people as they seek to keep within it. After any Attleeite surrender to his views, Mr Bevan would initially look a little discomfited and in rather more lonely eminence on the left, but he would soon find some way of raising the bids and attracting the restless wing of the party back to him. In the centre, Mr Attlee would ride more comfortably for a time, and he might win back some right-wing Bevanites. But there would then spring up, for the first time, a dissenting group on the right, disgusted at the betrayal of Labour's own policies. This group might not be very strong in the Parliamentary Party or in the constituency parties. But it would be stronger in the unions, where the memory of Ernest Bevin is still fresh. And it would be stronger still among the electors.

Mr Attlee may say that this threat of large-scale defection is exaggerated ; that the force of public reaction to any shabby or sensible manœuvre in foreign policy is always smaller than outside observers suppose. There is some truth in this. Certainly it is nonsense to say, as Mr Bevan did last week, that there will be a "universal" reaction one way or the other in a controversy so esoteric as that about the alleged encirclement of the Revolutionary Chinese. But there is one group of people who will promptly desert Mr Attlee if he deserts the principle of collective security now. These are the heirs of the old radical tradition, the people who hate the thought of turning Tory, who used to vote Liberal and then took to voting Labour and who —if the party would only let them—would like to go on voting Labour, at least more often than not.

Right up to the end of the Labour government, the party kept the support of most of these people (as the voting figures showed). Labour's handling of the basic principles they hold was, on the whole, not as bad as some of the gloomiest of them had feared, even though it was not as intelligent as the rosiest optimists of 1945 had hoped. But this section of opinion has already been severely shaken by Labour's performance in thirty months of opposition, by the irresponsibility, by the sentimentalism, by the class prejudice, and above all by the spectacle of leaders who apparently do not dare to stand up for the principles they embraced when in office. The wild men of the Left are not frightening in themselves ; Bevanite men carrying out Attleeite principles—as (with one or two exceptions) in the Labour government—are not too much to swallow. But there can be no such acceptance of Attleeite men carrying out Bevanite policies, least of all when these policies put the security of the free world at stake. That would be the parting of the ways. It would leave the Labour party with only its instinctive—and none of its reasoning—supporters to fall back on ; and the plain and fortunate fact is that—at any rate in the absence of a Tory debacle —there are not enough of those to vote any Labour government back to power on their own.

Such, then, is the dilemma that faces Mr Attlee at this fateful juncture of his party's history. The answer he ought to give to it is plain. At the meeting of the Parliamentary party next week, he should say that Labour supports the principle of collective security in Asia ; he may justly mention Mr Nehru's participation as a *desideratum*, but not as a pre-condition. He should say that Labour still stands by its decision to support the European army ; he may emphasise that Socialist uneasiness about German rearmament is a deeply felt emotion and that safeguards against German militarism must be kept continuously strong, but he should not elevate this apprehension into a barrier in the way of the free world's defence. He may fairly claim that the clash of personalities within the Labour movement is not important, but he must make it clear that the clash of policies is. He must speak for England, and not for Russia or Mr Nehru, now.

Return to Geneva

ON Monday the Foreign Ministers are to gather in Geneva for the first major political conference held in that city since prewar days. Their arrival will wake some strange echoes. This was the capital city of the unstable peace between two world wars. In Geneva, in the thirties, Japan's aggressions against the less bellicose China of those days, and Mussolini's invasion of Ethiopia were vainly condemned. Faint hearts and false hopes combined to prevent the great majority of peaceful nations from taking any effective action to check the aggressors. Litvinov's dictum that "peace is indivisible" did not deter his successor, Mr Molotov, from conniving at Hitler's conquest of Poland and the wave of aggression surged on to engulf a score of countries in Europe, Africa and Asia.

A very different situation confronts the diplomats who meet in Geneva next week. However formidable the problems they face, they are not gathering merely to wring impotent hands and seek sedative formulæ that would conceal from an anxious world the fact that aggression has scored another easy victory. Two subjects are on their agenda, Korea and Indo-China ; and although Indo-China has stolen the limelight in recent weeks, as a result of the heroic defence of Dien Bien Phu and the agitated debate in both Paris and Washington, at Geneva it is Korea that ranks first. It is highly unlikely that the conference will achieve the agreement on the reunion of Korea that all parties declare to be their goal. With a huge Chinese army poised north of the armistice line, and Mr Syngman Rhee still uttering threats of a "march north," the position in Korea remains dangerous and unpromising. But it also remains a fact that in Korea aggression did not achieve a walkover, as it had done in Manchuria, Ethiopia and Czechoslovakia.

In 1950, for the first time in history, forces from over a dozen nations rallied under the banner of a world organisation to defend an invaded country. The aggressor was repelled and his armies shattered ; and even when a Chinese army of over a million men, with Soviet aircraft and arms, poured into Korea without even a formal declaration of war, it not only failed to attain its professed aim of pushing the United Nations forces into the sea, but was in turn pushed back beyond the 38th Parallel. Prewar Geneva never came within sight of such a successful defence of peace.

Moreover, next week's conference itself represents a further quiet achievement. It may settle nothing ; but it is essentially the right kind of conference on Korea, and that alone is important. Last summer, although the Communists finally agreed to an armistice after two years' haggling, they blocked the road to a peace conference by insisting that it should discuss not only Korea but many other issues. In other words, the Peking government was ready to sell peace to the wretched Koreans only at a high price—the price including the satisfaction of its own demands as regards Formosa, a veto-wielding position in Uno, and economic concessions from the free world. (In Genevan terms, it was as if Mussolini had made a settlement in Ethiopia dependent on acceptance of his claims to Tunis, Corsica and Nice.) The United Nations' firmness on this issue bore fruit in February, when Mr Molotov committed an unenthusiastic China to a conference limited to discussing only Korea and Indo-China. This was Peking's third major climb down since it launched its troops into Korea ; and, like the previous instances—the transfer of the truce talks from Communist-controlled Kaesong to Panmunjom in no-man's-land, and the dropping of the demand for forcible return of all prisoners—this climb down was the result of a patient calling of Communist bluff.

The moral is still timely. Mr Molotov may have been baulked, for the time being, of his pet objective—an endless perspective of palavers unlimited either in time or space. At Berlin, in January and February, the western foreign ministers cut through his treacly

offerings to the hard centre, the stubborn refusal to allow free all-German elections, and departed leaving this awkward fact exposed to the air. But now, only nine weeks later, they must face the Communists across the table again; and even if Mr Molotov and Chou En-lai do not drag all kinds of extraneous issues into a conference intended to deal with first things first, they are all too likely to drag their feet, in the hope that public impatience and nervousness will force the delegates from the free countries to make concessions, or, better still, force them apart.

For this purpose Indo-China will serve the Communists better than Korea. Even the turbulent Mr Rhee has committed himself to quiescence for the first ninety days of the Geneva conference; and it will be remembered that the South Korean president has already let several similar deadlines pass without turning from bark to bite. The unsettled conclusion of the Korean war is at least as troublesome to the Communists as it is to the free world; China, in particular, is restive under the economic restraints that its adventure brought upon it. Indo-China is a very different affair. It is less of a drain on Chinese and Soviet resources than the Korean campaign, and the bloody expenditure of Communist cannon-fodder at Dien Bien Phu does not disturb Mao Tse-tung's digestion or inhibit Malenkov's gaiety when he goes to see *Le Bourgeois Gentilhomme;* the corpses are neither Chinese nor Russian. Moscow may have some interest in any arrangement that would keep the United States from establishing itself too firmly in South-East Asia; but it has also a clear interest in pinning the French army down in Indo-China and thereby obstructing the road to the European Defence Community. The recent protestations from the Communist capitals that an Indo-Chinese cease-fire is much to be desired ring somewhat hollowly against the sound of General Vo Nguyen Giap's massed artillery and of Russian-built trucks bringing in fresh ammunition.

To expect the Communist delegates to come to Geneva next week with a genuine anxiety to stop the bloodshed in Indo-China would, therefore, be ludicrously naive. They come, rather, with an obvious feeling that in Indo-China time is on their side, and with every intention of playing the Panmunjom game over again. Their hopes are high, for they can see as plainly as anybody in the free world how in both Paris and Washington counsels are divided and possibilities of action limited. There is not the least evidence that a display of western firmness at Geneva will provoke the Communists into any new adventures more dangerous than those on which they have already embarked. The only thing that might lead them to such rash steps would be the appearance of a yawning rift between the powers that face them across the table. If peace is to be restored in the Far East, it is far more important that the free nations should remain agreed among themselves throughout the Geneva conference than that they should hasten to accept the Communists' terms at its very beginning.

Comrades in Conspiracy

LAST week-end 650 delegates assembled in Battersea Town Hall for the twenty-third National Congress of the British Communist Party. It was a Congress that was important not for the views it expressed—they were drearily familiar—but for the strategy it revealed. Most of the first day was taken up by Mr Harry Pollitt, the party's general secretary, who presented the Executive Committee's report. He spoke for well over three hours, and by the time he sat down the patient comrades could have been in no doubt about the coming year's campaigns and slogans; indeed there was no doubt even before Mr Pollitt's marathon began. There will be new claims for wage increases, for higher social insurance benefits, no rent increases ("here is the greatest single opportunity for a united mass movement that has recently occurred"), an end to British subservience to America, unfettered East-West trade ("this not only means jobs for the workers, it means securing an important political victory over the whole aggressive policy of the United States"), the withdrawal of British troops from all colonial and dependent countries, the admission of China to the United Nations, no arming of Germany, and the prohibition of weapons of mass destruction. The response to all this from the floor was the usual mixture of approval, self-congratulation and calls for redoubled effort.

But, in making the familiar reflexes to the familiar battle-cries, most of the delegates missed the real burden of Mr Pollitt's message. His main concern was with the frustrating paradox that faces the British Communist Party. The party leadership claims that in recent years Communist propaganda has successfully penetrated into large sectors of the labour movement, and even further afield; but it sadly admits that it has failed to build up mass support for the party itself. Both the claim and the admission deserve examination; and so do the leaders' hints of what the comrades intend to do about it.

The party's claim to penetration into other organisations is not exaggerated. There has been remarkable Communist and crypto-Communist penetration both into the constituency Labour parties and into the trade unions. The first of these successes is sometimes soft-pedalled; the second is not. When last week's Congress assembled, the Central Executive of the Communist Party included the general secretary of the Foundry Workers, the assistant general secretary of the Electrical

Trades Union, the general secretary of the Fire Brigades Union, the general secretary and two area presidents of the National Union of Mineworkers, and the vice-president of the National Union of Vehicle Builders. The delegates included more than a hundred members of the Amalgamated Engineering Union, ranging from shop stewards to national organisers and embracing such prominent party veterans as Joe Scott, Wal Hannington, Syd Abbott, Claude Berridge, Les Ambrose and Peter Kerrigan. The last of these, Mr Kerrigan, is a member of the party's Political Bureau and head of its Industrial Department; he was also the recipient two years ago of the AEU's Order of Merit.

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The everyday impact of such men on industrial relations is immense. At Battersea last week the party openly—and probably correctly—claimed much of the credit for the recent militancy of the engineers, the electricians, the railwaymen, the builders and the petrol tanker drivers; significantly, too—in view of last month's union attempt to interfere with BOAC's sale of Hermes aircraft—one delegate boasted that the party's branch at London Airport had recently doubled its membership. The party intends to work even harder to foment strikes in the months ahead. "The more of these threats we can begin to organise in 1954," said Mr Pollitt, "the better for all of us."

In the political, as in the industrial, field the British Communist party can also claim some notable successes in the past year; here again their disguised influence in the unions and in the constituency Labour parties has been the dominant factor. During the spring and early summer of 1953 at least a dozen trade union conferences passed resolutions taken straight out of the party's programme. Twelve conferences, ranging from the Amalgamated Engineering Union to the Fire Brigades' Union, voted for unfettered East-West trade; almost as many demanded a Five Power Pact; seven conferences recorded votes against bacteriological methods of warfare; and half a dozen called for a reduction in the term of National Service to one year. Even the National Union of Students started on the journey back to the party fold. Summarising these and similar victories Mr Pollitt declared:

> At the 1953 Trades Union Congress the policy of ending American domination, of friendship and trade with the Socialist world, and of social change, received between two and three million votes, and at the 1953 Labour Party Conference one and three-quarter to two million votes. The outstanding new feature of these very significant votes was the emergence of a powerful group of trade unions, including the engineers, electricians and railwaymen in alliance with the majority of the constituency Labour parties. And let there be no mistake: all these developments have been enormously influenced by the work and propaganda of the Communist Party.

There should be no mistake, least of all at Transport House.

This is the rosy side of the Communists' balance sheet. The gloomier side, from the party's point of view, is that whenever the comrades appear in their own colours, instead of operating through somebody else, the broad mass of both union and non-union voters will have nothing to do with them. The card-carrying membership of the British Communist party has remained stable at a mere 35,000 for several years (together with about 3,000 in the Young Communist League). The circulation of the *Daily Worker* fell steadily from 115,000 in 1951 to 87,000 by the end of 1953; in the same period the circulation of the *Labour Monthly* fell from 15,000 to 13,000, and the *Communist Review* had to close down last year because of lack of support. The ten Communists who stood at the General Election in 1951 received only 21,640 votes between them and all lost their deposits, and there seems to have been a further fall in the party's popularity with the electorate since then. In the 1952 local government elections the party had put forward 162 candidates, who received together 50,000 votes; in 1953 the party's 152 candidates could muster only 36,000 votes. When the 890,000-strong Amalgamated Engineering Union elected its president in 1951, the Communist candidate, Mr Claude Berridge, had polled more than 37,000 votes; in its 1954 election Mr Berridge received only 33,000 votes.

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It is very annoying for declared Communists to realise that they cannot obtain positions of any standing in the country so long as they present themselves for election under their own flag; but they are not going to allow this annoyance to warp party strategy. The leadership has therefore recognised that one of its main objectives must be to strike down the barriers that debar it from working its way further into the counsels of the Labour Party. In Mr Pollitt's words, "it is vital to challenge and smash all the bans, purges and proscriptions coming from Transport House."

Throughout the thirty-three years of the British Communist party's existence the Labour party has refused to accept its affiliation, and has proscribed the Communist front organisations created for purposes of infiltration. In addition, some trade unions, including the Transport and General Workers' Union with its million and a quarter membership, have banned Communists from holding executive posts. In 1954 the Communists hope to whittle at least some of these bans away. They are convinced that in this endeavour they can count on the support of the majority of the constituency Labour parties, and also on a group of militant trade unions which accounts for 1½ million votes at any Labour Party conference. In Mr Pollitt's words:

> In 1921 the Right Wing leaders . . . refused the affiliation of the Communist Party. By this step and further bans and exclusions since then the Right Wing leaders have been able up till now to tie the Labour Party more and more securely to the coat-tails of capitalism. . . .

Today they attack the Bevanites and the Leftward-moving workers in general. . . . There is no conflict between the Communist Party and the mass of the membership of the Labour Party. . . . The whole future of the Labour Party depends on . . . the re-establishment of the original federal basis of the Labour party and the removal of all bans and proscriptions.

The first open test of the new policy—which, in the industrial field, is to be called " the fight to re-establish democracy in the unions "—came the day after Mr Pollitt delivered his report. It resulted in a Communist setback. By 26,580 votes to 12,540 the Clerical and Administrative Workers' Union defeated a resolution to delete a union rule under which members of organisations proscribed by the TUC and the Labour Party are ineligible for election as delegates to bodies to which the union is affiliated. This, however, was only the opening shot in a battle which will be fought out in many other trade union conferences in the months ahead. The primary aim of the Communist conspiracy in Britain today is not to overthrow Her Majesty's Government by force ; but (quite legally) to undermine Her Majesty's Opposition by stealth. It would be wishful thinking to assume that in each and every case the industrial workers and the constituency Labour parties will reply as effectively as the clerks have done.

Sterling Area Stamina

WHAT has happened to the long-expected sterling crisis ? Defying the almost universally held fears, Britain and the sterling area have lived through nine months of the American recession and still there is no sign of imminent disaster. Yet in 1949, when business in the United States actually receded somewhat less quickly and less deeply than it has now, the sterling area was immediately affected by transatlantic tremors, and almost at once stared disaster in the face. What is different now ? Is it luck or good management ? Or has something basic changed ?

It may be that appearances flatter only to deceive. The worst may have already started to happen ; but in the state of our knowledge of economic matters the dread figures—if in fact they are so alarming—would be known only in two or three months' time. It may thus be premature to assume that the sterling area is in fact riding out the storm. But, in spite of the lag in economic intelligence, enough is known to say that the present American recession has had—to put it no higher—a delayed impact on the sterling area. And this in itself may turn out to be a mercy, if recovery in the United States is not too long delayed.

Perhaps the best way to explain why the sterling area has escaped so lightly this time is to compare the basic economic conditions of today with the circumstances of 1949. Two facts stand out. The first is that the current American recession has been unique because (as explained in an article in *The Economist* of April 3rd) the primary inventory readjustment has failed to cause the expected repercussions, inside the United States as well as outside. The second is that the sterling area is in incomparably better health than in 1949. How have these factors immunised the sterling area from the virus ?

So far as can be judged from the latest information from America, the diagnosis made by President Eisenhower's economic advisers, of a " rolling readjustment " brought about by large-scale adjustments of overswollen inventories, still holds good. There are, indeed, signs—though admittedly as yet only slight—that the process, which has been orderly throughout, may now be reaching an end. And still there is no sign at all of secondary repercussions or of the dreaded spiralling effect. If there is one single explanation of this phenomenon, it is that confidence in the recuperative powers of the American economy has remained unshaken in every sector—in business, among consumers, and in the government. Sterling area commodities have, of course, been equally affected by the shake out in inventories ; but with confidence remaining high—unlike 1949—they have not been the object of panicky liquidation. Actually, on this occasion, for reasons that are still not clear, some American producers appear to have anticipated the downturn in business ; for there is evidence that an orderly and moderate cut-back in American purchases of some commodities from the sterling area occurred in the first half of 1953, before the onset of the recession.

Equally important is the improved state of health of the sterling area itself. There are a number of reasons why it is stronger in 1953 than it was in 1949: there is no longer an inflation-bred sellers' market, to any significant degree, either in Britain or in the overseas sterling area ; freer commodity markets and exchanges, by enabling the price mechanism to function, have eliminated artificial prices and exchange rates ; supplies of non-dollar materials and manufactures have increased ; and the sterling countries have more effectively recognised that responsibility to keep their purchases from dollar markets within bounds. These, among other reasons, explain why sterling is no longer regarded in the world at large as a grossly overvalued currency, as it was in 1949. Consequently there is no tendency now, as there was then, to speculate against the pound. Indeed, the tendency has, if anything, been the other way. Moreover, since 1949, a change has come about in the ownership of sterling balances, which are now held for the greater part in relatively " safe hands."

These appear to be the two major differences between 1949 and the present ; but there are some additional, if rather technical, differences whose importance cannot be correctly evaluated at this stage. There is, for instance, the question of aid. In 1949 dollars were being supplied to Britain and other countries as economic aid in the Marshall programme. In the present period almost all American aid is for defence purposes, and a growing proportion of this takes the form of offshore purchases, that is orders placed in Britain for aircraft, munitions, and other defence materials. Not only is the total of dollars obtained now actually larger than in 1949, but—other considerations aside—it is a better form of aid in circumstances of recession. British firms have firm long-term orders which not only assure them of stability during the recession but also enable them to place long-term orders in the sterling area for their raw materials.

Another important difference from 1949 is the state of the commodity markets. Prices have shown no tendency to fall ; indeed, in recent weeks they have actually been rising. Probably this is because commodity markets, which had boomed to fantastic heights during the Korean war, had been thoroughly shaken out before the onset of the recession in America last July. Furthermore, for technical supply reasons, two of the beverages, cocoa and tea—both fortuitously supplied from the sterling area—had been depressed too far, and have since staged an energetic recovery.

From all these factors one conclusion emerges with reasonable clarity: the course of events in 1949, whereby a minor decline in American production precipitated a major decline in the sterling area's dollar earnings, is evidently not nearly as normal a pattern of economic behaviour as has been generally supposed. The belief would perhaps never have become so widespread if 1949 had not appeared broadly to repeat the experience of 1938. One must now conclude (or so it seems) that, while 1938 and 1949 happened to be (in this respect) two examples of the same kind of American recession, 1953-54 happens to be an example of another kind. What should be guarded against (though it is very likely to happen) is the general embracing of a new doctrine that the outside world in general, and the sterling area in particular, can ride out any future disturbance in America without difficulty or damage. The path of wisdom (provisionally at least) is to ponder on the strength of two familiar platitudes. The first is that circumstances alter cases—which means, in this particular context, that most of the model-building of the macro-economists is a waste of time, since most of their constants are really variables. The second is that, for the preservation of economic stability, the maintenance of confidence in the commercial community is worth a pack of planners.

Notes of the Week

In Big Brother's Footsteps?

THE Chinese Communist delegates in Geneva will be scrutinized with the same sort of curiosity that greeted the Bolshevik envoys at the Genoa conference over thirty years ago. They are making their first bow on the broad international stage and the public has, therefore, very few clues about the motives and calculations behind the newcomers' actions. Can reference to Soviet precedents perhaps help ? In many respects China has been following the example of its revolutionary predecessor: in industry and in agriculture the planners set the Soviet Union as a model ; even Stalinist " democracy " is set officially as the political objective. China is in the peculiar position of having by its side a partner with years of experience and of being dependent on that partner's help for its development.

China's position is both similar to and different from that of post-revolutionary Russia. Though its frontiers are less vulnerable, China, too, probably has a complex about foreign capitalist intervention. But it does not feel isolated, and its expansionist tendencies may be due more to the dynamism of a young revolutionary state than to a search for a *cordon sanitaire* of satellite neighbours. The early Bolsheviks in Russia believed that the fate of their revolution depended on the victory of Communism in industrialised Western Europe ; Chinese leaders know that the establishment of Communism in, say, Indo-China or Malaya is not a condition of their present survival. On the other hand, the failure of the revolution in Western Europe was a hard fact that the Bolshevik leaders had to face ; their Chinese counterparts can claim that in South-East Asia they are working on much more favourable soil.

It was the failure of the revolution to spread beyond Russia that brought the Bolsheviks to international conference tables. The result at home was Stalinism and the " building of socialism in one country." Russia turned to its own development, hoping that the capitalist world would decay from its own contradictions. The Chinese are now

charges and it also put forward a scheme for local government reform. This would involve the creation within county council areas of authorities equal to county boroughs ; it is not quite a sensible scheme, but it is a carefully reasoned one. The Co-op party should realise that the closer it keeps to the Co-op store, the bigger its political " divvy " will be.

Purge in Egypt

COLONEL NASSER has resumed the premiership in Egypt and all who hope for stability there are watching him at work much as a street crowd watches the man with a pick who, now and then, hacks at the wall beneath his feet. For he has within the last ten days demolished some of the props from which the Revolution Command Council has hitherto derived useful support. Of these, the most important is a group of good civilian ministers who gave it service. When Colonel Nasser announced the new cabinet last Sunday all six of these were missing from the list ; they are said to have withdrawn for health reasons, but a more likely cause of their disappearance is that he suspects them to have made contact with former politicians during the recent momentary resurgence of the parties. Of the six, the least easily replaceable is the former Finance Minister, Abdel Gelil el Emary, who is one of the best bankers in the Middle East and to whom personally is due the credit for Egypt's recovery from the financial doldrums of 1952. Dropping him is dropping a pilot indeed.

President Neguib must also be rated a casualty. He seems worn out by the strain of struggle with the *junta* and has once more been reduced to the role of figurehead, retaining the Presidency, but without power to gainsay Colonel Nasser so long as the latter commands a majority in the *junta*.

Other one-time supporters who have been jettisoned are several politicians who had given the regime service, but who are now lumped with the real black sheep and deprived of political rights ; the object of this step is to keep the prospective National Consultative Council free from the old influences. Another victim is the press ; individual journalists and whole newspapers have been indicted for serving past regimes as " hired pens." Some of the people thus demolished are unworthy of any sympathy, but a few leave gaps that the *junta* will find it hard to fill.

Loss of support from this upper crust is being made good by gains on other fronts. Colonel Nasser now seems to have won a broader backing from the army than he at one time possessed. He is also working hard to strengthen his backing from peasant, worker and minor official ; if words to all of these can be converted into deeds, as were those to a few hundred peasants when he made a fresh distribution of title deeds to smallholders last Monday, he may have replaced old props with new. It is too early to say whether silencing patrician adversaries and winning plebeian supporters will afford him the stability that he would need in order to talk with Britain.

Some Economic Terms

The following is a third selection of contributions for the proposed English-Doubletalk Dictionary of modern economic terms. Suggestions from readers are now flowing in, and are still welcome.

Taxable capacity, maximum, the present level of taxation

Profits, this year's revenue minus last year's costs

Accountancy, sound, paying taxes out of profits, q.v.

Accountancy, unsound, paying dividends out of profits, q.v.

Management, conservative, management in the interests of the directors

Take-over bid, speculative, a proposal to manage in the interests of the shareholders (Note: there appears to be no word for actually managing in the shareholders' interests)

Counterpart Funds, a system of accounting whereby European countries appear to spend on their defence programmes money which is only credited them after it has already been spent on dollar wheat

Foreign Investment, gifts from the US Government

Imperialism, not sending gunboats. See also foreign investment

Imperialist, a foreigner whose assets are expropriated

Imperialist, unrepentant, a foreigner expropriated as above, but who then complains.

Another Iraqi Cabinet Crisis?

IRAQI politicians should read the story of Humpty Dumpty and learn from it that all the King's horses and all the King's men cannot put their country together if they keep staging great falls for cabinets. Iraq is endowed with huge potentialities in money, water, and living space ; yet these cannot be used for the development it so sorely needs if ministers change so often that a young and far from strong civil service is the only element of continuity. This weakness was not so menacing when the Development Board was in the charge of a Director with a status outside the cabinet ; now that this post has been converted into a Ministry, it changes hands with alarming frequency. Even before the present cabinet crisis, it had done so twice already in 1954.

Dr Jamali's cabinet is reported to have resigned because it asked for a dissolution. It has not been popular with a parliament largely composed of landowners because it has wanted to impose a land tax ; now it is accused of " mishandling the flood situation " (which it may have underestimated at the start, but so did Canute) and of flirting with thoughts of the Turco-Pakistani pact. This last, which men with a window on the world, such as the King, the Regent and Nuri Pasha, know to be worth bearing in mind, cannot be the cause of the downfall. Pressures exercised by politicians for personal ends are a more probable explanation. But the news could be good news for Iraq's common man only if a minimum of portfolios were to change hands.

A Day for Nato

THE meeting of the Council of the North Atlantic Treaty Organisation that is being held in Paris this week-end is important less because it gives an opportunity for Foreign Ministers to exchange views on the eve of the Geneva Conference than because it was due to take place in any case. The gathering on Friday was not suddenly convened but is a long-scheduled meeting of the Council, with Ministers present, to discuss general political developments affecting members with world-wide interests. During the last three years the Council has steadily, but with little fanfare, added political content to the bare bones of a defensive military alliance. Increasingly it is becoming the place where governments seek a better understanding and a common assessment of problems of common interest. Much of this is done by the Deputies who are permanently in Paris. But periodic meetings with Foreign, or Defence or Finance Ministers present—or all three—are essential. The easier the agenda the more likely they are to have the kind of exchanges that are the essence of a genuine Atlantic community.

Until recently this April's meeting was expected to have a thin agenda. Now the hydrogen bomb, the proposed Nato for south-east Asia, the Soviet suggestion for a new collective security arrangement in Europe and the Geneva Conference mean a busy day, especially for Mr Dulles. A thorough exchange of views will hardly be possible in a meeting, part of which will be given over to a public session marking the fifth anniversary of the Treaty. But at least the Atlantic alliance has reached the stage where it no longer pretends that the political and strategic problems of Europe can be kept strictly separate from those of the rest of the free world.

The Queen in Uganda

WHEN the Queen arrives in Uganda next Wednesday she will be embarking on what has become the most controversial part of her world tour. Early this year, the Great Lukiko—the parliament of the Baganda tribe, which constitutes nearly a quarter of the population of Uganda—passed a resolution humbly requesting that, in view of the banishment of the Kabaka, the Queen's visit should be " postponed " until a more propitious time. The Lukiko was no doubt sincere in passing this resolution ; but for obvious reasons the Governor and the British Government could hardly be expected to accept it. They did, however, concede, in deference to local sentiment, that the Queen's visit to Mengo, the capital of Buganda, should be left out of the programme. Further modifications have recently been announced in view of the security situation over the border in Kenya.

It is to be hoped that the success of the Queen's mission will not be blighted by any foolish demonstrations on the part of disaffected elements ; if it is, the public should understand from what a narrow section these demonstrations may come. The Prime Minister of Buganda, who has shown great good sense and loyalty throughout the drawn-out controversy over the Kabaka's exile, will certainly not be to blame. He will be in attendance when the Queen arrives at the airport, and will read a loyal address of welcome. In this he is doing no more than traditions of Baganda hospitality demand, but he has not escaped extremist criticism—particularly from the Uganda National Congress, a body that misses few opportunities of representing moderation as a betrayal of Uganda interests.

Meanwhile, despite the commendable restraint shown by both sides (which has allowed the Governor to end the state of emergency), the main issue of the Baganda dispute is still a long way from solution. The Baganda will not begin to be convinced of the permanency of the Kabaka's exile until the court case, in which the validity of the Governor's action is in effect being challenged, has been decided. At best this will not be for some months. It is a hopeful sign that the Lukiko has agreed to appoint a committee to discuss future constitutional developments with Sir Keith Hancock when he arrives on his special mission to Buganda later this summer. But agreement to discuss does not mean that agreement on the controversy itself will be reached. In public at any rate, all sections of opinion remain as firm as ever in their insistence that the return of the Kabaka is the *sine qua non* of any settlement.

Talking Shop

THE Easter conference of the Union of Shop, Distributive and Allied Workers provided a wide-ranging—and disappointing—sounding-board of the present state of Labour opinion. By a large majority the conference voted to become the first big union to support the minority of the Labour Party in its opposition to German rearmament. Mr Alfred Robens, the former Minister of Labour who voted with the Bevanites on this issue in the Shadow Cabinet, came down to the conference to reiterate the views he had then expressed. He was supported by Mr Padley, the left-wing MP who is president of the union ; another distinguished member, Mr Burke, the present chairman of the Labour Party, was regarded as a mildly interesting heretic when he put forward Labour's official view from the floor of the hall.

In voting against German rearmament, the conference was

merely making an unwise choice in a matter on which its most eminent members disagreed with one another. The delegates, however, also passed a resolution demanding an immediate increase of 15 per cent in the wages of the union's 330,000 members. They did this in the teeth of the unanimous opposition of the executive—not always, however, very wisely expressed. The general secretary, Mr Birch, naturally agreed that there should be a wage increase; indeed, conveniently ignoring the fact that the distributive trades have been gaining workers since 1948, he spoke of a growing scarcity of suitable entrants. But he thought it impracticable to demand an all-round increase for 50 or more different trades. This may have seemed simply obstructive to many members, whose wage increases have been very nearly uniform in recent years—negotiated as they are through wages councils which closely follow one another in their recommendations. Mr Birch was also brave enough to attribute the demand to Communist inspiration. The delegates were annoyed by this suggestion. They felt they were only following the current convention: no conference without a wage claim, and a starting-point of 15 per cent in imitation of so many of last year's claims.

Finally, Mr Birch made what may be the first of a series of important statements by trade union leaders about the future of collective bargaining. He opposed the Ministry of Labour's proposal that all national agreements in industry should include a provision to go to arbitration if necessary. This was a disappointing statement. It is true, as Mr Birch said, that if mutual confidence is lacking the mere existence of an agreement would not cause disputing parties to accept arbitration; but it might help to create that confidence, and to exert a brake on hot-headed action. Mr Birch had a better case when he attacked the proposal for an impartial body to advise on wages policy, which the TUC's economic committee discussed last week. The General Council of the TUC has not yet pronounced on it, but there are indications that it will probably agree with Mr Birch. Like him, it may feel that any such advisory body would have a superhuman task to keep in theory above politics, while yet concerning itself with one of the foremost political questions of the day.

Margins for Margarine

THE anguish that seems inseparable from decontrol has now descended on a section of the grocery trade. In two weeks' time, on May 8th, butter, margarine and cooking fats are to be freed. The largest manufacturers, in announcing their prices for branded margarine, have allowed for a retail margin of 12½ per cent, compared with the 10 per cent that the shops have earned for selling the standard margarine produced under control. This has angered the National Federation of Retail Grocers, representing most of the small shopkeepers. It claims that the margin should be 19 per cent, as it was before the war. It also—and more justly—objects to the discounts offered on quantity, which discriminate in favour of the big grocer and which induce the small man to buy all his margarine from the one firm in order to qualify for them.

The Federation is not, however, in a strong position to enforce its claims, because it is not supported by the multiple grocers; and the percentage profit, after all, is calculated on sales that have more than doubled since before the war.

The grocers are expecting the demand for the best quality margarine to be heavy at first, while people satisfy their curiosity about whether it really does taste like butter. At one time, it was even thought that competition from this new margarine at 1s. 9d. a lb might prevent free butter from rising above its present controlled price of 3s. 8d. a lb. It now seems probable, however, that there will be a sharp enough increase to give the Opposition a talking point. Thanks partly to drought in New Zealand, there may later be insufficient butter to provide for consumption of as much as 4 oz per week per head; in addition, Russia is now a buyer in the butter market. As a new product, the best margarine will not appear in the cost of living index. The index will, however, record the reduction of 2d. per lb in the standard quantity now marketed, as well as any increase in the price of butter; there should therefore be plenty of room for the arithmetically contorted controversies in which politicians delight. Whatever happens to the butter price, however, there can be no hardship if a palatable and equally nutritious alternative is on sale at 1s. 9d.

Ministry for the Middle Class

MANY a City-bound business man must have been stirred to thought on Thursday morning when he read the news that a special ministry to deal with the problems of the middle classes was on the political horizon in Belgium. Eyebrows will be raised even further when it is realised that this novel project is expected from a predominantly Socialist coalition. It is, in effect, a skilful stealing of political trousers. The late government in Brussels, that of the Christian Social (Catholic) party, had left many shopkeepers, craftsmen and other self-employed workers dissatisfied, in particular as regard social security benefits, which are concentrated on employees. M. van Acker, the Socialist leader, who now hopes to return to power in partnership with the Liberals, will evidently not only conciliate his partners but also gain middle-class goodwill for his own party if he meets the demands of the self-employed.

But the idea of a Ministry for the Middle Classes, however attractive at first glance, raises some doubts. How would its scope be defined? In Britain, at all events, efforts to find precise definitions of the middle-class or classes have invariably failed. Here—as in Belgium—it is increasingly unfashionable to admit that one is either below or above the shadowy boundaries of the *bourgeoisie*. Middle-class habits and standards are steadily encroaching on council house and mansion alike. And this encroachment brings with it a spread of one of the basic attitudes of the middle-class, a dislike of official supervision. Thus the ideal Ministry for the middle-class might well be described as a counter-ministry—a department whose chief task would be to protect its charges against the inspectors, circulars and buff forms of other organs of the state.

Japan's Reparations

LAST week negotiations between Japan and the Philippines were resumed, following upon an offer of the Japanese to settle outstanding reparations claims. So the subject of Japanese reparation debts to its South-East Asian creditors, the Philippines, Burma, Indonesia, and Indo-China, takes on a new lease of life. For many years the negotiations have been futile, because, on the one side the formerly occupied countries claim impossible sums, while on the other Japan, while offering the minimum, has sought to use reparations as a means of speeding its economic penetration of the area.

Japan's offer is said to amount to 400 million dollars (the Philippine claim was 8 billion); but only a token amount is likely to be paid in cash. The balance is to take the form of services, such as salvaging sunken ships in Philippine waters, and of capital goods for developing the country's natural resources. It is not stated whether the investments will be developed on a co-partnership basis; but in any event it is a wily move by the Japanese, for not only will they ensure for themselves supplies of much-needed raw materials, such as iron ore, but they will also create markets for their own capital goods industries. The proportion of Japan's trade with South-East Asia has been growing; but, with the China market virtually closed, it must turn still more energetically southward.

Though British, and particularly Hongkong's, trade may be affected, Japan's efforts to settle the reparations problem should be welcomed. It has for too long embittered international relations in this vital region. With the possibility of a Far Eastern Nato in the air the settlement of the problem assumes greater urgency.

The Right to Work

LAST week Mr L. C. Huntley, a West Hartlepool engineer, failed to secure an injunction from the Chancery Court against certain officers of the Amalgamated Engineering Union. He asked for an interim injunction to restrain them from preventing him from obtaining and holding a job in the area in which he lives. In its elements, the story of Mr Huntley's conflict with these union officials is simple. He is a member of the AEU, and he refused to take part in the one-day token strike called by it last December. The central authorities of the union were prepared to limit his penalty to an expression of censure on his lack of union solidarity. The local officials thought otherwise. According to Mr Huntley, they threatened to take action against anybody who employed him; and, in recounting his story in court, he at least satisfied Mr Justice Harman that he had suffered a good deal of persecution.

The legal position is that if the motives animating the local union officials were the furtherance of a trade dispute, they can escape from civil liability for the results of their activities. The court understandably declined to decide without a full hearing whether the officials had other motives than this. Mr Huntley, however, is still free to proceed to a full trial.

Whatever the outcome, and whether Mr Huntley succeeds in taking further action or not, it is a misfortune that successive cases of this kind, where individual workers allege that they have been persecuted by union officials, are having to be fought out through the courts. They are having an irritant effect upon the temper of the public, and one day this may blow up into a demand for a radical change in the law—of a sort that the unions will justly resent. To some trade unionists Mr Huntley has been getting what was coming to him. To others—and those others include some of the most responsible union leaders—trade union solidarity is not so overwhelmingly important that it can justify robbing the right to work from a fellow member because he dislikes the idea of a one-day token strike. If responsible unionists feel this way, there is something that they—and they alone—can do about it. Will no trade union leader promote a Geneva Convention to govern the conduct of the class war, with particular reference to those who once enlisted under their own banners? Or are they content with the parallels that can be drawn with earlier examples of unrestricted warfare? Those parallels are not pretty.

Paying for Negligence

THE Ministry of Health has now revised its advice to hospital authorities confronted with a patient's claim for damages based on negligent treatment. The new circular deals with cases in which both hospital and individual doctor are sued, and its general tenor is to advise the hospital and the doctor (in effect, his insurers, the medical defence society) to agree between themselves how they will share the cost of any damages or any sum paid in settlement. If there is no agreement, then the damages are how to be borne in equal shares. This is a familiar form of British compromise, and it should end the unhappy spectacle of a hospital authority pressing in court a claim for full indemnity from one of its own staff. But it raises by implication some important points of principle.

First, the circular suggests, in effect, a united front by the defendants. A patient may come out of a hospital rather worse than he went in; did something go wrong inside the hospital or was the worsening of his condition inevitable? The united front of hospital and doctor will, if skilfully advised, say nothing about anything, for nothing is more helpful to a claimant than arguments between those who are accused of negligence. Is it in the public interest that both hospital authority and doctor should now have a mutual financial interest in each other's silence?

The resulting position of the doctor is equally important. There are two opposing points of view. The *Lancet*, for instance, dislikes the idea that in future the hospital authority may pay for the cost of an individual doctor's mistake. May not that make him too much the servant of the authority, bound to do its bidding? Hospital authorities, conscious of their risk, may lay down rules to cover, if possible, every contingency; and who, then, would be treating the patient, the doctor or the management committee? Against this there is the common-sense view that it is unusual—and by ordinary standards unjust—for any employer to demand that his employee shall pay out of his

own pocket, directly or indirectly, the cost of mistakes which he risks making because of that employment. The present serious shortage of casualty officers in hospitals is at least partly due to the reluctance of a young doctor to face the personal risk of claims for negligence, with the reflections they are bound to cast on his professional competence. This latest circular from the Ministry is too financially slick to be reassuring. It is to be hoped that both the medical and the legal professions will keep an alert eye on how it operates.

Welfare in Prisons

THE fourth International Course in Criminology, which has been discussing recent advances in the study and treatment of offenders, came to an end in London last week. High on the list of practical suggestions was the proposal that full-time, trained social workers should be introduced into all ordinary closed prisons. The slow tempo of life in these old fortress-type gaols, the short hours of work, the lack of effort required, the inability to make one's own decisions, the fact that the bare essentials of existence are provided by others without the need or the possibility to provide for oneself, make any ordinary training for freedom extremely difficult. Many long-term prisoners develop "gate fever" as their day of discharge draws near, not joyous anticipation but real fear of what is beyond. This fear is not altogether unjustified; the ex-prisoner may find it very hard to be accepted by his friends and neighbours, and is certain to find it hard to get a job. There is truth in the old saying that sometimes a man's real punishment begins when his sentence ends.

Another saying is that after-care should begin from the moment the offender enters prison. Prison social workers could turn this desideratum into reality. Plans for a prisoner's return to normal life could be made at the beginning of his sentence; his family difficulties could be smoothed out; and he should be made to feel that when he leaves prison he can come to terms with his new mode of life. Equally important, the social worker in a prison (like the probation officer outside it) would be skilled in the technique of "case-work" and would come in close personal contact with an offender; he might sometimes be able to do much to change the individual prisoner's attitude, and put something positive into the otherwise rather negative regime of the ordinary closed prison.

Delegates at the international course in criminology stated that prison social workers are already being used in Belgium, Denmark, France, Holland, Sweden, Finland and elsewhere. In this country, last year's report of the Maxwell Committee on Discharged Prisoners Aid Societies made a similar recommendation. So far the Home Secretary has not decided to implement it—though he has not turned it down. Perhaps the deliberations of the criminologists recently assembled in London will help him to make up his mind.

War Aims

How is Russia to be effectually crippled and disabled from future mischief? By depriving her of her more recent and unassimilated conquests, and restoring them to the Powers from which they have been torn. Georgia must be rescued and replaced, and Circassia maintained as an independent barrier, to keep Russia for ever on this side of the Caucasus. The Crimea must be taken also, and Sebastopol stormed at any cost, and the navy sheltered there captured or destroyed. Bessarabia longs for the day of her emancipation, and would probably rise on the first thorough disaster that happened to the Russian arms, if assured of the faithful and permanent support of the allies. The Danubian Principalities must be freed from the curse of Russian occupation and of Russian protectorate for ever. Finland must be restored to Sweden, and the Isles of Aland must be held either by Sweden or by England. If these things are done, Russia will cease to be formidable; and whether she accepts a peace or not will be a matter of no moment whatever. . . . These are unquestionably great achievements—difficult and costly. But if they are at once necessary and possible . . all that we have to consider is the best and promptest means of effecting them. The details must of course be left to the naval, military, and financial authorities intrusted with the conduct of the war. The duty of the public is confined to the insisting that no efforts, however great, which are essential, shall be wanting, and that no funds needed for the purpose shall be refused. . . . For we must remember that of all wars a long war is the most costly, and an indecisive war the most absurd; and that, if to go to war in a bad cause is the greatest of sins, to go to war for an object which you are not resolved at all hazards to gain, is the most unpardonable of all follies. Now, our object in the present struggle is not to drive the Russians back over the Pruth and to force the acceptance of the modified Vienna note; but to secure *for the future* Turkey from Russian encroachment, Germany from Russian dictation, civilisation and liberty from Russian barbarism.

The Economist
April 22, 1854

SHORTER NOTES

The Russian-manned trading organisation known as Amtorg Trading Corporation, which has offices in New York, has suddenly come to life after nearly five years' hibernation. It has been making enquiries from American manufacturers for a wide range of machine tools and other metal products. Formerly it used to be the main channel for placing Soviet orders in the United States. American observers connect this development with the current East-West trade drive and with Soviet hopes of an early relaxation of the embargo.

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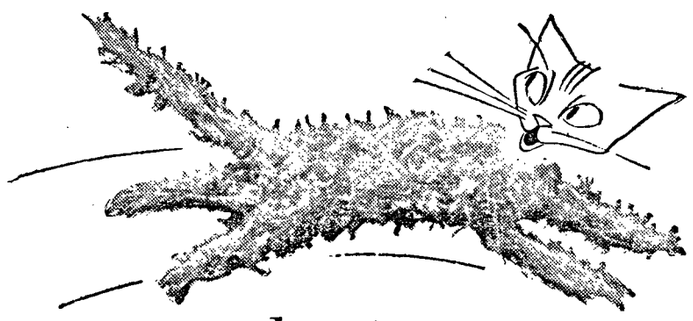
It looks, after all, as if the Greek Government will pursue the Markezinis programme without Markezinis. The reshuffle of ministers announced recently leaves two members of his New Party in the key ministries of economic co-ordination and finance. The plan marches on towards a budget precariously balanced with the help of the drachma counterpart of American funds, towards reduced expenditure, towards exploitation of mineral wealth and the electrification of the countryside. It remains to be seen whether Marshal Papagos can persuade the Americans that a smaller army is desirable and whether the rising cost of living can be checked or its effects on the population mitigated.



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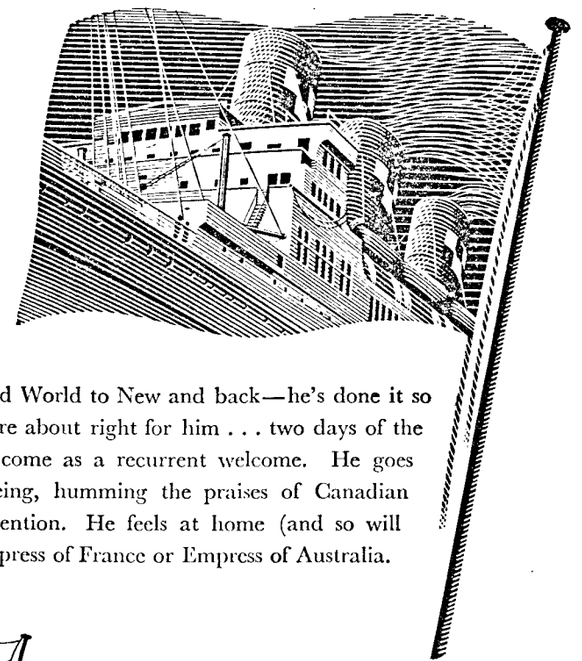

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Letters to the Editor

A Nato for South East Asia

SIR—Your article on "A Nato for South East Asia" puts the case for Mr Eden's "agreement to consider" as well as, or better than, it has been put before. Those whom you criticise as "the Left wing of the Labour Party" (although I believe that it will be found that in this matter ours is, broadly, the position of the Labour movement as a whole) will wish to comment upon it. Our views arise from two basic convictions, one of which you deny and the other of which you state, but then disregard. First you deny that there is "any colonialism in South East Asia today of which anyone in the west should be ashamed." That you can so regard the French record in Indo-China over the past eight years reveals a difference between us which no argument is likely to bridge. You go on to describe the hopelessly belated and still, at the time of writing this letter, unimplemented, offer of self-government to the three Indo-Chinese states—an offer which does not include the indispensable right to leave the French Union—as "virtually the same as the Attlee-Cripps policy towards India"! This issue of colonialism will be found to be decisive. For the question is this: Is the Indo-Chinese war a case of "Communist aggression," such as must necessarily be resisted by all non-Communists, as the North Korean aggression was resisted by the Government of which Mr Bevan, myself and several others whose attitude you criticise, were members? Or is it, on the contrary, a tragic and hopeless attempt to perpetuate colonialism where such a policy has become wholly impossible, to the benefit of Asian Communists alone?

It will be found that everything turns on this issue. For no doubt there might be much to be said for a South East Asia Defence Pact which India, Ceylon and Burma would join. But that would mean the actual, instead of the verbal, end of French colonialism in Indo-China. And that, in turn, would now, unfortunately, almost certainly mean that at least a part of the country will come under some form of Communist, or pro-Communist, rule. One must face the fact that such have become the consequences of the incredible stubbornness of French policy.

You mention our own position in Malaya. Let me repeat what I have said both in and out of office: We can only finally win in Malaya by means of creating a fully native, fully self-governing and fully independent Malayan society, which, we hope, will remain in the Commonwealth, but which will be as free as Burma was to leave it if it so desires. That will be a most complex and difficult task. But our only hope is to get on with it, and to get on with it faster than we are doing at present.

To deny that colonialism is the essence of the question in South East Asia is blindness indeed. Those whose attitude you criticise are therefore determined to do all in their power to prevent the forces, and the influence, of this country being engaged on the hopeless course of attempting to hold the present geographical or political "line" in Indo-China. Certainly we must do all in our power to see to it that the new nations of South East Asia emerge as non-Communist societies, such as Burma. That very purpose will be finally compromised if we enter a pact for the support of the French or the Vietnamese position, at least in Tonkin and Northern Indo-China.

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The second cause of our attitude is, as you write, a basic distrust of the policy of the present American Administration in Asia. You berate us for showing this distrust, but even in your article you give us ample grounds for it. You write that American policy in the Far East "is apparently unwilling to make any concessions at all, even for full value received." You add that Mr Dulles "appeared to be threatening the Chinese with the atom bomb in the immediate future if they did not behave." (And repeated American statements make it clear that by "behave" is meant not a willingness to conclude an armistice on, for example, some partition line, but the immediate stopping of all aid to Ho-Chi-Minh, without, of course, the Americans stopping their far larger flow of aid to the Vietnamese and the French). You agree that "for a day or two there was far more [American] pressure than there should have been." (And the usually well-informed Diplomatic Correspondent of the *Observer* writes that should an armistice not be concluded at Geneva on the American terms, this pressure on us will become "overwhelming.")

What makes you think it unnecessary to resist such an American policy as that? In fact almost the only good word which you can yourself find to say for it is that the Americans "are magnificently right in insisting that they will give nothing for nothing." Of course it is true that the only way to bargain with the Communists, or with most other people, is to have a striking point beyond which you will not go, and to show the utmost firmness in holding to it. But on your own showing what the Americans are trying to get us to support them in doing is not that, but an unwillingness to make any concessions at all, the choice of a fatally untenable striking point, and a threat to use A- or H-bombs on China. What is magnificent about that?

In these circumstances no other attitude will be found to be possible for the British Labour movement than a determination that Britain shall not support an American Far Eastern policy which must, if it is long enough pursued, lead to a morally and politically unjustified war on China. For in South East Asia moral and political factors will be found to outweigh military factors. Nuclear bombs upon Chinese cities will not prevent a Communist conquest of Asia: they are the one thing which could ensure it.—Yours faithfully,

House of Commons. JOHN STRACHEY.

[We confine our comment on Mr Strachey's letter to two points where, we think, he has misunderstood our position.

1. We make no defence of French policy in Indo-China in the past, even in the recent past. We believe that now, under the pressure of circumstances, they have come "at long last and with every show of reluctance" (our words last week) to the point of granting complete independence to the Indo-Chinese states. It is true that this has not been formally announced in Paris; but it is clear that it cannot be resisted there. If so, the battle against "colonialism" has been largely won.

2. There are many things about American policy in the Far East that we dislike. But the overriding issue is that the peace of the world depends on the maintenance of the alliance of the free western nations. So long as that alliance is maintained, we do not believe there will be a war. If it is broken, atomic war becomes very probable. This does not mean that we must always defer to the Americans or refrain from speaking out when we think they are wrong. It does mean that the paramount aim of British foreign policy should be to preserve the alliance.—EDITOR.]

Horizontal Weather

SIR—In reference to my proposal for optional depreciation rates and to my argument that the firm would have to "pay a price" for getting an accelerated rate from the Inland Revenue, since it would have to carry that same rate in its own books, Mr Reddaway argues that this would be no sacrifice, since the firm could simply transfer to "depreciation account" what would otherwise have stood as "undistributed profit." Maybe that would happen in many cases, though not necessarily in all. The fact remains that if a firm has to commit itself in advance to a high depreciation rate, it is sacrificing one degree of freedom—always a vital matter in business—in the use of its funds, as well as in many cases messing up its own system of accounts. I believe that under my system firms would adopt precisely those rates of depreciation that they would choose to apply if there were no income or profits taxes at all. The great thing is that firms which have reasons for wanting to write off quickly should be free to do so. This point, so vital for British competitive efficiency, Mr Reddaway ignores. But in the majority of cases there would probably be no change of practice.

No, argues Mr Reddaway; this is

holding "a very poor opinion of the intelligence of directors (or of his own)"; they will all rush in and opt for high rates because of the saving of interest involved. In my own mind, were I a director, the small saving of interest would weigh little indeed against the loss of freedom involved; and I believe that is how the minds of most directors would work. On the question of intelligence I say nothing.

Finally, Mr Reddaway argues that a quick write-off would not give a "true and fair view" of the position. Mr Reddaway knows quite well that where there is risk—of falling markets, of obsolescence—it is very difficult to determine a "true" rate of write off. I suggest that what the directors think it wisest to do in each particular case is likely to be much closer to the "truth" than any arbitrary Inland Revenue scales.

May I take this opportunity to quote Mr E. Browaldh, Managing Director of Svenska Handelsbanken, speaking on March 12, 1954, of the voluntary system in Sweden, whose suspense three years ago was an anti-inflation measure:

> This right has in actual fact served as a powerful lever for promoting our industrial development and has thereby been of immense significance for the entire growth of prosperity in the country.

—Yours faithfully,

ROY HARROD

Christ Church, Oxford

Roads Below the Line

SIR—In your note of April 3rd you give the impression that the British Road Federation is suggesting that the whole of the road expenditure might be financed by loans. This is not its idea at all. The proposal is that new construction should, like other capital investment, be financed by borrowing.

You criticise this proposal in that a Highways Authority would have no revenue, but surely the same criticism would apply to education. Schools are built by local authorities out of borrowed money but the authority has no revenue beyond the local rates. I suggest that the same principle could apply to roads and interest on loans could come out of motor taxation.

Industry obviously wants new roads and bridges quickly and if the Government cannot find all the required revenue now, surely there is nothing wrong in the suggestion about road loans.—Yours faithfully,

R. GRESHAM COOKE

British Road Federation, W.1

[The British Road Federation's statement said that "expenditure on the roads, particularly new construction, should rank as capital investment," and proposed that the National Highways Authority should be "charged with national supervision over road needs and road expenditure." The point made in the note that roads are not revenue-raising referred to the proposal to transfer responsibility for the expenditure of public money from Parliament to an independent authority. Local education committees are responsible to their own authorities and to the central government. On the need for new and better roads, there is no question.—EDITOR.]

Books & Publications

The Understater

AS IT HAPPENED.
By C. R. Attlee.
Heinemann. 227 pages. 16s.

MR ATTLEE is a reticent man. He does not gossip about current political issues and he rarely gives away secrets. These characteristics, valuable to him as a politician, limits his success as a writer of memoirs. There is so much that he could have told, but that, quite coolly and deliberately, he chooses not to. He discusses the speculation about his sudden reversal in 1945 of the offices of Ernest Bevin and Mr Dalton, but adds to it only the following magnificently bare sentence: "Various reasons impelled me to my final decision, which was, I think, justified in the event."

At the same time this is a fascinating book. Directly it may tell us little that is new, but indirectly it tells us a great deal about its author. Mr Attlee is a unique politician. He has been the leader of a major political party for a longer continuous period than any other man in the modern political history of this country. And his leadership has been successful. He was the first majority Labour Prime Minister; he came very near to winning three successive general elections—a feat achieved by no other party leader and by only one Government since 1832—and he will assuredly leave the Labour Party, despite all its present troubles, much stronger than he found it. In addition, he commands wide personal respect outside his own party, and is the subject of a growing fund of half-ironical, half-admiring stories—one of the hall-marks of a fully established political reputation.

Most of these stories culminate in an Attlee laconicism. "We will watch that," he is reputed to have told the Labour Party meeting at which the hydrogen bomb was first raised, before quickly going on to nominate speakers for the second reading debate on some minor measure. This side to his character is quite perfectly expressed in "As It Happened." The title itself strikes the keynote, and in the course of the book there is hardly a facet of politics that does not receive its share of cool understatement. "There was, therefore, in my view, no real difference of principle," he writes, and the Bevanite resignations are dismissed.

Perhaps the best part of the book is that dealing with Mr Attlee's childhood and early manhood. He emerges from it clearly as one who, far from being a professional rebel, is of a profoundly conformist habit of mind. He is a middle-class man who came to socialism without being in revolt against his social background. He is a university man who has few of the values or the habitual reactions of the intellectual. As such he has more instinctive sympathy with the reactions of the trade unionist or of the average Labour voter than have most of his kind. This, combined with a deep integrity of central purpose and the most sensitive political antennæ, is a large part of the secret of his success.

Nineteenth Century Trade Cycle

A STUDY IN TRADE CYCLE HISTORY: *Economic Fluctuations in Great Britain,* 1833-42.
By R. C. O. Matthews.
Cambridge University Press. 240 pages. 25s.

THIS work is an attempt to apply modern economic theory in the analysis of short period fluctuations between 1833 and 1842. Modern theory is elegant and refined: the evidence available for the early nineteenth century is crude and fragmentary. And economists who attempt to press theory into the service of history are apt to be praised by historians for their analytical capacity, and by economists for their command of the historical sources. Mr Matthews should escape such ambiguous praise. For he combines a mastery of the most recent theory with a knowledge of early nineteenth century economic history that will commend his work to the most seasoned historians of the period.

The work is arranged by subject and not chronologically. The first seven chapters are devoted to various problems of Britain's external accounts. Then follow three chapters dealing with industry. There is one chapter on money and banking—from a strictly economic point of view the best in the book—and a concluding chapter in which the author surveys the various phases of the cycle. It is always difficult in a detailed study such as this to strike a balance between analysis and narrative, but Mr Matthews has handled the problems of presentation with considerable success. And though the argument is often rigorous, he writes with such clarity and avoidance of jargon that historians with little knowledge of economic theory ought to be able to follow him. Trade cycle history has sometimes degenerated into platitudes heavily disguised in technical language; much of the argument of this work is difficult, but the author is a master of the art of making difficult things seem tolerably simple.

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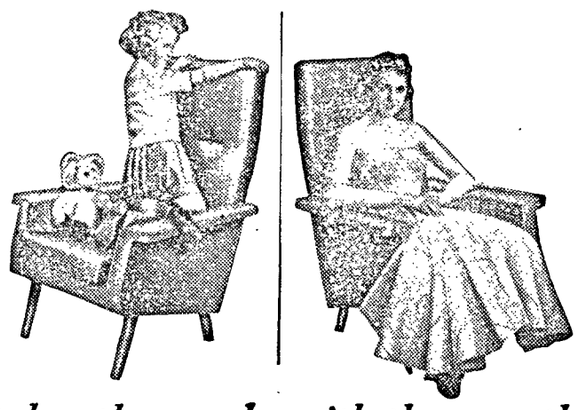

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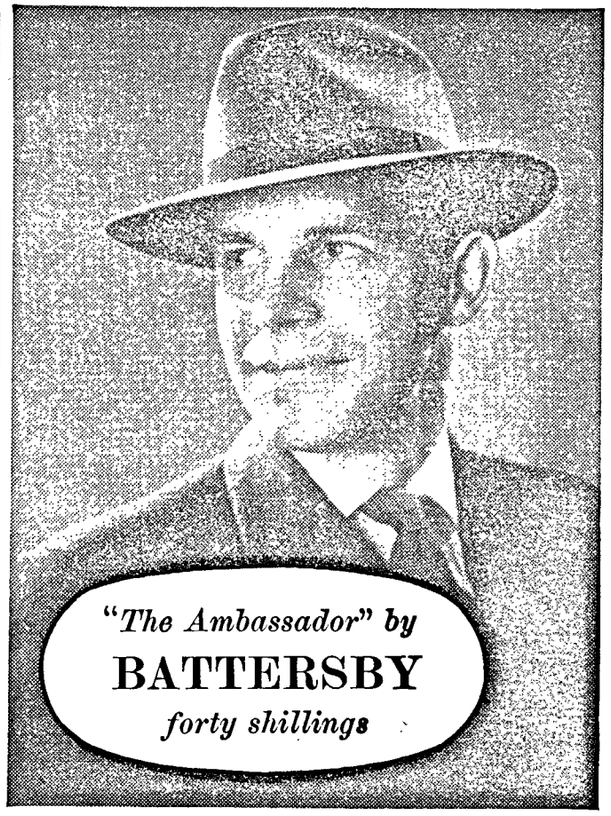

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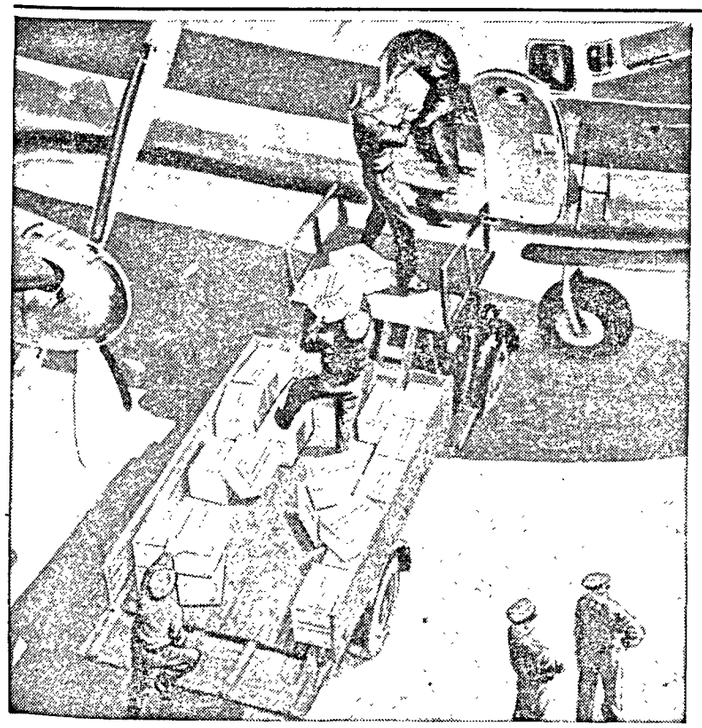

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Only poor theory in uncertain hands produces a simple clear-cut explanation of trade cycle history in terms of a sample number of influences. Mr Matthews's explanations are subtle and complicated, and, in so far as he identifies any pattern in his cycle, it cannot be said to conform neatly to any particular theory. Some parts of it resemble reasonably well the various versions of the cycle based on the multiplier and acceleration principle, but parts of it do not; some of the events, for example the clustering of railway schemes after the success of the Liverpool and Manchester line, are interpreted on lines analogous to those of Schumpeter. The real skill in investigating an historical episode in the light of theory is the ability to identify the appropriate theoretical categories and to judge how rigorously they may properly be used. Mr Matthews has this skill in a very high degree. He is also prepared to allow full weight to influences which do not figure in theory at all, to the extraneous and the fortuitous. It is therefore impossible to summarise his argument. But some general points stand out. It has often been said that the trade cycle in nineteenth century England was an "imported" phenomenon, imported mainly from the United States. However true of other periods, this generalisation does not hold good for 1833-42. The mainstay of the cycle in this period was British investment. Another interesting point is the importance which the author attaches to the speculative "mania" in determining the course of the cycle; this was an influence which always figured largely in the comment of contemporaries but has dropped out of more recent explanations.

Only one general criticism might be made. Almost half the book deals with Britain's balance of overseas trade; as against this, the iron industry has only three pages and the coal industry only two. This distribution of space is, perhaps, natural since foreign trade is the topic on which statistical evidence is ample, but in a second edition Mr Matthews ought to strengthen his sections on iron and coal.

Taking Decisions

UNCERTAINTY AND BUSINESS DECISIONS.
Edited by C. F. Carter, G. P. Meredith and G. L. S. Shackle.
University Press of Liverpool. 112 pages. 10s. 6d.

IN 1949 Mr Shackle, now Professor of Economics at the University of Liverpool, published his "Expectation in Economics." This contained a devastating criticism of the application of probability theory, based upon relative frequency, to the analysis of economic decisions. By its nature this concept of probability cannot bear upon a unique event, that is, upon a happening which is not one of a fairly large series. It is therefore of no assistance to a theory of business decisions under conditions of uncertainty, for conditions change too much. After explaining this, Mr Shackle devoted the major part of his book to the development of a theory. That is to say, he provided a "model" of how decisions are taken regarding alternative courses of action whose outcomes are of uncertain expectation. His theory is logically constructed and, to him at least, intuitively plausible.

The present book contains a summary by Mr Shackle of his theory and seven papers on it, which were delivered at last year's meeting of the British Association. There is also a summary by Professor Meredith and two shorter notes. The seven main papers were given by economists, philosophers, a mathematician and a psychologist; thus the book displays a diversity of approach which, as is not unusual with inter-disciplinary colloquia, provides much instruction but few conclusions.

It is apparent that the theory is as yet insufficiently developed to be subjected to testing; thus Mr Roy "can only dimly envisage" empirical work with this aim in view. There is therefore a need for revision or development of the theory, and several contributors take steps in this direction, most notably Professor Carter. He criticises the supposition that anyone taking a decision focuses his attention on only one gain and one loss from among the many possible outcomes of a course of action. He argues instead that one of a set of outcomes may be regarded as the most likely even though none of the set would occasion surprise.

The book contains no information about how business men actually take decisions. In this respect the title is too wide. On the other hand it is too narrow in that the subject is of interest to others besides economists, as is indicated by the participation in the symposium of the representatives of other disciplines. Professor Shackle's theory concerns choice as a whole and thus relates to generals and gardeners as much as to business men.

Literary Detection

THE ANNOTATOR
By Alan Keen and Roger Lubbock.
Putnam. 229 pages. 21s.

IN 1940 Mr Keen acquired a copy of Hall's *Chronicle* with some 3,600 words of marginal annotation, written in an Elizabethan hand. The parts of Hall thus annotated roughly corresponded to the historical material used by Shakespeare in his *Henry IV* and *Henry V*. Mr Keen, despite moments of doubt, believes that here is some of Shakespeare's preliminary work for his major histories, and that the notes are in his handwriting. The present book at last prints the notes in full and constructs an account of the poet's early years which would make it possible for him to have had access to this copy of Hall. The signature "Richard Newport" found on a later page of the volume has apparently been identified with that of Sir Richard Newport of Shropshire, and Mr Keen has found a remote connection between the Newports and the Alexander Houghton of Lancashire who in 1581 had in his service a player called William Shakeshaft. It is therefore assumed that the poet had been sent to Houghton by his recusant father to escape from the too Protestant atmosphere of Stratford, returned to marry Anne Hathaway after Houghton's death, and after the birth of his twins in 1585 entered the service of Sir Thomas Hesketh, to whom Houghton had recommended "Shakeshaft" in his will.

"The Annotator" is modestly written, and its authors admit that they have no proof either of Shakespeare's authorship of the annotations or of the events in his early life that are here outlined. The investigation has clearly been pleasurable, but the biographical conjectures are shots in the dark and, now that the annotations are given in full, one is bound to remark their extraordinary lack of interest; they are nearly all brief indications of what is to be found in Hall's text, and the writer's only hint of his own views is to be found in one or two anti-Protestant comments. Of course one should not expect the poetic phrase (at least it would be unfair to demand it), but it is difficult to believe that Shakespeare at about the age of twenty would not have shown a touch of fancy, excitement or shrewdness. If he did so strangely make these annotations, they can have helped him very little in his writing of *Henry IV* and *Henry V*. Many of them, indeed, have no relation to anything in the plays. The few verbal parallels that Mr Keen and Mr Lubbock have noted carry little conviction.

Wasted Sacrifices

SUNK. *The Story of the Japanese Submarine Fleet, 1942-1945.*
By Mochitsura Hashimoto. Translated by Commander E. H. M. Colegrave, RN.
Cassell. 229 *pages.* 15s.

THIS account, by an experienced Japanese submarine commander of the Second World War, is based also on facts provided by surviving colleagues, and contains much that has not hitherto been available. The English text occasionally lacks clarity, and for the layman there could have been more annotation.

Many of the Japanese submarines were larger and had a greater surface speed than any built by other nations, and the sacrificial devotion of the crews was beyond question. Yet these assets were offset by strategic ineptitude in the application of new devices. Having rapidly occupied a vast complex of distant islands and bases, the Japanese began to experience within eight months the immense difficulties of preserving their gains in the face of the developing Allied counter-strokes. Their submarines had been rigidly trained for attacks on the superior American fleet; but before long the radar-equipped ships and aircraft of the enemy were turning the tables on them. Instead of concentrating against the shipping that was so vital to the American "island-hopping" strategy, the Japanese submarine potential was largely dissipated on unrewarding subsidiary missions: provisioning

or evacuating isolated garrisons; reconnaissance of distant enemy bases; pin-prick bombardments along the Pacific Coast; midget attacks in Australia; and 15,000-mile voyages to German-occupied France. Only in the Indian Ocean, where Allied anti-submarine resources were weak, did the Japanese achieve a measure of success against shipping.

Radar—so vital to survival—was not fitted until the middle of 1944. By then some of the bigger submarines were being equipped with *Kaiten*; four or six of these "human" torpedoes were clamped to the upper deck and released while submerged, with suicide pilots to guide them at 30 knots towards their victim—a ship at sea or at an anchorage. The author is at his best when relating his own experiences, as for instance when his submarine left Japan on a *Kaiten* mission:—

> *After a grand send-off we left harbour* accompanied by a host of crowded motor-boats, whose occupants were chanting in unison the names of *Kaiten* pilots. These sat in their respective craft, wearing white towels round their heads, and brandishing their swords.

But these strange weapons achieved practically nothing. Japan ended the war with only a handful of surviving submarines, including two giants of 3,400 tons, each carrying three aircraft. They were about to start for the Panama Canal, there to launch their torpedo-bombers against the locks—the last of many futile diversions.

Business Guide

THE BACKGROUND OF BUSINESS.
By H. V. R. Geary.
Oxford University Press. 224 pages. 9s. 6d.

THIS short book is designed to help the student who is preparing for the examinations in commerce and business economics held by such bodies as the Royal Society of Arts and the London Chamber of Commerce. It must be judged in the light of the needs of such students and of the existing literature available to cater for them, rather than from the viewpoint of the advanced student, who would disagree with several statements both of fact and of theory.

An introductory chapter discusses in general terms the types of industrial and commercial activities, the specialisation and interdependence of firms, industries and countries, and the aims of economic activity. The author then describes the various forms of financial ownership and control in different types of organisation, and discusses some of the factors affecting the size of the firm and the methods employed to reduce the severity of competition. The next section deals with the nature of money, the banking system and the operations of the capital market. After a more detailed consideration of the firm itself with a description of forms of internal organisation, accounting aids to management, sources of long-term and short-term capital and the incidence of risk, the book then turns to commercial activities, including wholesale, retail and international trade and transport. The final chapter gives a summary of laws affecting different aspects of business.

This is undoubtedly a welcome addition to the type of book available to students. It might also be helpful in the teaching of economics in schools. For those who do not wish to pursue their studies further it indicates how the world of business works, and describes the functions of different economic institutions. In general it eschews abstract economic theory.

The faults of the book arise mainly from the compression necessary to cover such a wide field in about two hundred pages. In particular one would like a more detailed discussion of the principles underlying specialisation, which in fact form the background to many of the institutions and problems discussed in the book. In particular the section on management and organisation would benefit greatly from a general discussion of the need for delegation before different types of administrative organisation are considered. This might involve a small amount of repetition, but in many instances the book would be improved by this, and it is generally useful for the student to see how different aspects of the same principle have relevance to many different problems.

In its present form the book is certainly a useful introduction. A second edition, revised in details and somewhat in scope, could be even more helpful to the student starting on a study of economics.

Documents for Germany

GESCHICHTE DES ZWEITEN WELTKRIEGES IN DOKUMENTEN. *I: Der Weg zum Kriege*, 1938-1939.
Edited by Michael Freund.
Verlag Herder, Freiburg. 486 pages. DM. 28.

AS anyone who has travelled in post-war Germany knows, there is both great curiosity and great confusion about what happened in the world during the years when the German people lived under Hitler's rule. No adequate history of those years has yet been published in Germany, and it is therefore a promising idea to make a collection of the most important historical documents dealing with the Second World War, which can be used as a basis for teaching and discussion. The present volume is the first of a set of three edited by Professor Michael Freund of Kiel University and is intended to launch a still larger project, *Weltgeschichte der Gegenwart in Dokumenten.*

Of the two hundred documents selected, seventy-seven have been taken from the German Foreign Office Documents published jointly by the British, American and French Governments, and a further forty-two from the British Foreign Office Documents edited by Sir Llewellyn Woodward and Mr Rohan Butler. These form the nucleus of the collection to which are added a number of extracts from the French Yellow Book, the Polish White Book, the Nuremberg proceedings, Professor Feiling's life of Neville Chamberlain and the memoirs of Bonnet and Coulondre. Any selection is bound to be arbitrary in some measure, but none of the essential documents for the period between the *Anschluss* and the occupation of Prague appears to have been omitted. Thus Hitler's secret military directives, which reveal his intention of destroying Czechoslovakia from the beginning, are printed in full, and the editor rightly insists that Hitler was interested in the wrongs of the Sudeten Germans only in so far as these provided him with a means for the disruption of the Czechoslovak state.

Criticism of the collection may, however, legitimately be made on two grounds. The first is the starting point which Dr Freund has chosen. Even if space obliged him to omit the earlier years, a proper appreciation of Hitler's foreign policy must at least begin with the discussion of November, 1937, recorded in the Hossbach minutes and must include the annexation of Austria. Nothing is more revealing of Nazi methods in diplomacy than the secret history of the *Anschluss* as it was disclosed at the Nuremberg trials. Without this background, it is difficult to appreciate the quarrel that Hitler deliberately picked with the Czechs as part of a much wider and carefully calculated plan for the piecemeal annexation of Central Europe.

The second criticism is concerned with the form in which Dr Freund has chosen to present his material. Instead of leaving the documents to speak for themselves, he has linked them together with an historical commentary. It would surely have been better to have followed the example of Chatham House and publish the documents without comment. No matter how objective the editor may strive to be, inevitably any account of these years is bound to be controversial. By mixing the documents with constant editorial interpretation the publishers are in danger of detracting from the authority of a series which on other grounds is welcome as a useful contribution to the serious discussion of contemporary history in Germany.

American Central Banking

THE FEDERAL RESERVE SYSTEM, 1945-1949.
By J. S. Fforde.
Oxford University Press. 351 pages. 35s.

IN his introduction Mr Fforde states two aims. The first he puts thus:

> Adaptation to changing environment is said to be a necessary condition for survival. This book traces the adaptation of the Federal Reserve System to a drastic change in its environment and, hence, its reaction to a threat of extinction.

This is a provocative thought, and it might perhaps be supported; but the reader would be well advised not to carry the troublesome evolutionary analogy

with him as he trudges through what is of necessity a long recital of the minutiae of Treasury, central bank, member bank and non-bank transactions. The second statement is more valuable. This book

> is a study of a problem-solving activity that concentrates on the major questions that arose and upon the particular financial field in which they dwelt.

In order to examine the "problem-solving activity" in the years he has chosen, Mr Fforde leads the reader through a month-by-month account of Treasury financing and refunding decisions and operations; Federal Reserve purchases and sales; shifts of securities between bank and non-bank investors; weekly changes in interest rates for varying maturities of Government and corporate securities; and, frequently, changes in various business indicators. In short, one examines hundreds of trees, some almost leaf by leaf, but one rarely sees the forest. This is doubly unfortunate, since in the first forty-five pages there is an excellent summary of the 1933-45 period, which might well have served as a model for the closer study of the later years.

Although published only this year, the book was apparently written before the Patman Committee published its three fat volumes of answers to questionnaires and transcript of hearings (the valuable Douglas Committee material of two years earlier was, however, used). The Patman Committee volumes would have provided much additional light on some of the questions that appear to trouble Mr Fforde. Even so, it is difficult to see why he thinks the Federal Reserve authorities are concerned about a "vagueness" in their powers or in their status *vis-à-vis* the President and the Treasury. Most monetary officials in the United States have no doubt that the framers of the Constitution took particular pains to reserve to Congress only—and certainly not to the Executive—the power "to coin money and regulate the value thereof"; they are also sure that Congress delegated that power to the central bank in the Federal Reserve Act of 1913, and, finally, that the delegation extends as far as, and until, Congress draws a line. The significance of the Patman Committee "investigation" was that Congress did not draw the line.

Shorter Notices

AMERICAN FOREIGN ASSISTANCE
By William Adams Brown, Jr. and Redvers Opie.
The Brookings Institution, Washington, D.C. 615 pages. 43s.

This is the second attempt of the Brookings Institution to examine American experience with different forms of foreign assistance; it follows the publication of "Current Issues in Foreign Economic Assistance" in May, 1951.

The new study analyses the record of the $94 billion programme of assistance to foreign countries made available by the United States during the twelve years 1941-1952 — from Lend-Lease to Mutual Security. The various experiments in foreign assistance are examined in considerable detail with regard to chronological development, geographical distribution, the type of programme and the policy issues involved; but far too little attention is paid to the circumstances giving rise to the various operations, the underlying reasons for the successive stages of activity and the results achieved.

The authors maintain, in brief, that the broad purposes of the American foreign assistance policy have been to strengthen countries making common cause with the United States in resisting aggression and to strive for the establishment throughout the world of the stability and progress that are essential to the security and wellbeing of the United States. The task now before America, after twelve years of foreign assistance, is to adopt policies which will reduce or eliminate the need for continued dollar assistance. The authors conclude that the outlook for such initiative on the part of the United States at present cannot be said to be very bright.

★

MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY, 1954.
Prepared by The Brookings Institution, Washington.
Faber. 429 pages. 29s.

This, the seventh volume in the series of annual studies of problems of American foreign policy, represents a part of the programme of research and education inaugurated in 1946 by the International Studies Group of the Brookings Institution.

The current volume includes a survey of the "key developments" in American foreign policy during 1953 and the "developing problems" confronting the United States at the beginning of 1954; an analysis of the basis of American foreign policy; the pattern of postwar international relations and the factors conditioning American action in international affairs; and a study of American-Soviet relations in the form of a "Problem Paper," presented as an illustration of the type of material prepared within the government as a preliminary to policy decisions.

Since the material included in this 1954 volume was prepared before the end of 1953, the relative importance of the problems selected for examination may change, and the issues emphasised may become less significant by the end of this year.

★

THE BRITISH SUBMARINE.
By Commdr. F. W. Lipscomb.
A. and C. Black. 283 pages. 25s.

Alone among the modern engines of war submarines are meant to work unseen and unheard, thus accentuating the mystery which surrounds them, their crews and their operations. Stories of their famous deeds of war and press reports of sad disasters in times of peace are all that most people have heard of their affairs; here is a book which enables them to learn much more.

In it Commander Lipscomb tells us how they work and what part they play in naval warfare, and at the same time giving an outline of the fifty years' history of the British submarine service. Much of this information is being put before the public for the first time and the chapter on escape from sunken submarines might well be studied by every writer and reporter of such matters.

The general picture of submarine history, submarine warfare and submarine technicalities is too broad a subject to be sketched in some 250 pages, but the author's attempt at this grand, though intricate, canvas certainly merits warm commendation. The knowledge is there and references have been thoroughly searched; but the story is somewhat patchy, an impression which might have been avoided if the author's style had been more fluent and his proof reading better.

★

INTERNATIONAL TRADE STATISTICS.
Edited by R. G. D. Allen and J. Edward Ely.
John Wiley, New York (London: *Chapman and Hall*). 448 pages. 54s.

This book is an enlightening guide through the maze of foreign trade statistics, describing how they are obtained, their scope and their failings. It is written by a team of experts in a number of countries and in international organisations. From the general principles of classification and valuation and the ways in which other statistics, such as index numbers of volume and price, are derived from the original figures, the book leads to an examination of the practices of individual countries. Those of the United States and the United Kingdom are discussed in some detail, but there are notes on those of most other countries. A particularly useful section appraises the trade statistics of Commonwealth countries, including the colonial territories.

In spite of the progress made towards international comparability, particularly in the use of the standard international classification (now adopted in the British trading accounts), this survey shows that much remains to be done. Greater uniformity can be hoped for as more attention is given to it. In the meantime this book can help to prevent users of trade statistics from making too many blunders.

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American Survey

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

Pacific Pact Comes to Life

Washington, D.C.

DUST had been accumulating for several years in State Department files and senatorial offices on proposals to set up a Pacific equivalent to the North Atlantic alliance. The idea had been advanced in various forms but, with a wary reference to the importance of timing in such matters, had always been gently laid aside. For the proposal ran up against a host of difficulties. It contravened the basic military principle that American troops should not be committed to the Asian mainland ; in many people's minds the only departure from this, the intervention in Korea, confirmed its essential wisdom. It also went against the political principle that any close link between the United States and the colonial powers should be avoided. This principle arose partly from the general tradition of anti-colonialism and partly from the rather naïve view that the United States, although it had become a major protagonist on the international scene, could still draw dividends from its old role as a disinterested observer.

Finally there was a vague hope that in time countries like India, Indonesia and Burma would be driven by the mounting Communist danger to themselves to decide, as Pakistan has now done, that they must join a regional alliance. It was felt that any premature calling of Asian countries to "stand up and be counted" would prejudice this natural process, that a "little Pacific Pact" at once was the enemy of a "big Pacific Pact" later on. But although the Pacific Pact was pigeonholed for the time being, the ground had been prepared for it to the extent that several foreign governments and a number of strategically placed Senators and Representatives felt a certain pride of authorship in the idea and were therefore predisposed to welcome its revival. This has proved very convenient for Mr Dulles, who badly needed a quick diplomatic success that would both reassure allied public opinion and do something to soothe his senatorial critics.

"Lets See—New Zealand, Thailand, Knowland—"

Herblock in the *Washington Post*

All Foreign Secretaries have to do a balancing act—usually between different allies—but Mr Dulles is in the peculiar position of having to do it between his allies on the one hand and the leaders of his own party on the other. Not the least of his embarrassments is that his only reliable support comes from the Democrats, the nominal opposition, on the Senate Foreign Relations Committee, and his main opposition from the Republicans. Senator Wiley, the Republican chairman of the committee, is a loyal mouthpiece of the State Department and he deserves every credit for having risked his political career by his fight to preserve intact the President's power to conduct foreign policy ; but the harsh fact remains that he carries little weight with his party. The Republican leader in the Senate, Mr Knowland, whose traditional task is to rally the party behind the Administration's policy, is in practice Mr Dulles's most formidable critic. Sincerely believing that it is morally indefensible to have any dealings with the Chinese Communists, Mr Knowland led a very sharp attack on Mr Dulles when he came back from Berlin with the agreement to hold the Geneva conference.

Congressional spokesmen of both parties have made it clear to the Secretary of State that they expect him to avoid a repetition in Indo-China of both the Chinese situation, where the Communist victory in the civil war was supposed to have been caused by the lack of adequate outside help for their opponents, and the Korean situation, where, in the name of collective security, the United States supplied most of the troops and suffered most of the casualties. The National Security Council in Washington has decided that Indo-China is the key to the whole South-East Asian peninsula, that if it falls all will fall, and that, as in the case of western Europe, this must not be allowed to happen because the transfer of the area's economic resources to the Communists would represent a decisive shift in the balance of power. Mr Dulles is therefore in the position

that, with the French clearly going to Geneva to try to negotiate a settlement in Indo-China, he himself cannot accept any of the three possible solutions—a coalition government, a partition of Vietnam, or the abandonment of Viet Minh by the Chinese in return for economic concessions and the admission of Communist China to the United Nations—yet he must somehow justify the decision, taken on his personal responsibility, to hold the conference.

Mr Dulles's first expedient was the scheme for a "united declaration" to deter the Chinese Communists from direct intervention ; but this idea became so associated with the policy of "instant retaliation" and the hydrogen bomb that it was quickly dropped and the dust blown off the Pacific Pact instead. There is considerable satisfaction in Washington that this proposal has achieved its first objectives. It has produced a demonstration of allied unity at an important psychological moment, just before Geneva and just when Mr Dulles's critics were fastening on the fact that the holding of the Geneva conference seemed to be driving the allies apart, and it also produced a revival of respect for Mr Dulles's personal skill as a negotiator. Meanwhile, he appears to have been spreading the impression that these preludes to the conference are far more significant than the conference itself.

★

There is still a long way to go before the Pacific Pact is a reality. The British and French governments only undertook to "discuss the possibility" and no detailed draft has yet been put forward on the American side ; it has not even been decided whether to propose a unified command. Some, at least, of the original objections to such a pact are not being overlooked. Congressional speeches have been concentrating on the need to remove all taint of "colonialism" from the struggle in Indo-China, and the State Department is being urged to put the utmost pressure on the French to give the Vietnamese, Laotians and Cambodians "complete independence." The State Department, which thoroughly sympathises with this point of view, has been trying to moderate this enthusiasm by pointing out that there would be chaos if the French suddenly withdrew and that there could be no surer way of handing over the whole country to the Communists.

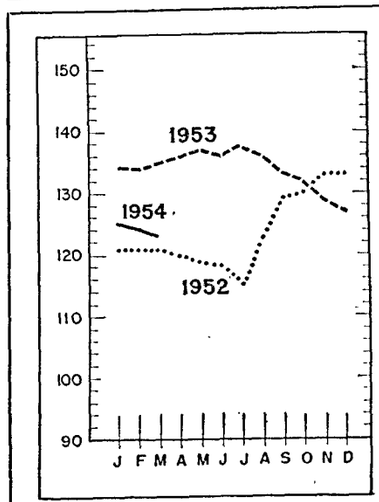
The National Security Council has evidently visualised the possibility of the French withdrawing completely since a member of it, the Vice-President, Mr Nixon, has said that in that event the Administration would have to face the political unpopularity of sending in American troops. To judge from Congressional reactions to this remark, which has caused quite a sensation in Washington, Mr Nixon did not underestimate the unpopularity of such a move. For his own party it would mean the abandonment, on the eve of a crucial election, of its most certain claim to fame while it has been in office—the ending of American casualties on the mainland of Asia. Although most of the Senators who have spread their views on the Congressional Record this week have admitted that they might endorse an American commitment in Indo-China if President Eisenhower himself made clear the case for it and if that case included a substantial commitment by America's allies, this last condition is one which is unlikely to be fulfilled if Mr Dulles takes up the intransigent position at Geneva which seems to many observers to be the only course that he has left himself.

Economic Easter Parade

WITH Easter week came a parade of statistics that bring little spring gaiety to the economic forecasts. For March should see the opening of the statistical growing season, yet most of the figures for that month obstinately failed to shoot upward, even though they no longer showed any serious downward trend. The industrial production index holds fairly steady at 10 per cent below last July's peak and the gross national product for the first quarter of this year, running at an annual rate of $359 billion, fell by rather less than it had in the preceding quarter. Unemployment went up in March only slightly, compared with an increase of over half-a-million in February, but March is the month in which it usually declines and in which the total number of employed usually rises by more than it did this year.

One springtime touch is that, although total personal incomes have been dropping, as the result of the decline in wage payments, consumers had as much to spend, after the January tax reductions, in the first quarter of this year as in the last one of 1953. And in the two weeks before Easter they seem to have been spending more of it. Helped by warm weather, retail sales compared well with the pre-Easter weeks last year, when Easter came earlier. Nevertheless, the pattern of these sales, concentrated mainly on spring clothing and gifts, does not suggest to retail traders, who long ago gave up being optimistic, that the Easter level will be maintained. A return to a regular sales figure running from 2 to 4 per cent behind last year is expected. It is durable goods, especially automobiles, that have recently suffered from declines in consumer spending.

An encouraging sign, however, is the rise in outlays for new construction which, moving in the opposite direction to industrial output, has gone up steadily ever since last August. The building plans of state and federal governments and of private firms suggest that this satisfactory trend will continue. Certainly it is not going to be discouraged by lack of funds. The Federal Reserve Banks have just reduced their rediscount rate to 1½ from 1¾ per cent, but this is the result not so much of a desire to encourage an expansion of credit as of a realisation that the old rate



INDUSTRIAL PRODUCTION in the USA

INDEX NUMBER
1947-49=100
Seasonally Adjusted

was out of step with other interest charges, which have been driven down by the plentiful supply of money available for loans.

One of the causes of last quarter's recession was that the federal government's spending was dropping. It ran at an annual rate of around $60 billion all last year, but in the first quarter of 1954 it fell to a rate of $55.5 billion, which was only slightly offset by a rise in local government spending. There have been hopes that the federal government would be spending more in the current quarter, but now there is new official pressure for reduced expenditures : disappointing tax receipts are making it look as if otherwise the deficit at the end of the fiscal year next July will be about $4 billion, nearly a billion more than was forecast in January.

Guarantees for EDC

DISCUSSION of the Geneva conference and of the implications for the United States of the Indo-Chinese situation have distracted congressional attention from the President's reassurances to the six countries belonging to the European Defence Community. This is just as well, for the first reaction from the Senate was concern lest the President is exceeding his constitutional powers in guaranteeing that, once the EDC treaty is ratified, the United States will keep its " fair share " of armed forces in Europe and that the level of these forces and the use to be made of them will be settled by agreement with the other signatories of the North Atlantic Treaty. The leading members, from both parties, of the Senate Foreign Relations and Armed Services Committees who protested that they had not been consulted about these guarantees were obviously speaking for the election record, for on second thoughts they must have realised that the President's message contains little that is new or that has not been discussed with them in the past, even if not on this specific occasion.

The message is, in fact, as far as the old controversy about the presidential right to send troops abroad is concerned, merely a restatement of American commitments made and accepted by Congress in the North Atlantic Treaty and elsewhere. The approval of the Senate was implicit in the resolution which ended the " great debate " three years ago, and which stated, in words very similar to those used last week by the President, that " the threat to the security of the United States . . . makes it necessary for the United States to station abroad such units of the armed forces " as may be needed to make a fair contribution to the defence of the North Atlantic Treaty area. What does seem, however, to be an addition to the general understanding of the North Atlantic Treaty is the President's statement that it is of indefinite, not of only twenty years, duration, a point which only Senator Mansfield queried.

The protests from the Senate, however, weakened the effect in Europe, especially in France, of the President's confirmation of the lasting significance which the United States attaches to the North Atlantic Treaty, and to its subsidiary, the EDC, as a deterrent to aggression and as an enduring alliance. This weakening is most unfortunate, since the only purpose of the message was to reassure opinion in France and Italy on the eve of the debate on the EDC Treaty, in order to improve its chances of ratification. The particular fears that the President wanted to counteract are that the " new look " in American defence policy will mean the withdrawal of land forces from Europe and the exposure of the continent to devastation in the event of war, and that the United States may abandon Europe altogether once EDC is in force, and leave France at the mercy of a rearmed Germany.

Industrial Heretics

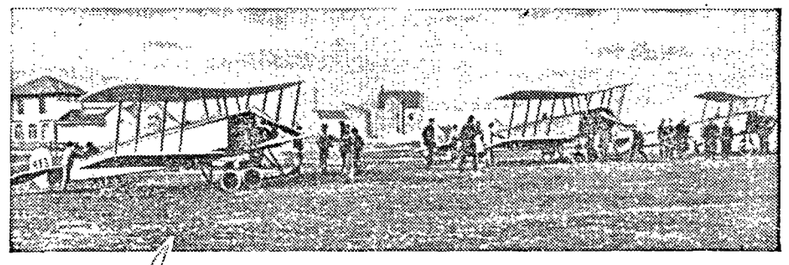
New York

AMERICAN manufacturers expect their sales to decline by an average of 2 per cent this year ; but they still intend to expand the capacity of their plants by 4 per cent. This is the most significant conclusion of the latest survey, made by the McGraw-Hill Publishing Company, of the plans of American businessmen for capital spending in 1954 and after. To achieve the 4 per cent increase in capacity, manufacturers propose to spend as much for new industrial plant and equipment as they did last year—about $12.3 billion. This shows a striking improvement in business confidence, since manufacturers reporting to the Department of Commerce earlier this year—admittedly a larger sample in which more small firms were represented—expected to spend 7 per cent less on new plant and equipment in 1954 than in 1953. All these figures refer to manufacturing industry only, and if the revised plans reported to the McGraw-Hill experts are carried out, the 1954 total for capital spending by all industries will fall only slightly below last year's $28.4 billion.

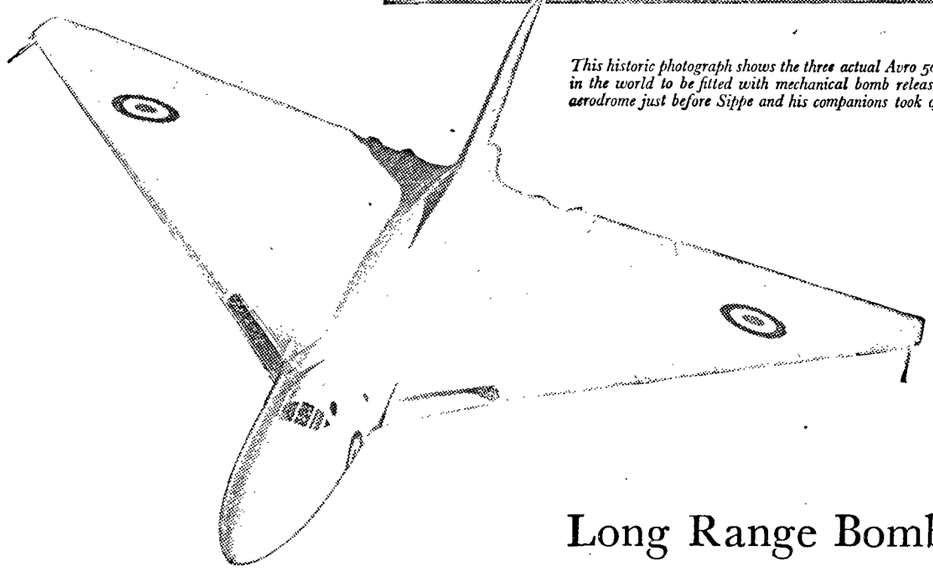
The significance of the McGraw-Hill survey lies partly in the assistance it gives to hard-pressed economists who are trying to assess the probable size of one of the major factors on which business activity in the United States depends. But of greater general interest is its penetration, by the rudimentary economic radar of a sample survey, into an area of notoriously poor visibility—the motives of a businessman when he plans his capital expenditure. To a student of Keynes it is heresy for manufacturers to expand capacity when sales are declining. Economists have long ceased to rely on hard and fast rules, but a direct or, at least, a positive relationship between the trend of current sales and businessmen's expectations of future sales, and between sales expectations and expenditures on new plant and equipment, has normally been assumed. It is now clear that in the United States two important qualifications must be made. In the first place, although sales prospects are still the major influence determining capital spending, the " long view " is increasingly dominant. It is not this year's sales, or even next year's, but sales three and four years hence that count. Manufacturers as a group expect sales to decline by 2 per cent this year, but they expect an increase of 12 per cent by 1957, and it is at 1957, at the other side of the valley, that they are looking. The most striking example is the automobile industry: led by the General Motors Corporation with its plan for spending a billion dollars in the next two years, the automobile companies are concerned far more with increasing their share of the market in 1957 than with the prospect of being unable to sell this year all the cars they can produce with their existing capacity.

"BOMBS AWAY"–the story of an R.A.F. bomber

NO. 2 IN A SERIES ON THE AVRO VULCAN



This historic photograph shows the three actual Avro 504's—the first bombers in the world to be fitted with mechanical bomb releases, lined up on Belfort aerodrome just before Sippe and his companions took off on their heroic raid.



Long Range Bombing...

Mission One...Nov. 1914

Morning–Nov. 21, 1914. It was 09.55 and very cold when Flight Lieutenant S. V. Sippe climbed into the cockpit of his Avro 504 –the first bomber in the world to be fitted with mechanical bomb release. The place, Belfort aerodrome. The destination, Friedrichshafen. So Sippe and his two fellow pilots, Sqdn. Leader Briggs and Flt. Cdr. Babington, set out in their tiny tri-formation to make history. For this was the first-ever planned long distance bombing raid, a flight of some 250 miles over enemy territory to the German Zeppelin base on Lake Constance. The flight took Sippe all but four hours and only 11 bombs were dropped by the entire force. Yet with 80 h.p. motors, virtually no instruments and the added complication of a swinging detour round neutral Switzerland, what a truly wonderful achievement this was . . . perhaps one of the most outstanding of many Avro " firsts " in aircraft history. Today Avro have yet another first, again in the realm of bombers–the mighty Avro Vulcan. Mr. Duncan Sandys, the Minister of Supply, and Air Chief Marshal Sir John W. Baker, Controller of Aircraft, Ministry of Supply, recently made a test flight in this revolutionary machine. After the flight the Minister said " We are all very much encouraged by the splendid performance of the Vulcan . . . the world's first Delta-shaped bomber. In test flights in the last few weeks, the Vulcan has shown its capability of more than meeting the exacting requirements in both height and speed laid down in the R.A.F. specifications of performance. For a large aircraft, it is also proving itself exceedingly manœuvrable at high altitudes and speeds . . . and there is little doubt that the Vulcan still has quite a lot up its sleeve." Avro Vulcans are now in super-priority production for the Royal Air Force.

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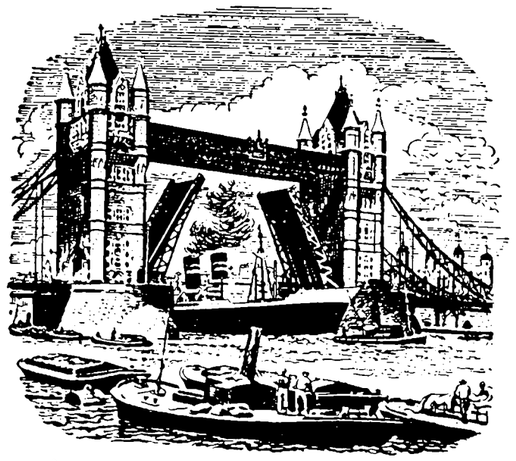

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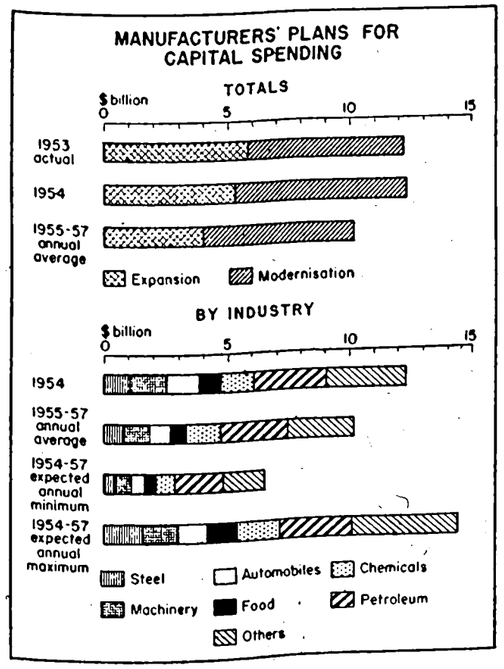
The second qualification is that an increasingly large part of capital expenditure is devoted not to expanding capacity but to replacement and, above all, modernisation. The expansion of capacity and the improvement of existing facilities are often, of course, inseparable twins. But it is estimated, however arbitrarily, by the companies reporting to the McGraw-Hill survey, that no less than 57 per cent of their capital spending this year will be for replacement and modernisation, and that this share will increase even further, to 61 per cent, over the period 1955-57.

The significance of this expenditure for modernisation lies partly in the fact that it may well be increased as sales decline and competition becomes keener. Much of the modernisation now being undertaken is clearly designed to reduce labour costs and improve quality in anticipation of fierce competition ahead. The survey itself provides an indication of the aggressive outlook of American manufacturing industry, in that businessmen expect their own sales to grow, on the average, three times as fast as those



of industry as a whole. This optimism is accompanied, as might be expected, by expectations of large expenditures on research, mainly for the purpose of diversifying manufacturing facilities and introducing new products.

As a guide to the trend of business activity, the estimates must be taken with some reserve. In the first place companies report that, if sales drop sharply, they may spend only half as much as they now plan to do in 1954. Except in 1950, when the outbreak of the Korean war brought an unexpected increase in capital outlays, actual expenditures have in the past come very close to the estimates, but it is readily admitted that the accuracy of the surveys has never been tested in a period of serious recession. Secondly, although the McGraw-Hill sample covers about 25 per cent of the total industrial labour force, it tends to be concentrated in the industries where capital expenditure is highest, and in the largest firms in those industries. The smaller firms, which are not fully represented in the survey, are more likely to cut their capital spending and also to base it, in the accepted manner, on more immediate sales prospects than are their larger rivals.

Moreover, despite the optimistic forecast for manufacturing industry, total capital spending, even in a sample weighted in favour of the larger firms, is still expected to be slightly less than last year in an economy which requires a regular annual increase to maintain full employment. By slowing down the decline in industrial production instead of accelerating it, with their unorthodox attitude to capital spending, confident American businessmen have reversed the traditional Keynesian role of investment, but their heresy does not go nearly far enough to reverse the decline itself.

Full Use of the Atom

THE purpose of the Bill revising the McMahon Atomic Energy Act, introduced last week, is to permit the fullest possible use to be made of this new source of power, both in peace and in war. In the past eight years the potentialities of atomic energy have been realised to an extent and with a speed that was inconceivable in 1946 and further development is now seriously hampered by the restrictions that were imposed, mainly for the sake of security, at a time when the United States had a monopoly of the atomic bomb. The new Cole-Hickenlooper Bill closely follows the lines recommended by the President earlier this year and it has been drafted in the Joint Congressional Committee on Atomic Energy. Nevertheless, when hearings, to be both public and private, begin on it in May, criticism is to be expected both from those who consider it would make too much secret information too easily available, and from those who think that private industry might hold up the utilisation of atomic power for peaceful purposes if the government relinquished its responsibility for this type of development.

In the first place the draft Bill, keeping a promise given by the President in his EDC message, would enable fuller military use to be made of atomic weapons by allowing the Atomic Energy Commission to give America's allies information needed for the making of defence plans and the training of troops in the use of, and protection against, atomic weapons. Information on the design and manufacture of these weapons could not, however, be exchanged. Secondly, the draft Bill would encourage the fuller use of atomic energy for peaceful ends in the United States, by allowing private individuals to own and operate nuclear reactors under licence from the AEC, and in other friendly countries by permitting the AEC to release to them fissionable material for industrial and research purposes, and information on how atomic energy could be applied to such purposes.

This amendment to the McMahon Act will enable greater attention to be given to the peaceful possibilities of atomic power; this hopeful development, as Mr Strauss, the chairman of the AEC, recently pointed out, has already been facilitated by the "enhancement of our military capabilities" resulting from the successful hydrogen bomb tests. Without such an amendment the President's imaginative proposal for an international pool of fissionable material

could not be put into practice. This proposal, Mr Strauss has also just revealed, is now in a more concrete form than had been generally realised, as the result of conversations that have been going on with other governments.

Search by Wiretap

ALTHOUGH the passage by the House of Representatives of a Bill to make legal the tapping of telephone wires has been regarded as a victory for the Eisenhower Administration, which proposed the measure as part of its anti-Communist programme, the Attorney General, Mr Brownell, failed to obtain his "anti-traitor" Bill in the form he wanted. His was the latest attempt, in a long succession of fruitless efforts, first begun by a Democratic Attorney General in 1938, to make information obtained by wiretapping admissible as evidence in the federal courts. The Supreme Court has ruled that the use of such evidence is prohibited by the Communications Act of 1934 which provides that

> no person, not being authorised by the sender, shall intercept any communication and divulge or publish the contents . . . of such intercepted communication.

In spite of the doubtful legal position, federal agents have continued to tap telephone wires and Mr Brownell's request was for legislation that would not only authorise evidence to be obtained by this means in future in connection with federal investigations of persons suspected of subversive activities, but would also allow evidence already so obtained to be used in the federal courts in such cases. The House does not seem to have had any misgivings about this retroactive provision but, following a lead given by the Democrats, it decisively rejected Mr Brownell's urgent appeal for sole control over the process of wiretapping. By 221 votes, 188 of them cast by Democrats, to 166, all from Republicans, the House insisted that the approval of a federal judge, considered a more reliable guardian of civil liberties than the Attorney General, who is head of the prosecuting arm of the government, must be obtained in each instance that federal agents wished to tap telephone wires; this in effect provides the same constitutional safeguard as is given by a search warrant.

While the "dirty business" of wiretapping, once condemned by Justice Holmes, has thus been somewhat cleaned up by the House, there is no assurance that the Senate will accept the Bill in the same form, or for that matter in any form at all; even during the war years Congress was unwilling to act on similar proposals. Nor is it certain what the attitude of the Supreme Court would be should such a measure survive the legislative process. In 1928 the Court held that to tap communication lines was not an invasion of the personal rights guaranteed by the Constitution; nevertheless, four out of nine Justices disagreed with the majority and to Justice Brandeis it was clear that the constitutional guarantees of freedom from search and seizure should cover wiretapping. He declared, in his angry dissent, that

> an intrusion of privacy is not necessarily to be justified merely because it is made in the name of law enforcement; the greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding.

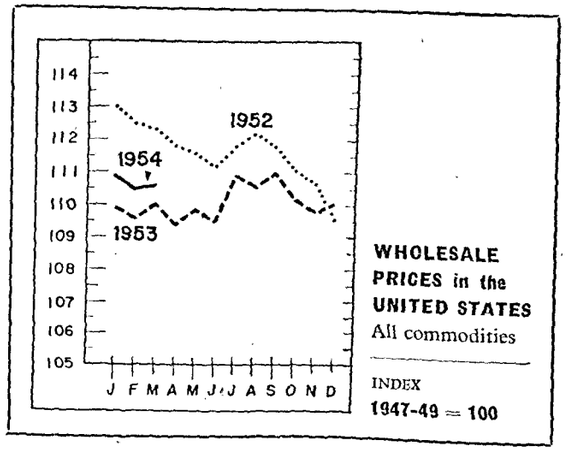
Miracles Down to Earth

New York

THIS week about half the 113,000 looms that weave synthetic textiles have been closed down, although many of them for only a few days, in an attempt to drive up the prices of these fabrics. Stocks are not excessive, but most synthetic textiles have been selling at a loss. This cut-throat competition has spread even to the so-called "miracle" fibres, which can no longer rely on their versatility alone; prices of these yarns have recently been reduced. They now range from $1.60 a pound for Dacron staple to $1.28 for Dynel, with nylon, still by far the most important commercially, Orlon and Acrilan in between; but ordinary rayon fibres cost only 35 cents a pound. The prices of the miracle fibres will have to come a good deal further down to earth before they can win a significant increase in their share of today's weak textile market; in 1953, however, these non-cellulose synthetics, most of which are derived from petroleum or natural gas, accounted for 4.3 per cent of all fibres consumed in textile mills, compared with under 1 per cent in 1947.

The competition is not only with wool, cotton and rayon but with each other and the buyer no longer takes the miraculous nature of the new fibres on trust; now he subjects them to strict tests of quality as well as of price. New synthetic fibres and improved versions of existing ones are reaching the market every month. From the manufacturers' point of view there are, however, many technical problems still to be overcome. The difficulty of dyeing these fibres, especially when blended, may be met in some cases by the new process of "dope-dyeing," in which the pigment is put into the fibre before it is spun. As a counterpart to their water-repellent properties, they also tend to generate static electricity, a major problem in weaving operations. Finally, the field in which there is the most to be learned, the blending of synthetics with other fibres or with each other, is also the field in which it is generally conceded that the future of the industry lies.

The difficulties from the consumers' point of view, apart from the high price, are that these non-cellulose synthetics may be too hot in summer—although nylon tricot, more porous than the rest, has done something to correct this fault—that their low melting-point is apt to prove embarrassing, and that it is difficult to give them such qualities



as "scroop," the trade name for the rustle that women like. A new process, known as texturing, does, however, give them an artificial bulk and softness that improves their feel. Their resistance to damage in washing machines is not uniformly high and the nylon sock manufacturer who is reported to have gone out of business because his socks never wore out is definitely an exception. Nevertheless, to many consumers the practical advantages of the new fabrics make them worth while: they are strong, light, waterproof, washable, unshrinkable and exceptionally quick-drying, and resist wrinkles that are not wanted while retaining the pleats and creases that style demands.

★

SHORTER NOTES

Of the nine Republicans who fought last week for their party's nomination as candidate for US Senator from Illinois, Mr Joseph T. Meek, president of the Illinois Federation of Retail Associations and an ardent advocate of the Bricker Amendment and Senator McCarthy's anti-Communist crusade, emerged as the victor with a substantial majority over his "Taft-MacArthur," "Abraham Lincoln," and "Eisenhower" opponents. The lines in next November's fight will be very clearly drawn for the Democratic candidate is the liberal Senator Douglas, who has supported President Eisenhower's foreign policy and is an avowed opponent of the "big business" which Mr Meek represents.

Another battle for control of a railway has just been decided, with less expensive publicity than that which is characterising the New York Central fight. In this struggle over the New York, New Haven and Hartford Railroad, the arguments were over similar questions of financial policy and the ability of the present management. The challenger, Mr Patrick McGinnis, has now won; his candidates for the board of directors were given a small majority of the 20 million proxy votes cast over those of the company's president, Mr Frederic Dumaine. The latter's supporters may, however, challenge the validity of the vote.

★

The Federal Trade Commission has started a new round in the argument over AD-X2, the additive which is supposed to prolong the life of storage batteries, by charging its manufacturer, Mr Jess Ritchie, with "false, deceptive and misleading advertising," and demanding that he stop making untrue claims for his product. Last year the first round of the argument involved the Secretary of Commerce, the head of the Bureau of Standards, who was dismissed and then reinstated, the Assistant Secretary of Commerce, who resigned, the Senate Small Business Committee, the Massachusetts Institute of Technology and the National Academy of Science. The second round is not likely to be conducted at such a high political and scientific level but it may last even longer.

SCURRY: YOU BRAVE BULLS

Another Angas Digest 304 is just off Press. Its title is '*The Brave Bulls.*' It shows:

1. How the high and nervous market (which is bravely bucking the trend of trade) is honeycombed with close stop-loss orders.

2. How a rush to take profits on a few reluctant days, can cause these close 'stops' to be touched off, *cumulatively*.

3. How the sale of only 2,000 shares in a 2-million-share company can cause the price to slump $2 (from say $22 to $20). And how the market-value can shrink $4,000,000 as a result of only $40,000 worth of sales. *Leverage* 100 *to* 1.

4. How this loss of so-called 'value' can make Americans (and their wives) feel poorer, and cause them to stop buying in the shops.

* * *

Learn the economics of the market itself. And of profit-taking shake-outs, and of panics. Be wise and learn the theory of Price and Value . . . which is the basis of all market forecasting.

Investors are warned not to be misled by the recent "error of optimism" . . . even though the Dow Averages have gone through the roof because the public think more inflation is now inevitable.

They look at gov't debt and the national budget, arguing that since there is a budget deficit there will be inflationary borrowing from the banks. But they forget that forces are also in motion which may cause business simultaneously to reduce its borrowing . . . so that there may be no inflation whatever on net balance—possibly deflation!

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MAJOR L. L. B. ANGAS, Inc., 480 Lexington Avenue, New York 17, N. Y.

E-417

Remember?

This advt. will probably remind you of a similar (much ridiculed!) advt. sent out around the top of Jan. 1953, prior a 30-point fall in the Dow. Later we re-bought on Sept. 14 at Dow 256.

* * *

Although past achievements mean nothing concerning the future, the following is our (approx.) past annual record.

1953 ..... 85 Dow Points;
1952 ..... 60 Dow Points;
1951 ..... Worth 60 Dow Points;
1950 ..... 48 Dow Points. But we missed 20 points!
1949 ..... 31 points up (despite missing much of rise);
1948 ..... 50 net points up (though Dow ended year where it began);
1947 ..... caught 30 points fall, but missed summer rise. No losses;
1946 ..... 50 points better than the Averages;
1945 ..... missed 34 points of boom (but no losses);

•

1944† ..... 22 points up;
1943 ..... 20 points up;
1942 ..... 10 points down on Dow Averages;
1941 ..... 38 points better than the Averages;
1940 ..... 40 points up;
1939 ..... 20 points better;
1938 ..... plus 40%;
1937 ..... minus 33⅓%;
1932/36 ..... plus 360%; avoided whole prior bear market.

†20 *points with Dow around* 140 *is worth* 40 *Dow points with Dow near* 280.

encroachments on the legitimate rights of the French-speaking province. Mr Duplessis claims that the provinces have a "priority" in the field of direct taxation; and Mr D. C. Abbott, the federal Finance Minister, who comes from Montreal, replies that this is true neither in law nor in fact. But the claim provides Mr Duplessis with an excuse for demanding that Quebec taxpayers should be allowed to deduct their provincial income tax from the tax paid to the federal government. The provincial rate has been fixed at a level of about 15 per cent of the federal rate. Since 1947, as a part of the elaborate tax rental agreements, Ottawa has been ready to allow a 5 per cent deduction in respect of taxes paid to a province. If this were raised to 15 per cent at Mr Duplessis's behest, says the federal government, why should it not be raised to 50 per cent? On this principle the federal government would soon be left with no revenues except the provincial leavings.

So residents of Quebec are now starting to pay an extra 10 per cent on their income tax. In political terms the key fact is probably that the bulk of the rural voters will not be affected directly. But resentment there must be; and the question is who will it be directed against? Will it turn against the "nationalists," led by Mr Duplessis, who get elected to provincial power, or against the Liberals, led by Mr St. Laurent, who get elected to the federal parliament? The outcome is still impossible to prophesy. But the clear, sad fact is that another major issue has been created to divide French-speaking Quebec from the rest of Canada. Mr Duplessis's stock tactic has been to fight with the federal power. The Liberal governments at Ottawa for years past have used great ingenuity to avoid fighting with him. But he has at last discovered means—very expensive means, too—to back them into a corner where they must fight back.

Israel Goes on Spending

FROM A CORRESPONDENT IN ISRAEL

IN February the Israeli Minister of Finance tabled the budget for the financial year 1954-55 and shocked the Knesset and the public by proposing expenditure of 571 million Israeli pounds, of which I£260 million was for development. By April 1st, when the Knesset passed a budget swollen by another million and a half, the news was received with calm. The public had meantime digested the Treasury's explanation that the huge budget—greater than last year's by I£182 million, or 47 per cent—was in no way due to expansion of government services or activities, and that its cause was an adjustment of the dollar rate to I£1.80 for all government expenditure, and the increased prices and wages resulting from this adjustment.

Although, in Israel, the dollar had long been officially valued at $2.80 to the pound, the government had continued to allocate dollars for various purposes, such as the foreign service, at much lower rates. The difference was charged to an exchange equalisation fund which did not appear in the ordinary budget. The taxpayer was therefore unaware of the volume of expenditure.

The Treasury has now based all its estimates on the unified rate of $1 to I£1.80, and in so doing has taken a step long recommended by advocates of realistic calculation and the adaptation of Israeli prices to world market levels. As long as the Treasury stuck to a multiplicity of rates for the dollar, there was no end to negotiation between the authorities on the one hand and investors and exporters on the other on special rates for special purposes or cases. The shortcomings of such a system are obvious—complicated calculations arising out of guess-work about rates, encouragement to speculators, and handicaps to honest producers who hope for profits from increased efficiency and sales.

Acceptance of the dollar rate of I£1.80 is, however, only part of the explanation of the I£182 million increase. The other is the steady rise in prices, wages and salaries. Wages and salaries in Israel are throughout linked to the cost of living index, and are adjusted every three months or so by an agreement between the trade unions and the Manufacturers' Association. A rising spiral is today taken so much as a matter of course that complacency set in again despite the huge budget. The producer hoped to transfer the burden to the consumer; the worker looked to the rising index to provide him with higher wages; the government, which has to pay officials, workers and contractors and to keep institutions going, professed to believe higher taxation would solve its problem.

The Coalition Survives

Debate as to whether this will be possible has been going on for months. The government, not daring to increase direct taxation, proposes, first, to improve collection of income tax, backing the tax-collector with an armoury of alarming fines, and, secondly, to raise indirect taxes. It has been attacked fiercely on both points—from the left because indirect taxes are "reactionary," from business interests for the familiar reasons about income taxation stifling initiative. Nevertheless the government managed to get its budget through by a comfortable majority, thanks to the coalition of Mapai and the General Zionists. Though differences on economic issues go fairly deep between them, the spirit of compromise proved strong enough to keep the coalition together.

There are, however, many people in Israel who are not content with these two explanations of rising government expenditure, and who suspect another cause—expanding government services. Whatever the cause, the fact remains that the government syphons off so large a percentage of the national income that little is left for non-governmental activities. The Treasury argues that taxes in Israel are lower than in Britain. Its opponents retort that whereas the Israeli needs 55 per cent of his income for essential minimum requirements and has only 14 per cent left for free and productive expenditure, the British taxpayer enjoys 35 per cent for the latter. The Israeli has therefore less not only for use according to his personal taste but for savings.

In fact, shortage of money and credit were so keenly felt last year that economic activities were considerably hampered. And it is generally admitted that the shortage of money and credit is only partly due to higher prices and the deflationary policy of the government. It is largely caused by credit demands made on the banks by the government. If prices are to rise further—and even cautious official estimates speak of a rise of at least 11-12 per cent during the current financial year—more money will be needed to keep the wheels of the economy turning. If the government is to lay its hands on I£572 million, how is the private entrepreneur and investor to find the credit he needs?

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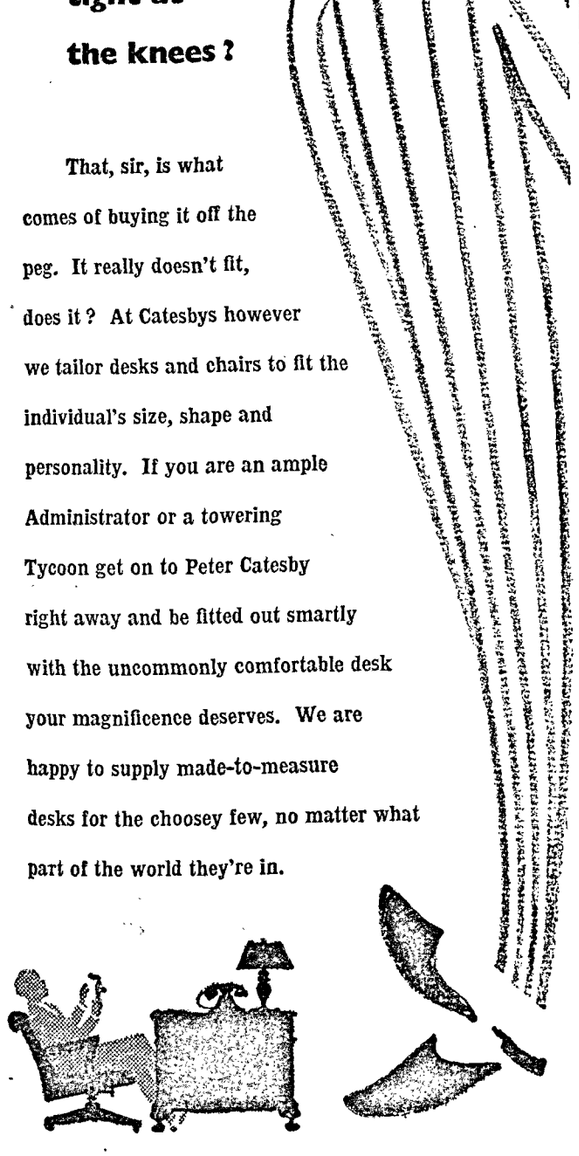

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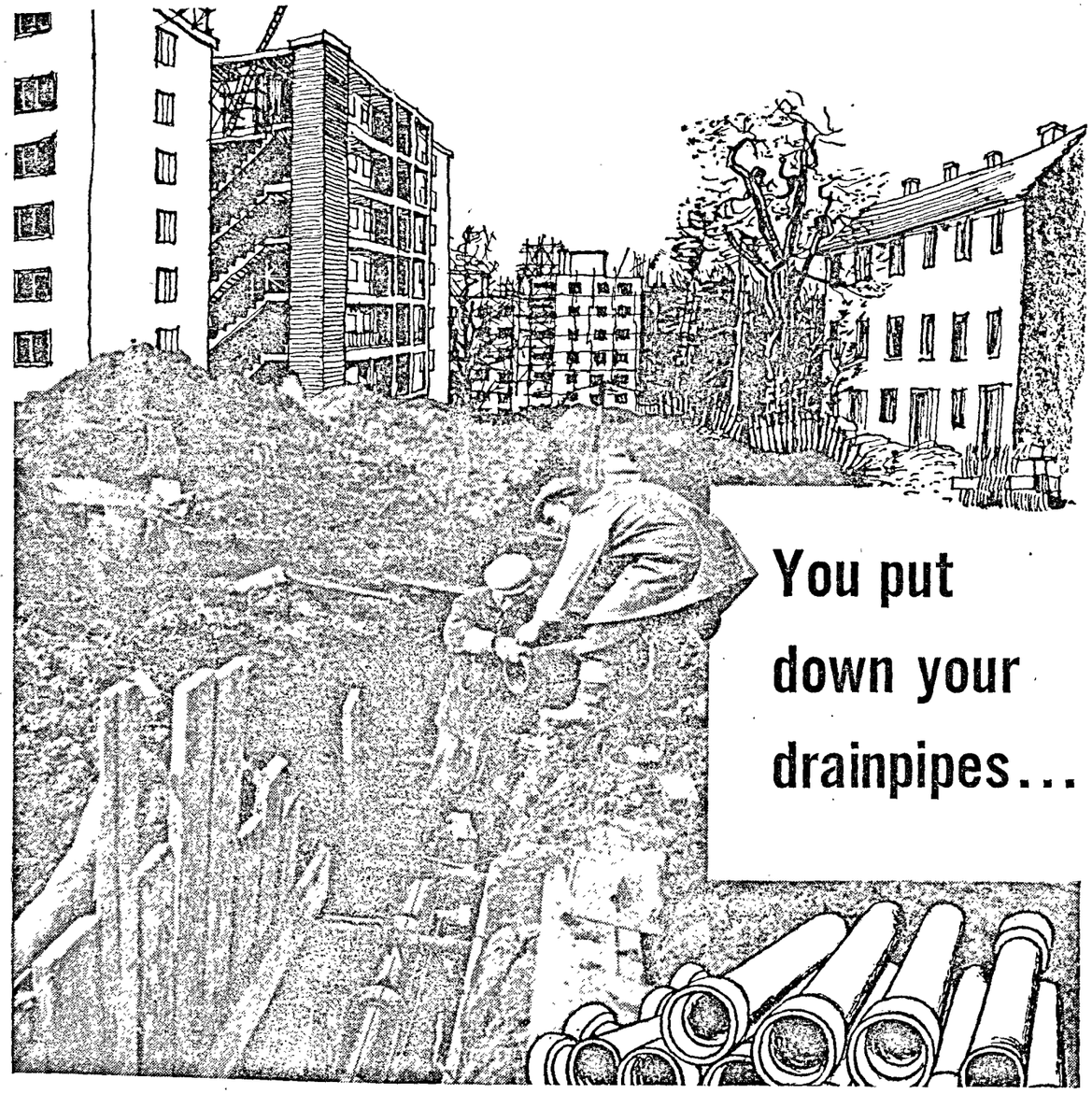

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A Cry for Cuts

When the Treasury first tabled its budget there arose a cry for cuts at any price. But its estimates weathered the Finance Committee of the Knesset. It turned out that a reduced budget could be achieved only by streamlining the administration—which needs time—or by curtailing services. This last no party was ready to advocate, as it meant curtailing services which the Israeli citizen has learnt to consider are his due. In addition, there is expenditure connected with unemployment. In the period of over-employment before the introduction of the New Economic Policy in 1952, relief was envisaged only as a means of raising working morale ; today, unemployment is seen as a social evil that must be kept in bounds by public works and at the expense of the tax payer. There are also subsidies for food, fuel and agriculture, which run into tens of millions but are considered indispensable because without them the poor man's nutrition would fall below subsistence level, and because farmers would refuse to go on producing if they were to fail to get prices which are now maintained only by the subsidies.

The passing of the budget raises two questions: firstly, is the rate of I£1.80 to the dollar, now recognised throughout by the Israel government, the last stage in the devaluation of the Israel pound which stood at I£0.36 to the dollar five years ago ? And secondly, can the Israel economy carry so huge a budget ?

The answer to the first question will greatly depend on the ability of the government to withstand the pressure of exporters and would-be investors for higher rates. It was in order to encourage exports that the government began granting premiums. In recent months there have been murmurs that the rate is insufficient to enable producers to make ends meet, as the internal market is shrinking and competition abroad has to be met. There can be no doubt that there is still room for much streamlining of production in Israel in order to reduce costs and make products able to compete abroad. As long, however, as there is a way to get veiled subsidies in the form of higher dollar rates, there is not enough stimulus towards higher efficiency and increased output. If the government gives in to further pressure for higher rates to exporters and investors it will be impossible to stick to the present rate for other purposes.

When Aid Ceases

As to the ability of Israel to finance the budget at its present level there can be only one answer: the country will be unable to shoulder the burden once outside assistance diminishes. The chairman of the Bank Leumi, Mr Hoofien, doyen of Israel's banking world, has just told the public in no uncertain terms that it must prepare for a time when outside assistance will fall off, and that as it appears to be unwilling to lower the standard of living, a beginning must be made at the top—that is, in government expenditure. His thesis is not new. But until now no party and no individual has set forth exactly how the scaling down of the budget is to be accomplished. Vested interests have been at work to maintain standards at the level to which they have developed during years when outside assistance was astronomic.

A radical change, involving rigorous retrenchment, will probably not take place until foreign help actually falls. A year ago, when income from the United States began to taper off, reparations from Germany filled the breach. Warnings such as Mr Hoofien's need to be frequent, loud and insistent if both government and people are to prepare for a future with less foreign aid—maybe a not too distant future.

M. Faure Beats the Protectionists

THE OEEC method of persistent but gentle coaxing rather than bullying has paid dividends in the case of France, which last week made a big step towards the official goal of liberalising three-quarters of its foreign trade. With only 18 per cent of its imports free from quantitative restrictions, France was the chief laggard in the European drive. Now the proportion is to be raised to 53 per cent immediately and to 65 per cent by next November. This is, in fact, more than was generally expected and marks a victory for M. Faure, the Minister of Finance, over his protectionist colleagues in the cabinet. The government, however, has not yet agreed on the final list of goods to be freed from quota restrictions. A first list has already been published, but some hard bargaining is still going on between the administration and the interested parties ; the second list is not expected before the end of the month.

To gain his point, M. Faure had to accept the imposition of a new *ad valorem* import duty ranging from 10 to 15 per cent, to be levied on one-third of the goods now freed. The proceeds will form a special fund intended to help to modernise potentially competitive firms, to compensate those which have to close down and to assist in the redistribution of labour.

Liberalisation is only a means to an end. It has found favour with many French commentators, who see the draught of fresh air through a breach of the protectionist wall as offering the only real chance to revive the French economy ; they prefer temporary shocks to being steadily stifled in a hothouse atmosphere. The use of the new fund will show whether the dose of liberalisation will be allowed to affect the patient. If the money is used to adapt branches of French industry to competitive conditions, it will fulfil its temporary function ; but if it becomes another guarantee for the survival of the unfit, the whole liberalisation experiment will prove a failure and France will merely be left with yet another tariff in its already powerful arsenal.

Thus M. Faure's victory will be a Pyrrhic one unless it is to be coupled with a concrete programme to modernise the French economy. A recent report comparing French and foreign prices—the so-called Nathan report, which must have helped the government to compile its lists—did not try to pin down the high price of most French goods to a single cause. It mentioned the relatively high cost of labour (due partly to shorter minimum hours and to a stricter adherence to the principle of equal pay). But it also emphasised the often old equipment, the small scale of the average firm, the high cost of distribution, the antiquated methods of farming—in other words, the backwardness of the French economic fabric in comparison with its more dynamic competitors. If France is to liberalise its trade and at the same time solve its balance of payments problem

without permanent American aid, this state of affairs cannot persist. The fate of French liberalisation will thus largely depend on the success of the new modernisation plan—covering the four years up to 1957—which the government has now finally approved and which will be analysed in a later article.

Trade *versus* Industry in Hongkong

FROM A CORRESPONDENT

HONGKONG began its modest Five Year Plan as soon as the tremendous job of restoration had been completed, and building of all sorts is going on at a rate that perhaps surpasses the period between the wars when Shanghai was transformed almost overnight from a still provincial city to a seething metropolis of six million. In China the scale of development is, of course, incomparably greater, but so far Hongkong has had far greater development per head. And in this industry has played a great part.

Before the war the two civilian shipyards and the naval yard were the biggest industrial employers. Now manufacturing industries take the palm. At the end of the industries exhibition last January, the acting Government Director of Commerce and Industry was able to announce that exports of local manufacturers had so greatly increased that if all export products originating in Hongkong were lumped together they would amount to 30 per cent of total exports. Many additional industries are being established, and how rapidly they are growing was shown when the China Light and Power Company (which serves Kowloon and the New Territories but not the congested Hongkong island) revealed that no less than 345 factories of various sorts and sizes had been added to its power load in 1953.

A year ago the entrepot traders and the manufacturers fell into controversy as to which of them was the more important to the economic life of the Colony. The challenge came, of course, from the up and coming industrialists. But, valuable as their contribution has been during the difficult postwar years, it is more significant as a pointer to the future than as a rival at present of the entrepot trade. For the present Hongkong has still to depend largely on the latter. It is reassuring to see the expansion of its markets and clientele in South East Asia. China has diverted 70 per cent of its trade to the Soviet Union and the satellite states. Hongkong's export trade has changed so much that 70 per cent of it now goes to other places than mainland China. Its traders are at the mercy of sudden and arbitrary restrictions by the governments of countries like Siam and Indonesia and life, as always in Hongkong trade, has to be lived dangerously. But even so last year exports to Indonesia came a close second to exports to China.

The total value and also, singularly enough, the actual volume of trade for 1953 was a bare one per cent less than in 1952. The total was HK$6,606.4 million. The upswing of trade in the first half of the year gave a total of $3,675.8 million for that period, but in the second half there was a 20 per cent drop. This was characteristic of the ups and downs in the Colony's trade. Of the total imports of $3,779 million, China easily led with $857 million; and of the total exports of $2,733.7 million China took $540.3 million.

Thus Hongkong's nascent industry still has a long way to go to compete with the volume of the ordinary import and export business. But it has come to stay—and to grow. The entrepot trade has indeed held up better than the pessimists expected. It is realised that consumer goods will have no market on the mainland and that even the "luxury" buying which Chinese government agents undertook on a limited scale, such as watches for the military, will be reduced to a minimum. But it is felt that if there is a relaxation of the United Nations ban on the marginal range of goods a considerable amount of business will be available that at present is forbidden. Indeed, people who have close connections with Canton and Tientsin believe that a proportion of the money collected by the sale of the National Construction bonds will be spent in Hongkong.

Competition from the satellite states, especially Czechoslovakia, is recognised to be quite keen. Visitors who came in from Canton to look over the Hongkong industries fair last January gave full credit to local exhibitors but contrasted the show unfavourably with the South China goods interchange exhibition in Canton some months ago. This covered an immense area, and not only showed the whole range of goods made in China—already far greater than before the war—but also many selected manufactures of the Soviet Union and satellite states. "Everything was done in a big way there," said one eye-witness, "and the products of Czechoslovakia especially were much admired." British manufacturers' organisations will have to think about the part Hongkong could play as the shop-window of British manufactures on the doorstep of a state with 500 million people who are undergoing a vast economic transformation.

What's What at Geneva

THERE is a good deal of confusion—some of it deliberately fostered, some of it natural—about the Geneva conference that is to open next week. It seems worth while setting out the hard facts about the conference in summary form.

Objects of the Conference

There are two, laid down in the joint communique issued by the American, British, French and Soviet foreign ministers at the end of their Berlin meetings, which proposed that:

(a) a conference should meet "for the purpose of reaching a peaceful settlement of the Korean question";
(b) "the problem of restoring peace in Indo-China will also be discussed at the conference."

This, then, is not a general conference on the Far East. Communist China's claims on Formosa and similar issues are not on the agenda.

Governments Represented

The four sponsoring powers have invited to Geneva representatives of Communist China, North Korea, South Korea, and the countries that contributed to the United Nations forces in the Korean campaign: Australia, Belgium, Canada, Colombia, Ethiopia, Greece, Luxemburg, Netherlands, New Zealand, Philippines, Siam, South Africa, and Turkey.

For the discussion on Indo-China, "other interested states" will also be invited to Geneva. The question who is "interested" will not be finally decided until the conference has met. If representatives of Vietnam, Laos and Cambodia are invited and agree to come, with or without spokesmen for the Viet Minh rebel "government" (which is recognised by the Soviet Union), there will be over twenty delegations at Geneva.

Nature of the Conference

Communist propagandists have tried to present Geneva as a great-power conference—their aim being to show that China is now accepted as one of the great powers. But this claim, as the facts cited above show, does not hold water.

Nor is it, officially, a United Nations conference, although the choice of Geneva makes it possible to use some UN facilities there.

As regards Korea, however, it is substantially the political conference envisaged in the armistice agreement signed last July, and endorsed by the UN Assembly. The armistice proposed that

> a political conference of a higher level of both sides be held by representatives appointed respectively to settle through negotiation the questions of the withdrawal of all foreign forces from Korea, the peaceful settlement of the Korean question, etc.

For six months after the armistice, however, the Communists refused to come to a conference of this kind, insisting that other Asian nations should also be invited and that the "etc." should be expanded to cover a whole range of other problems, not connected with Korea.

Meanwhile, the Soviet government was pressing for an even more ambitious conference, at which the great powers—it was claimed that Communist China must rank among them—would deal with all major political issues. At Berlin, Mr Molotov at first repeated this demand, but eventually agreed to the western suggestion that Korea must be settled first. The Peking government followed his lead, abandoning its former conditions; and the way was at last open to the Geneva conference, which had originally been offered to the Communists last August.

A Victory for Gheorgiu-Dej

RUMANIA'S premier, Gheorgiu-Dej, is the last of the satellite rulers to conform to the new principle of collective leadership. At a plenary session of the Rumanian Communist party, held earlier this week, it was announced that control of the party and government will no longer be concentrated in the hands of a single individual and that Gheorgiu-Dej has resigned his post as general secretary. This formal change should not be interpreted as a set-back for him. In fact, on closer scrutiny it marks a victory; the attempts to undermine his position have failed, at least for the moment.

Indeed, Gheorgiu-Dej's departure from the secretariat is purely nominal. In the reshuffle he has managed to get all his opponents out of this important body and to staff it with his own men. The new secretariat consists of four people, all apparently supporters of Gheorgiu-Dej, and is headed by his closest friend and collaborator, Gheorge Apostol. Apostol spent years with him in jail before the war and was his agent in the trade unions in the postwar period. It was also Apostol who was assigned two years ago to lead the attack against Ana Pauker, the great rival of Gheorgiu-Dej.

Sinister Street

Thus once again a triumph for Gheorgiu-Dej spells a defeat for Ana Pauker. He had managed previously to eliminate her and her main supporters from leading posts in the party and government. But since Stalin's death there have been persistent rumours of an attempted Pauker come-back.

Reliable information confirms that Ana Pauker is not in gaol. She lives with her daughter in a modest flat in Strada Dr Obedenaru, a street which other excellencies in disgrace have chosen for their residence. She moves freely and even does minor jobs for the party and the Ministry of Foreign Affairs. She is still, at least officially, a member of the party and of its central committee. But if she is really thinking of regaining her former position and power, her plans have now been crossed. The two members of the secretariat with alleged pro-Pauker leanings—Kishinevsky and Moghioros—have now been removed from that organ and, though they still keep their jobs as vice-premiers, are probably on the way out.

Faction fights in the satellites are a deadly business and it would be unwise to forecast the final outcome, in particular because they are largely echoes of the unfinished struggle in the Kremlin. In Rumania, too, the fight is probably not yet over. Gheorgiu-Dej has won a round, but there are plenty more to come. The party congress which was to be held in March has now been postponed till the end of October and, in addition to economic difficulties, internal dissensions may well have played a role in the delay. Much may still change in the balance of forces during the six months preceding the party assizes.

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Auntie Government in India

FROM OUR BOMBAY CORRESPONDENT

GOVERNMENTS in India take the same view of their public as Victorian aunts of their small nephews. The public, they feel, is always up to mischief, always in need of a delicate chastening by its kind mentors in the local cabinet. "Go and see what Johnny is doing, and tell him not to" is the universal motto of Indian governments, the one cry to which civil servants and politicians, ministers and legislators, all subscribe. The public itself, bred on a long tradition of paternal government, has almost come to believe that Auntie really does know best.

Nowhere does this attitude come out more clearly than in the arts; perhaps because both government and the public are just philistine enough to believe it their duty to be cultured. Thus, the government is encouraging "wholesome" books in the Indian languages. It has founded a Dance Academy. It loves cultural missions. It has nominated several writers, a film star and a dancer to the Upper House of Parliament. It has founded a National Academy of Letters. Clearly culture is a good thing. And the public must have it, whether it wants it or not. The government's All India Radio puts on one long Third Programme. Its Hindi is so refined that many listeners cannot follow it. Film music has been almost completely banned as vulgar. Yet nobody objects—much. Those who like film music—the majority—switch over to the commercials from Radio Ceylon; and everybody agrees that India's great tradition of classical music must be preserved, even if nobody actually wants to listen to it. So with the films. When the Information Minister, last year, wanted a pre-censorship, he had no political motive. He simply thought films vulgar and inane; and the whole House agreed with him. It was rather like a House of Commons debate on American comics. Nobody, of course, put in a word for the public which, long, tedious and respectable though its films are, seems to like them that way. Nobody apparently had even been to the cinema often enough to realise that the member who talked of how Indian films bring out the beast in man must have had his beast very near the surface—nobody in an Indian film can so much as kiss.

Monogamy for Manufacturers

The same sort of fussing is reflected in the attitude of both government and parliament to industry. In reconstituting the tea and coffee boards, for example, the government took to itself the power to nominate the representatives of employers and employees, so that true Tweedledee-Tweedledum harmony might be ensured. In the past, when they were elected, they sometimes actually thought they knew better than Delhi about such commercial matters as propaganda and marketing; at one tripartite conference, the tea employers and workers even got together to suggest that the sacrifices imposed by the 1952 slump in the industry should not be borne by them alone, but should be shared by the government through a cut in the export duty. Parliament quite agreed the minister had to see there was no repetition of such indiscipline.

Parliament's belief in bureaucratic wisdom is, however, shown at its most touching in the Industries (Regulation and Development) Act, as amended in 1953. It covers nearly all manufacturing industry, and all that an industrialist can now do without permission is to get married (and even then, in Bombay and Madras, the marriage must be monogamous). Permission is required to start a new undertaking, to expand substantially an existing one—and the adjective substantial remains undefined—to locate a plant, to move machinery from one part of the plant to another if this involves the crossing of a road, to manufacture a new article—defined to include a new brand—in an existing plant. Not all the rules under the amended act have been published yet, but it seems likely that a manufacturer will need the government's permission to change the name of his lipstick from "Temptation" to "Lust."

Beside all this, it is almost a bagatelle that the government also gives itself powers to control the supply, distribution and prices, not only of finished goods, but also of goods in process; or that it enables itself to investigate, and after investigation to take over without explanations, the management of any firm which the government thinks is likely to raise prices, lower quality, reduce production or generally behave in a way "highly detrimental" to the public interest or that of the industry. There is, of course, no appeal, no rights for the shareholders, no limitations on the time for which government management continues.

A Docile Public

Only the Supreme Court knows better than the government. It has just held that the constitutional guarantee of property rights covers also the right of a shareholder to choose his management for himself. The constitution is based on the assumption that the public is grown up, a fact of which the courts have perpetually to remind governments too anxious for their charges' welfare always to respect their liberty. There is, indeed, no evidence that the public considers itself too grown up for this governmental concern. The Stock Exchange did not go down a point when the Industries (Regulation and Development) Act was passed. So many of the new managing agencies which have come in since the war have merely looted their companies, that even government officials may seem preferable. Nobody protested against the 1951 Act which made it compulsory to obtain the government's permission before a managing agency changed hands, and it was the managing agents, not the shareholders of the Sholapur Mills, who went to the Supreme Court against the government's taking over of the company.

Auntie, the investor accepts, really does know best. As for the general public, it has never had any doubts. Is it not the government which provides canals, water, famine relief? Does not the constitution make prohibition and education, and the provision of work for all, proper governmental objectives? To the peasant, the government has always been *Ma Bap Sarkar*—Mother Father Government. He sees no reason to wonder whether the collection of gentle Liberal, Asquithian Aunts who make up the government of India are really the best people to decide the names of perfumes and make film scrips exciting yet decent, though he does protest a little when the government of Bombay decides that only Anglo-Indians and Europeans may send their children to English-speaking schools. After all Auntie was born a long time before Johnny; by sheer weight of age she must know best. Did not Chandragupta Maurya behave in just the same way in the days of Alexander the Great?

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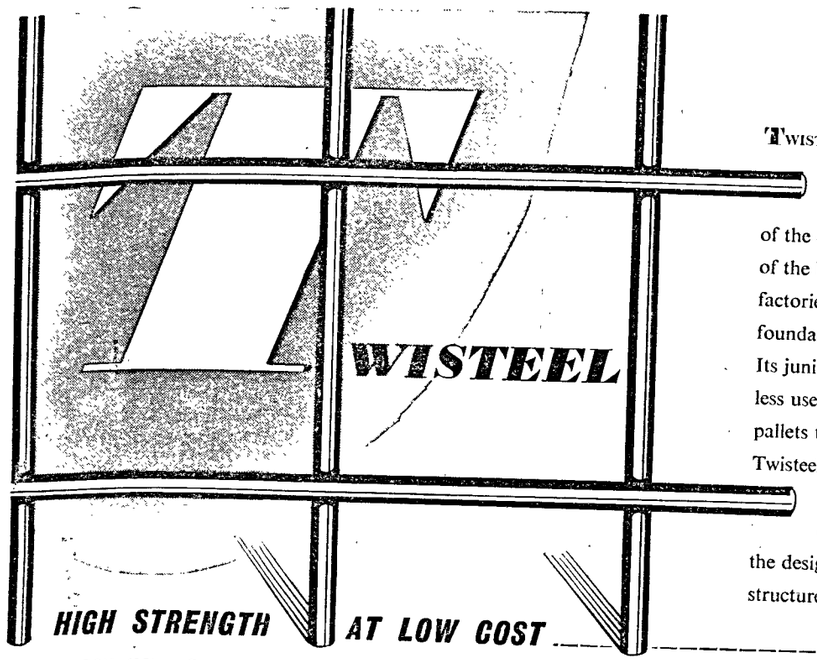

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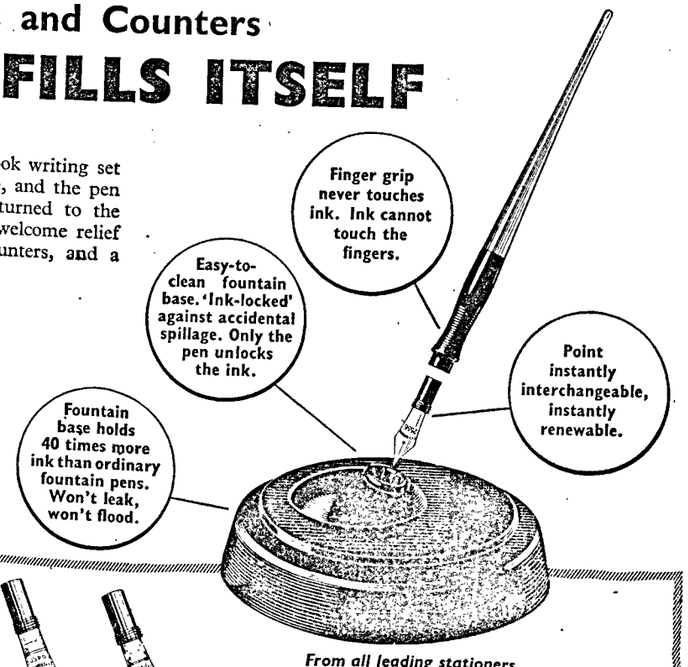

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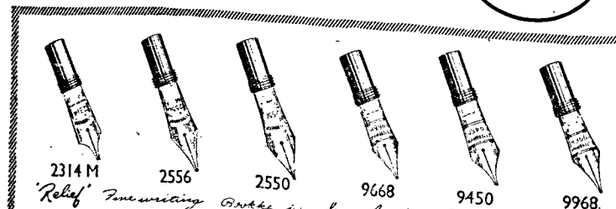

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THE BUSINESS WORLD

Prepared Positions in Lancashire

THERE was never much doubt that the Monopolies Commission would find that "conditions to which the Act applies" existed in calico printing. One of the conditions laid down in the Monopolies and Restrictive Practices Act of 1948 exists whenever a combine does a third or more of the business of an industry, and the Calico Printers' Association, Ltd., does nearly half. A second condition exists whenever persons doing a third or more of the trade are held to be acting so as to restrict competition; and the Federation of Calico Printers, which covers some 98 per cent of this textile finishing trade, fixes minimum prices, allots its members quotas of the total annual turnover, and has closed and "sterilised" certain works, obtaining covenants banning their future use for calico printing.

What was less sure was whether the Commission would decide that these two monopolistic conditions "operate or are likely to operate" against the public interest, and what it would suggest should be done about them. The Commission has in fact held that the price-fixing arrangements, as supported by the Federation's "percentage quantum" scheme, restrictions on use of premises, and certain agreements between Calico Printers' Association and other finishing combines to restrict the use of premises and against "overlapping," are contrary to the public interest and should be brought to an end. Apart from these agreements and its participation in the Federation's "price management" policy, Calico Printers, as a combine, incurs no general criticism. These uncompromising recommendations are logical enough, even though they follow a not wholly unsympathetic report. They are at the same time likely to cause more controversy, and have wider repercussions, than any monopoly report to date.

Price management in calico printing, as elsewhere in Lancashire, was an attempt to heal the scars of the thirties. In form, it dates from the concentration of the industry in 1942, under Government control, and was converted into a private agreement of the industry as late as 1949. No government has ever blessed the industry's quota scheme; but the redundancy scheme under which the Federation closed and sterilised six calico printing works, comprising 55 calico printing machines, was approved by the Board of Trade to the extent of certifying levies to pay compensation under the scheme as trade expenses for tax purposes, and obtained a loan from the Finance Corporation for Industry. Moreover, the price management scheme, and indeed the formation of the Calico Printers' Association many years before in 1898, are episodes in the long, cruel decline of cotton; calico printing began to shrink in the eighties, long before Lancashire as a whole came under pressure. More or less similar minimum pricing schemes exist in other sections of the industry, while the elimination of redundancy received legislative sanction in the thirties and approval in the Cotton Working Party Report of the forties. In general, if not in every detail, much of what the Monopolies Commission has found to condemn in calico printing would be considered by many people in Lancashire as the justifiable self-defence measures of an industry beset by misfortunes beyond its control.

Another disputed feature of the Commission's categorical verdict is that it could find little evidence of the actual, as against the theoretical, effects of this "price management" policy on costs and prices. The firm of accountants that it employed found it impracticable to obtain representative costs for individual lines and styles, and no comparisons seem to have been made to decide whether printing costs had increased more

than other costs as a result of "price management." The Commission noted that during certain years after the 1949 agreement about 50-70 per cent of calico printing was done at prices higher than the listed minima; it records, but did not attempt to check, the Federation's evidence that British printing prices in general were lower in 1952 than European. It calculates that for groups of companies that cover 90 per cent of printing business, profits on capital employed, at historical costs, were 26 per cent in 1949 and 29½ per cent in 1950 (CPA's were 20 and 27½ per cent). A "replacement cost" valuation of fixed assets would have brought these profits down to about 13¾ per cent in 1949 and 16¾ per cent in 1950 for a sample of companies (and to 15½ per cent in 1949 and 21¾ per cent in 1950 for CPA). But these profits were in boom years, and the Commission makes no comment on them. Nor does it record many specific complaints from other sections of the industry, as distinct from general criticisms that prices were too high and insufficiently flexible; several interests that were consulted approved of "stability" and "standard charges." The Cotton Board felt unable to give more than statistical information; the Board of Trade mentioned the impressive research work of CPA (which among other achievements can number the discovery of "Terylene"); and the TUC, which is itself in the price-fixing business, told the Commission that neither of its "affiliated unions concerned believes that it has any evidence to submit to the Commission."

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Lacking evidence of the direct effects of this pricing policy—which was designed against times of depression, but has so far operated mainly in a boom—the Commission has reached its conclusion on grounds of economic principle. This has brought the epithet "doctrinaire" from those faint friends of the free economy to whom competition so often appears as "cut-throat." It does not radically weaken the conclusions, though data would have been instructive; the Commission's usual reliance upon "empiricism," to tell the truth, has always been in part illusory, however much its members, as staunch Britons, dislike being accused of *a priori* reasoning. The principle, after all, is the pure milk of Manchester:

> We believe, however, that it is generally true that price competition provides the keenest stimulus of all to the pursuit of efficiency, and that its absence is bound in some degree to lessen the incentive to reduce costs. . . . And if it should turn out that, notwithstanding all Lancashire's exertions, her exports . . . decline in future for reasons beyond her control, these arrangements will, we believe, only create a false sense of security and delay the adjustments and redeployments which will have to be made.

The Commission accepts the "sincerity and strength of feeling" shown by the calico printers in defending their arrangements, and their "almost passionate conviction" that only in such ways can a decent living be ensure for the industry. Its own views (which on some tec nical details, it should be said, are not wholly convinc ing) must necessarily be wider; and in particular it somewhat less ready than the industry to assume th the blizzard of the thirties will come again.

It is on this assessment of the future that action upo the Commission's recommendations, by the Board o Trade or the industry, may turn. The calico printer do not appear disposed to abandon their sea-ancho merely on account of bad publicity. They remain sur that their industry, which is certainly susceptibl to fluctuations of fashion and is unable, as a processo of other people's goods on commission, to print fo stock, is entitled to co-operate for stability. If the believe that the industry's capacity still exceeds what i can count on continuing to employ, they may cling t their restrictions on selling machines or "water-rights" (which the Commission could not trace as having dis couraged anyone from entering the industry, though some people in Lancashire would suggest at least one example); and the Board of Trade may find it awkward to condemn a redundancy scheme that it approved five years ago.

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The Commission would not object to a voluntary undertaking about minimum prices, without quotas or other sanctions; whether this would satisfy the printers remains to be seen. They will undoubtedly argue that unrestricted competition, if hard times come again, might lead to yet more amalgamation, as CPA may have the most resources in the long run; and they will gain considerable support in Lancashire, which has never taken kindly to lectures from London on how to perish in a decently competitive posture. If it is accepted that Lancashire's trade must inevitably decline further, the Government may indeed be chary of pressing one section alone of the cotton industry to abandon even defence measures that may today cause inflexibility and in depression might survive no better than the Federation's old "gentleman's agreement" in the thirties. But this future decline is perhaps not quite inevitable. If the report should set Lancashire thinking again, and not simply of gallant rearguard actions, the indirect results of its recommendations might be of considerably more value than the direct.

Building Societies and Housing

A Survey on page 335

Profits in Flood

THE prediction made in these columns six months ago that this spring would see bumper profits has now been overtaken by the event. It is almost equally certain that the profits to be reported in the next three months will rise further, and unless there is a sudden fall in industrial activity or in prices, 1954 as a whole will be a year of big earnings. Of the 537 company reports analysed in the first quarter of this year, 494 were from industrial companies caught in the sample; just over half of these closed their financial years at the end of December or later and just under half of them between the end of August and the end of November. Viewed as a whole, these reports cover a calendar year in which industrial production rose by about 6 per cent or overlap into an earlier period when industrial production went up by about 3 per cent. The advance in their combined trading profits by 9 per cent, from £291.4 million to £317.8 million, was the inevitable outcome.

Not all industries, however, have contributed to this advance, or shared in it equally. In the analysis of the profits of 23 industrial groups reproduced on pages 324 and 325, five groups (shipping, shipbuilding, silk and rayon, tea and oil) do not contain enough companies to bear the weight of generalisation. Of the remainder only the rubber plantation companies have reported a sharp decline in earnings but, far more significantly, the engineering and iron and steel companies have reported moderate declines. The explanation must rest partly on the facts that last year, fixed investment in manufacturing industries failed to increase, order books began to thin out and in overseas markets the pace of competition quickened. At home the only marked increase in investment occurred in building and in the fuel and power industries. Abroad the longest order books for British goods were for electrical equipment. Thus it happens that within the broad category of capital goods industries the building companies have reported the sharpest increase in earnings while the electrical equipment manufacturers achieved yet another advance in profits, though far less substantial than that reported in 1953. Profits earned by the motor and aircraft industries have also risen sharply, in conformity with the continuing demand for British military and civil aircraft and with the growing momentum of vehicle production.

By far the biggest advances in profits, however, have been achieved by industries closely in touch with consumers—those trades, in short, that had to bear the weight of the recession and of losses on stocks in their 1952 accounts. This rebound in profits follows directly on last year's increase of about 4 per cent in total expenditure on consumption. It has been most marked in the clothing, footwear and textile industries, where the biggest single rise in production was achieved last year. The retail stores, particularly the chain stores, have benefited directly from the rise in consumption and so, too, have brewing, tobacco and the food trades though to a lesser extent. The revival in the consumption trades has also made its pleasing mark on the accounts of the manufacturers of domestic appliances (grouped in this sample under "electrical equipment") and of the plastics companies (heavily represented in the "chemicals and paint" group).

Equity earnings and dividends have been given new buoyancy by this advance in trading profits, and only the rubber companies have reduced the net amounts distributed to ordinary shareholders. Net earnings available for equity distribution by the 537 companies have risen from £76.6 million to £97 million. From these earnings the companies paid out in net ordinary dividends £44.6 million, compared with £35.3 million in the previous year. But before any political capital is wrung out of these figures they must be put through the statistical mangle, for they include the earnings and dividends of Vauxhall Motors. This company's net equity earnings shot up from £6.2 million to £9.4 million, and its ordinary dividend from £158,000 to £3.4 million but the dividend did *not* go into the pockets of British investors; it was paid out to the American parent company, General Motors. If the Vauxhall figures are excluded, net equity earnings total £87.5 million, compared with £70.4 million, and net ordinary dividends £41.2 million, compared with £35.1 million. These are net dividends, however, entered into accounts after deducting income tax at the standard rate; about £1.8 million of the apparent increase of £6.1 million in ordinary dividends reflects last year's reduction in the standard rate of tax from 9s. 6d. to 9s. in the £, a concession given to other incomes as well as dividends. In effect, the directors of 536 companies were responsible for putting about £4¼ million more into the pockets of their ordinary shareholders.

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The increase in dividends was the direct corollary of the advance in profits, though it also owed a good deal to directors reacting to share bids, to the genuine view that shareholders were entitled to an improvement in their lot and perhaps something to the improvement, patchy though it was, in liquid resources. The total net liquid assets of the 537 companies rose by about £34 million, though the proportion of assets held in liquid form remained unchanged at just over 13 per cent of total assets. This reinforcement took place in spite of an increase of about £14 million in stocks and of an increase of about £108 million in the gross book value of fixed assets. About £40 million of

this increase in fixed investment represented money spent by the iron and steel companies. Without being conclusive, these figures are at least consistent with the fear that British industry was doing nothing more than to replace its worn-out equipment. The implication of the *Economic* Survey that too much of last year's increase in production was syphoned off into consumption and too little used to build up productive capacity, seems to be borne out by this rough statistical test.

The balance sheet analysis of the 537 companies also helps to confirm the rather tentative conclusions recorded in the Economic Survey about last year's movements of stocks. Over the whole of British manufacturing industry there seems to have been little change in the value of stocks, though there was a slight increase in volume. But stocks of steel increased last year, as did the value of work in progress passing through the engineering industry; this movement is reflected in the sample by the rise of £13 million in the stocks held by the "iron and steel" companies (which include some representatives of the heavy engineering industry). The increase in stocks held by the clothing and textile industries and by retail stores is also mirrored in the analysis, where the biggest increase of all has been reported by the wool companies. These increases, however, have largely been balanced by the voluntary reduction in stocks held by companies which benefited from the readier flow of raw materials last year; hence it is

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published January to March, 1954		Reports Published April, 1953, to March, 1954	
	537 Companies		2,715 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	*291,433*	317,836	*1,598,839*	1,500,111
Income from investments	*22,201*	24,263	*99,451*	100,972
Other current income	*281*	396	*1,914*	2,145
Non-recurring credits	*10,640*	13,713	*54,377*	81,717
Total income	*324,658*	356,208	*1,754,572*	1,684,945
Repairs and maintenance	*1,500*	1,608	*9,663*	9,955
Depreciation	*40,115*	45,844	*239,484*	249,546
Income tax (excl. profits tax)	*118,173*	121,343	*677,915*	587,984
Profits tax	*30,264*	31,208	*195,623*	126,895
Directors' emoluments	*10,504*	11,348	*49,481*	50,122
Administrative charges, etc.	*9,250*	10,138	*27,729*	30,050
Contingencies, provisions, etc.	*19,632*	17,625	*138,708*	92,111
Pensions	*3,053*	3,518	*23,936*	21,540
Minority share in profits	*1,932*	1,914	*19,235*	18,094
Profits retained by subsidiaries	*15,167*	15,615	*111,226*	103,917
Debenture interest	*7,937*	8,656	*30,776*	34,694
Preference dividends	*5,719*	6,039	*32,845*	32,981
Ordinary dividends	*35,304*	44,578	*158,135*	180,359
Revenue reserves	*23,079*	30,659	*121,773*	123,639
Brought in (parent company)	*57,026*	60,055	*254,323*	272,366
Carried forward (parent company)	*60,055*	66,170	*272,366*	295,432

ANALYSIS OF BALANCE SHEETS
Published January–March, 1954. (£'000)

	537 Companies			537 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies):—			**Fixed Assets:—**		
Debenture	*234,862*	255,941	Land, property and plant	*926,556*	1,034,608
Preference	*192,767*	194,529	*Less* depreciation	*275,381*	314,470
Ordinary	*407,648*	444,922		*651,175*	720,138
	835,277	895,392			
Reserves and Surplus:—					
Capital reserves	*148,447*	146,882	**Trade Investments**	*75,403*	65,199
Rev. reserves and carry forward	*404,938*	453,968			
Total Capital, Reserves and Surplus	*1,388,662*	1,496,242	**Intangible Assets**	*43,667*	39,398
Outside Interests in subsidiaries	*36,366*	36,783			
Current Liabilities and Provisions:—			**Current Assets:—**		
Bank overdrafts and loans	*96,772*	106,662	Stocks	*596,941*	611,071
Creditors, etc.	*429,312*	443,820	Debtors	*343,396*	378,393
Future taxation	*119,334*	128,345	Gilt-edged secs.	*24,577*	23,856
Other provs.	*38,637*	38,896	Other marketable investments	*182,400*	188,206
	684,055	723,723	Cash	*191,634*	230,477
				1,338,858	1,432,013
	2,109,193	2,256,748		*2,135,103*	2,255,748

PROFITS AND EARNINGS BY INDUSTRIES
(£'000)

	537 Companies			
	Total Income		Earnings for Ordinary Capital*	
	Previous Year	Latest Year	Previous Year	Latest Year
Consumption Trades :—				
Breweries	*7,596*	8,021	*1,290*	1,544
Clothing and footwear	*6,704*	7,804	*1,318*	1,758
Entertainment	*2,219*	2,500	*339*	425
Food and confectionery	*16,579*	17,788	*3,965*	3,922
Hotels and restaurants	*394*	337	*68*	85
Shops and stores	*31,346*	35,644	*7,922*	9,559
Tobacco	*33,151*	34,535	*6,963*	11,739
Total	*97,989*	106,629	*21,862*	29,032
Capital Industries :—				
Building	*4,631*	5,478	*1,123*	1,335
Engineering	*17,105*	17,214	*3,949*	3,876
Iron and steel	*57,387*	58,435	*14,741*	19,086
Shipbuilding	*70*	127	*15*	8
Total	*79,193*	81,254	*19,828*	24,305
General Industries :—				
Chemicals and paint	*4,342*	4,760	*1,124*	774
Electrical manufacturing	*20,903*	23,118	*4,693*	4,760
Motors, cycles and aircraft	*20,997*	25,940	*5,220*	7,040
Newspapers, paper and printing	*15,191*	16,039	*3,495*	4,375
Miscellaneous manufacturing	*44,037*	50,996	*8,638*	13,395
Total	*105,470*	120,853	*23,170*	30,344
Utilities and Services :—				
Canals and docks	*32*	49	*13*	15
Electricity supply	...	...	...	...
Gas	...	...	...	...
Shipping	*347*	323	*76*	106
Telegraph and telephone	*989*	1,016	*318*	317
Trams and buses	...	...	...	...
Warehousing	*2,026*	2,279	*495*	551
Waterworks	*1,908*	2,086	*221*	320
Total	*5,302*	5,753	*1,123*	1,309
Textiles :—				
Cotton	*3,564*	4,391	*1,064*	1,218
Silk and rayon	*520*	1,314	*Dr. 14*	577
Wool	*8,699*	8,744	*3,233*	2,915
Other textiles	*5,731*	8,166	*1,118*	1,846
Total	*18,424*	22,615	*5,401*	6,556
Fuel :—				
Coal	*422*	424	*115*	95
Oil	*170*	225	*46*	68
Total	*592*	649	*161*	163
Plantations :—				
Rubber	*2,657*	2,123	*650*	443
Tea	*594*	1,026	*93*	93
Total	*3,251*	3,149	*743*	536
Finance :—				
Finance and land	*2,606*	2,694	*499*	367
Trusts	*11,831*	12,702	*3,792*	4,355
Total	*14,437*	15,396	*4,291*	4,722
Total, All Groups	*324,658*	356,208	*76,579*	96,967

* Includes amounts retained by subsidiaries attributable to parent company.

that the most marked reductions in stocks have been reported by the "motor and aircraft" and the "miscellaneous manufacturing" groups. British industry has therefore been able to add a little more to its liquid resources, and it is only where a sharp increase in fixed and working capital has taken place (as in the case of "iron and steel" companies) that the analysis shows any serious inroads into these liquid balances.

Investment in stocks and in capital equipment is, however, likely to increase this year. Many British companies, if they wish to avoid any further calls on liquid assets, may have to plough back much of the increase in profits they can expect in the next few months. Company reports published this summer, referring to financial years that ended on or before the end of March, should show a rise in profits at least comparable with that reported in the first quarter of this year. But the pattern of profits may look like a patchwork quilt. There may be dull colours represented by the capital goods industries (apart perhaps from the building trades) where profits show little change. The bright colours can be expected from the companies manufacturing and distributing consumer goods; these companies should report the biggest increases in profits simply because a year ago they reported the biggest declines. But whether this will be a signal for another round of dividend increases will depend on whether American recession and wage increases at home cast a dark shadow across the quilt.

Business Notes

Spring in the Markets

THERE is no holding back investment markets. This week a new Stock Exchange account opened with a fresh advance to new high levels. *The Financial Times* index of industrial equities on Thursday reached an all time peak of 146.9, having risen 2.2 points during the week, and by 14.6 points since the end of last year. Fixed interest securities are also at their highest point of the year; the index has reached 113.52, a rise of 1.62 since the end of 1953. But this week's rise in the markets has been accompanied by no flurry of ragged buying. The number of Stock Exchange markings did not go up with the rise in prices. The volume of business just remained substantial.

Growing confidence in the sterling economy is undoubtedly the chief reason for the market's advance. It shows itself in the greater willingness of the British resident investor to be fully invested, for the institutions to buy the longer dated gilt-edged stocks, and for private individuals to pick up securities which have been associated with good news. The market rise springs also from the greater confidence which foreign investors feel in the London market. The persistent strength of the sterling exchange rate marks the fact that foreign money is still on the move into London. By now there is enough of it to have an appreciable effect on investment markets.

Part of this money is of the permanent investment type. It has been seeking such investments as those longer dated British Government securities which are tax free to foreign residents. The rise in War Loan owes something to foreign buying of this kind. Another part of the foreign money is of the much more mobile type which can properly be called "hot." The appearance of such funds marks not only a confidence in sterling but also the fact that money rates are declining in other centres. The weekend reductions in the Federal Reserve re-discount rates from 1¾ per cent to 1½ per cent in Chicago, New York and San Francisco were not a deliberate attempt by the American monetary authorities to cheapen money; they merely marked the acceptance of a *fait accompli*. In London, too, it is becoming increasingly difficult for the owners of such balances to use them profitably. The attractions of holding a balance in London have increased now that gold is a free market and the exchanges are moving towards freedom, but there are more attractive fields for its investment than three months' Treasury bills with their return of 2$\frac{3}{32}$ per cent and the "hot" money is reported to be seeking other fields for temporary asylum including the local authority loan market.

	Jan. 1, 1954	Feb. 1, 1954	March 1, 1954	April 1, 1954	April 21, 1954	April 22, 1954
	NET PRICES					
2½% Exch., Feb., 1955	100	100 $\frac{1}{32}$	100 $\frac{1}{32}$	100 $\frac{1}{32}$	100 $\frac{1}{32}$	100 $\frac{1}{32}$
3% Savings, 65/75	87 $\frac{7}{8}$	88 $\frac{1}{4}$	88 $\frac{1}{4}$	89	89 $\frac{1}{16}$	89 $\frac{3}{16}$
3½% War Loan	84 $\frac{3}{4}$	83 $\frac{15}{16}$	84 $\frac{9}{16}$	86	87 $\frac{1}{8}$	87 $\frac{7}{8}$
2½% Consols	64 $\frac{3}{16}$	63 $\frac{15}{16}$	64 $\frac{1}{16}$	64 $\frac{11}{16}$	66 $\frac{3}{4}$	67
	GROSS PRICES					
Anglo-Iranian £1	8 $\frac{7}{16}$	9 $\frac{3}{16}$	9 $\frac{1}{8}$	11 $\frac{5}{8}$	11 $\frac{5}{8}$	11 $\frac{5}{8}$
Courtaulds £1	51/–*	53/–	26/3	28/–	27/9	28/3
Dunlop 10s.	57/6a	20/6	19/6	20/–	23/–	23/–
Imperial Chemical £1	54/–	54/9	56/9	58/–	60/3	60/3
Imperial Tobacco £1	57/6	56/6	53/–	52/–	52/10½	53/7½
Marks & Spencer "A" 5s.	74/3	79/–	84/–	90/6	91/6	91/3
Financial Times :—						
Ordinary	**131·1**	**135·5**	**136·0**	**139·8**	**145·1**	**146·9**
Fixed Interest	**111·84**	**111·94**	**112·09**	**112·64**	**113·42**	**113·52**

* Ex. dividend. (*a*) £1 shares. (*b*) Ex. 100% share bonus.

The FBI and "Freedom to Co-operate"

AT the annual general meeting of the Federation of British Industries last week, Sir Harry Pilkington welcomed the "bold and imaginative" new investment

allowance "with open arms." The small initial cost of this innovation in the Budget, he emphasised, was only in comparison with the cost of the initial allowances that it replaces; so far as the FBI can estimate, the concession applies, even at Britain's present inadequate scale of industrial investment, to well over £500 million of capital expenditure annually, and represents some £70-£80 million in extra resources for industry.

The federation's annual report, also presented last week, affords glimpses of FBI policy on a number of major issues that have not yet been resolved. It shows that a second inquiry into the effects of inflation on industry's capital resources, completed last year, though insufficient to permit an estimate whether depletion of real capital was still going on, did show that far more companies were setting aside special reserves to replace fixed assets, in addition to normal provision for depreciation. The federation offered detailed advice to the Transport Commission upon the reorganisation of the railways; gave evidence to the committee considering the censuses of production and distribution, attempting to "strike a balance between the extreme views that of those who would like the census abolished and others who value the statistics it provides and would indeed like them to be more detailed"; and continued discussions with the British Electricity Authority over industrial tariffs and the use of private generating plant. It encouraged its member associations to send full information to the Monopolies Commission in connection with the Commission's general inquiry into "exclusive dealing" and "collective boycott" practices—in the hope that the Commission "would be brought to realise how extensive and various were the practices concerned and how great the dislocation that would follow from their interruption." Sir Harry's presidential address, too, contained a passing reference to restrictive practices in British industry, on which the federation has set up a study panel:

> Occasional abuses of the freedom to rationalise, to organise, and to co-operate, are trifling in their effects on productivity and on prices compared with the cost of compulsory isolation. Our country has struck to the principle that to check abuses of industrial co-operation, cases should be judged on their merits. This simple principle has been abandoned in other countries.

This latest freedom, it would seem, is one aspect of productivity upon which British industry is not prepared to follow the example of the United States.

Purchase Tax Easter Egg

THE Finance Bill—published just before Easter—contains one unexpected addition to the handful of tax changes announced in the Budget; a change, and a fairly radical one, is to be made in the method of assessing the amount of purchase tax payable on each retailer's goods. Purchase tax is calculated on the wholesale value. When goods pass direct from manufacturer to retailer and not through a wholesaler's hands an imaginary wholesale margin called "uplift" is added to the manufacturers' price before the duty is assessed. "Uplift" has been a bone of contention between retailers and the Customs and Excise for several years, and it is now to be modified.

The purpose of "uplift" was to avoid giving the big retailer who could deal direct with manufacturers a tax advantage compared with the small retailer who necessarily deals through wholesalers, but retailers always maintained that the manufacturers' price covered certain wholesaling costs. The committee, under the chairmanship of Mr. Frederick Grant, QC, that spent 12 months on this highly technical matter accepted part of the retailers' contention but it was not prepared to recommend that the value of the goods for purchase tax should always be the price paid by the retailer to his supplier, whether manufacturer or wholesaler, and instead proposed the abolition of uplift except when the retailer obtained an especially favourable price, usually because of the size of his order.

These recommendations have been exactly embodied in the Finance Bill. The price paid by a retailer to a manufacturer will in future be accepted as the wholesale price when calculating the amount of purchase tax due on the goods—provided that the price is one that would be paid by "retail traders in general." Between now and next January, when the new system comes into operation, the Customs and Excise department and the trade associations must find a workable formula for deciding the point at which a retailer ceases to rank among "traders in general" and becomes big enough to enjoy what the bill calls a "purchasing advantage." Any trader with a "purchasing advantage" will still have some uplift added to the price he pays, to bring his tax assessment into line with that of the small shopkeeper dealing in the same goods. The size of the "uplift" will presumably depend on the local tax officer's assessment of the degree of advantage enjoyed, a difficult point to decide. It may be that the big retailers—the multiples, the variety chains and the department stores—will find themselves with much the same liability for uplift as they were before the change was introduced.

Death Duty Concessions

THE concessions on estate duty for family businesses, as spelled out in the Finance Bill, are more generous than the Budget speech suggested, but their benefit is limited to sole traders, partnerships and "controlling" shareholders in family businesses (whose shares are valued under Section 55 of the 1940 Finance Act according to asset values). Industrial assets (as defined for rating, not income tax, purposes) in the estates of such persons will be charged at 55 per cent of the ruling rate of death duty. In valuing these assets, the Estate Duty Office is enjoined to set liabilities as far as possible against non-industrial assets in arriving at the net asset value. This stipulation will mean a smaller total charge for duty than if liabilities were deducted proportionately from all assets.

To prevent Section 55 being applied in all its rigour to a shareholder who accidentally, or temporarily, secured "control" over a company at any time within five years of his death, the death duty provisions have been sensibly amended so that, in effect, the asset valuation of shares will not be applied unless "control" had been exercised continuously for two years or more. Previously, for example, Section 55 would have been invoked if at any time within five years of his death the holder of, say, £2,000 of the ordinary capital of £10,000 had made a temporary loan of £7,000, thus giving an interest of more than 50 per cent in the aggregate share and loan capital of £17,000. Similarly, it might catch in its net a preference shareholder who in one year received more than 50 per cent of the total interest payments because the ordinary dividend was passed. Now, holdings in the estate of a shareholder who "controlled" a company for less than two years continuously will be valued on yield and earnings considerations, as in the case of minority shareholdings. Nor will the asset method of valuing shares be applied when shares have been passed within five years of the death of the donor as a gift *inter vivos* to an employee of a company; such shares will now be valued as if they are a minority shareholding.

Only the estate of a "controlling" shareholder will benefit from the second concession. If, within three years of death, his shares are sold, the selling price will be substituted for their asset value to arrive at the duty to be charged. Certain provisions have been drafted to prevent any contrived sales designed to secure the benefit of this concession.

Productivity and Steel Deliveries

LAST year's increase in steel output, to 17.6 million ingot tons, was accompanied by an increase in productivity, whether measured in terms of labour or of capacity. The industry's index of labour productivity in steel melting and rolling rose from 142 in 1952 (1938=100) to 148 last year; and the British Iron and Steel Federation's annual report, published this week, records that the average output per blast furnace went up to 126,000 tons of pig iron (compared with 92,600 tons in 1946) and average open-hearth furnace output up to 52,600 ingot tons of steel (this was 36,800 tons in 1946). Such a measurement of productivity in terms of capacity, of course, combines the effect of bringing in new and larger furnaces with increases in driving rates; the steel industry, which has always been justifiably chary of measuring productivity merely in terms of labour, circulates internally very full data on the performance of operating equipment, to enable steel makers to assess their own ranking in efficiency.

U.K. HOME DELIVERIES OF FINISHED STEEL* TO INDUSTRIES

Consuming Industry	Fourth Quarter		
	1950	1951	1953†
	Per cent of Total		
Shipbuilding & Marine Engineering	10·1	9·3	10·4
Building & Constructional Engineering	12·8	14·1	12·7
Mechanical Engineering	11·4	13·9	11·8
Electrical Machinery & Apparatus	2·3	2·8	2·8
Motors, Cycles & Aircraft	7·1	7·5	7·1
Railways & Rolling Stock	9·3	9·0	11·6
Collieries	6·3	6·4	6·1
Hardware, Hollow-ware, etc.	4·4	4·8	3·5
Rivets, Bolts, Nuts, Drop Forgings, Springs, etc.	10·5	9·5	8·9
Other Industries	12·4	11·9	12·1
Stockholding Merchants	13·4	10·8	13·0
TOTAL*	100·0	100·0	100·0
„ (000 tons)	2,173	2,245	2,483

* Excluding second-hand material and private imports, as well as sheets, tin, terne and blackplate, tube fittings, and high speed, tool and magnet steel.
† Provisional.

The annual report, which is able once again to draw the comparisons between steel consumption by different industries that were interrupted during the allocation period, permits itself some confidence:

> In 1954 further new capacity will be available; the necessary supplies of raw materials are assured; and if present trends hold, domestic demand—both for investment and for indirect steel exports—should continue to expand.

Last year, it estimates, those "indirect exports" of steel goods amounted to about 4½ million ingot tons, more than three times the rate in 1938. It hazards no predictions about trends in the steel export market this year, where competition is still sharpening; one sign of the times is its disclosure that the Government has recently been asked to consider relaxing its embargo on the export of steel to China.

Shipping and the Shareholder

SHAREHOLDERS of the big liner companies have long felt that they had a bone to pick with their directors: earnings were soaring, even disclosed earnings, and the shipping companies, like the banks, enjoy an exemption from the 1948 Companies Act that enables them to tuck away part of the gross profits into hidden reserves. Assets were also, on break-up terms, worth far more than the market prices of the shares. Yet dividends appeared to rise most sluggishly. The directors also had their point of view. They knew that they had to replace moderately cheap ships with new ships that were not only expensive, but also at prices that were quite unascertainable at the time when the orders were placed. They had to earn depreciation on these and cover other rising costs in freight markets which would obviously become far more competitive. They were also determined that shipping fleets were not going to be broken up or sold just because ship prices had run ahead of share prices.

The publication in the last few days of the last year's figures of four big liner companies should provide an inkling whether the shareholders or the directors had most right on their side. The companies are Cunard Steamship Company, Peninsular and Oriental Steam Navigation Company, whose figures are examined in detail on page 319, Orient Steam Navigation (controlled by P and O) and Union Castle. Two of them show the impact of lower freight rates. P and O's profits before tax fell by about 40 per cent; Cunard's profit fell by about 25 per cent; but Orient's profit actually increased for the year ended September 30th from £328,561 to £481,006 even after making an undisclosed contribution (against nil) to reserves. But even earnings from the declining freight market of 1953 cover the dividends most handsomely. P and O is actually increasing its distribution for the year ended September 30th from 20 to 22 per cent and issuing a one-in-one deferred share bonus, which would surely not have been made if the amount to be distributed was likely to fall.

Cunard maintains with great ease its 16 per cent payment. Union Castle has disappointed the market by again paying 7½ per cent.

The investor may feel that the dividends of these giants have been pinned back to a level at which they can be maintained and perhaps improved even though profits are now falling. He should not lose sight of the fact that he is dealing with the aristocrats of the shipping business. These are big liner companies. They deal with cargo as well as passengers, but conferences fix their charges and they sail to schedules. For tramp owners following trade round the world in search of worthwhile cargoes, the Chamber of Shipping's index of freights is likely to be a more reliable guide. It reveals the devastating fact that the present level of tramp freights is little more than half what it was at the beginning of 1952; the March index (1952 equals 100) was 77.4, compared with 77.6 in February, but with 146.4 at the beginning of 1952. For time charters the rate is about one-third of its level at the beginning of 1952; the March figure of 63.4 compares with 62.0 in February, but with 184.5 at the beginning of 1952.

Rubber at Colombo

THE International Rubber Study Group meets in Colombo on May 3rd with the outlook for natural rubber more favourable than it was when the management committee met last October. The real surplus in 1953 was only about 40,000 tons, and may be even smaller this year. The share of natural rubber in total American consumption again increased in March—to 49.2 per cent—and the price has been firmer in recent weeks. The attitude of the United States has also been more helpful, though help has stopped short of raising the price of synthetic. So while proposals for an international buffer-stock were killed last October, and buried by the Randall Commission's report, the near outlook for the industry is not too disturbing. Attention may be given at Colombo to the long-term prospect, particularly to the management committee's proposal that the rate of replanting should be increased. This was suggested as one means of reducing the surplus; as the old trees were cut out production would fall. Another reason is the probability that the long-term trend consumption of all rubber is still upwards, and that unless additional sources of natural rubber are created, the eventual shortage will be met from synthetic. New trees, when they come to maturity, can produce three times as much rubber as the old.

But speculation about a possible shortage, and its implications for natural rubber, is largely academic. What matters is that the share of natural rubber in total consumption is ultimately determined by the industry's ability to compete with the price of synthetic, and that replanting is the most effective method of reducing its costs of production. Governments of the producing countries represented at Colombo will doubtless point out that replanting is seriously retarded by the present low price, and claim that the United States should raise the price of synthetic to a level which fully covers production and capital costs. Such action, even so, might not help very much, nor for very long, for cheaper ways of producing synthetic will almost certainly be developed. A more effective aid to replanting would be to ease the burden of taxation. In Malaya, where a joint government and industry commission will shortly examine the competitive position of the industry, taxation is the heart of the replanting problem. In Indonesia, replanting is also hindered by chaotic labour conditions, the uncertainty of land titles, and restrictions on remittances of profits and on the entry of European planters.

Hunter and Mystère

THIS week the Ministry of Supply admitted that some of the difficulties experienced with the Hunter fighter were connected with its dive brakes—a phrase that implies that the aircraft's performance was not meeting specifications. Hunters will not be in squadron service before the end of the year. The first squadron of Swifts was formed in February, but it is not known whether the more powerful Mark 4 version is yet cleared. Both of these aircraft were ordered at the beginning of 1951. The delays caused by snags in both machines that came to light during development flying, sometimes after several months of testing, explain why the Ministry of Supply will in future order a batch of "pre-production" prototypes for new aircraft in order to get in a greater number of flying hours before the service versions go into production.

A great deal of ground has been lost through these delays. In France, the Mystère IV, which is the contemporary of the Swift and Hunter, was ordered by the American government on off-shore purchase only last spring. Deliveries were to start this summer, and whereas twelve months ago it seemed improbable that so stringent a schedule could be met the latest reports suggest that production is now starting to run ahead of schedule. Technically, the Mystère IVs are the equal of the Swift and Hunter; the more advanced version, the Mystère IVB, is their superior, for it flew at supersonic speeds in level flight in March, and no British fighter has yet done this. Early this month, the aircraft crashed and killed the Dassault company's chief test pilot, but the cause of the accident has been identified as a defect in one of the electrical circuits that jammed his controls. The unusual speed with which the Mystère series has been designed and put into production makes the Dassault organisation a serious challenge to the British industry and upsets some dearly-held beliefs about the "normal" pace of aircraft development.

Britain Uses More Oil

BRITAIN'S consumption of petroleum products, which faltered in its upward trend in 1952, again rose substantially last year. Total deliveries of all petroleum products amounted to more than 19 million tons, 8-9 per cent higher than in 1952, when an increase of less than 4 per cent was achieved; the total may be compared with an estimated consumption of some 9 million tons in 1938. There was an increase of 300,000 tons in deliveries of motor spirit last year (these had actually declined in 1952), an increase of some 350,000 tons in fuel oil deliveries, and an

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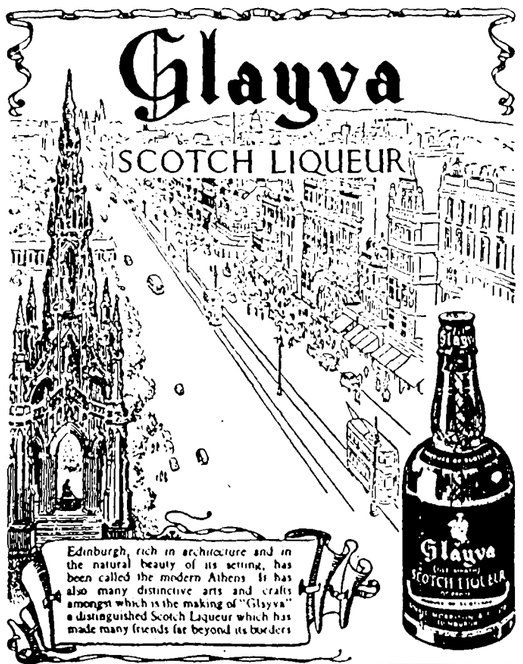

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increase of about 160,000 tons in deliveries of gas/diesel oils and derv fuel. This last figure is an indication of the continued swing towards diesels on the road and the farm; deliveries of vaporising oil, used in tractors, showed a slight decline.

SALES OF MOTOR SPIRIT, 1951, 1952 and 1953

	1951	1952	1953
Sales by Dealers:			
Premium Grades	—	—	2,197,300
Commercial Grades	3,463,700	3,492,700	1,578,300
Direct Sales to Commercial Consumers:			
Premium Grades	—	—	255,400
Commercial Grades	1,990,600	1,947,800	1,709,100
TOTAL—Premium Grades	—	—	2,452,600
Commercial Grades	5,454,300	5,440,600	3,287,300
Total	5,454,300	5,440,600	5,740,000

The general rise in consumption of gas, diesel and fuel oils reflected the recovery in industrial activity; once again the steel industry recorded the largest increase in consumption of these fuels. The Petroleum Information Bureau's annual statistics, recording this increase in business, disclose for the first time the proportion of total motor spirit sales achieved by the new premium grades; these accounted for nearly 60 per cent of sales by dealers—mainly to private motorists—and about 15 per cent of sales direct to commercial consumers.

Green Light for Airwork

Now that the Civil Aeronautics Board in America has at last given Airwork Ltd., an independent British airline, permission to operate an all-freight service from this country into the United States, the last necessary formality has been completed and the company is free to go ahead with its proposed North Atlantic freight service. There is considerable speculation over its next move. One of the first fruits of the government's new civil aviation policy was the granting last year of a licence to Airwork to operate an all-freight service to America. When Airwork first applied for the licence in 1952 it was generally known that had British Overseas Airways Corporation not been bound by an undertaking to withhold applications for freight services for twelve months to give the new policy a chance to get established, BOAC too would have been in the running for a similar licence.

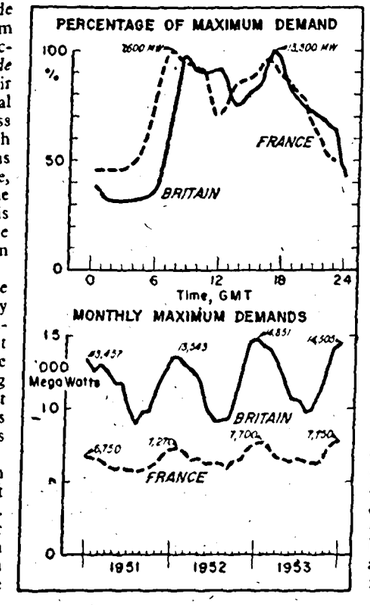
Since the licence was granted, opinions about the amount of freight traffic that might be forthcoming have undergone several revisions, and far from envying Airwork's franchise, there are many who now wonder if the company has saddled itself with a difficult responsibility. Airwork has not yet bought the freighters that it will need to operate on the North Atlantic, but this is more likely to be due to reluctance to buy on a falling market while there was still doubt about the American authorities' attitude to its application to fly into America than to any reluctance to make use of the British licence once it had been granted. All-

Sharing Electricity with France

FOLLOWING tests last summer in which lengths of 132,000 volt cable made in Britain and France were laid out from the coast near Dover, the British Electricity Authority and *Electricité de France* have now reported to their governments that the major technical problems of transmitting power across the Channel have been solved. A British company has developed a continuous process for manufacture of power cable, which will undoubtedly be used if the two countries' politicians approve this electrical *entente*. If approved now, the undersea power link could be laid in summer 1957.

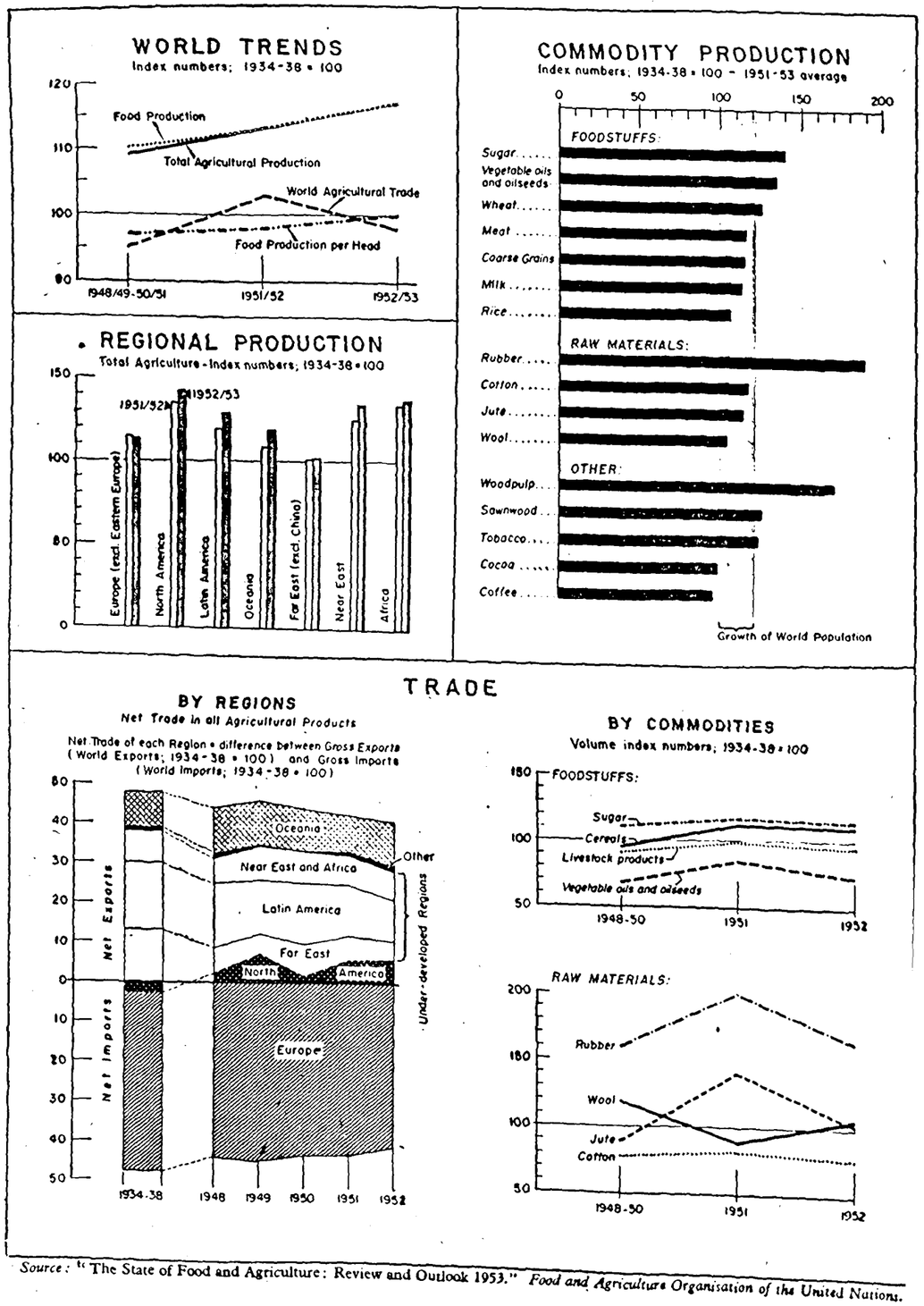
The two electricity authorities have estimated that the cable, which initially will carry 100,000 kW, would make possible a reduction in generating plant capacity of this order and could be made possible in both countries—a total saving of about £10 million in capital cost against which the cable connection is expected to cost some £4,300,000, thus saving £5,700,000.

If the link is to help power plant in both countries to be utilised to best advantage, peak loads must be shared. This is only possible if they do not occur at the same time and if there is an appreciable difference in peak level. In fact "diversity" of demand between the two countries was about 580,000 kW at peak hours during the "cold snap" that hit both Britain and France early this year, and figures extending over the last four years (shown graphically in the charts) suggest that a minimum winter diversity of 300,000 kW at time of peak demand could be relied on. The French peak comes about one hour ahead of the British, and there are also significant weekly and seasonal differences.



Three types of energy exchange are envisaged in the scheme as outlined to the Institution of Electrical Engineers recently by Messrs D. P. Sayers, M. E. Laborde, and F. J. Lane. "Spill" energy from overfull water power reservoirs in France, which would otherwise go to waste, could save some coal in Great Britain. Secondly, "hydro-electric—*thermal power exchanges*": in summer, when dry weather would deplete reservoir levels under normal operation in the French network, underloaded British power stations could supply the energy needed there more efficiently, getting power back at winter peaks when British plant would be over-stressed but French reservoirs full. Finally, power could be exchanged between the different groups of thermal power stations in the two countries, where an economic advantage could be gained from the differences of cost, at given periods and electrical load levels. It has been estimated that at least £600,000 a year might be saved in these three ways.

World Agriculture



Source: "The State of Food and Agriculture: Review and Outlook 1953." *Food and Agriculture Organisation of the United Nations.*

freight air services are aimed at the kind of traffic that [illegible] through the doors of a passenger aircraft, or like as freight hold, and there are signs that there is enough of this kind of traffic potentially available on both sides of the Atlantic to justify a third all-freight service in addition to those already operated between Europe and America by Pan-American World Airways and the Dutch KLM. A third Scandinavian-operated freight service was in fact withdrawn only through shortage of aircraft. The talks going on between BOAC and Airwork are presumably directed towards arrangements for the diversion by BOAC of freight unsuitable for passenger holds—which the corporation has at present to turn away. If the two operators can reach an understanding on the collection and handling of freight in both countries, Airwork's real economic problem, which is not the existence of sufficient traffic, but its collection, will be greatly simplified.

Reasonable Prices for State Lorries

THE latest news from the Road Haulage Disposal Board and the Transport Commission suggests the prospects for the sale of nationalised road haulage businesses to private owners may have become rather more hopeful. The two organisations have been able to accept bids for 179 out of 238 transport units without premises that they offered in earlier sales but which then fetched no acceptable bids. Most of these units were put up again for tender in exactly the same form, and the highest bids now received totalled £583,707 as compared with £411,489 at the first offer. In 31 cases the bids accepted were more than double the highest bids at the earlier sales, and in only three cases were the prices accepted lower than the highest bids before. But all the bids received were rejected for 11 transport units comprising 51 vehicles, and no bids at all were received for 48 units comprising 180 vehicles.

These latest results bring the sales to about 30 per cent of the vehicles offered; only 3,078 vehicles have been sold, out of 10,046. Of those sold, 2,316 were in units without premises, and indeed 80 per cent of the vehicles offered in this way have been sold. Even though the would-be operators are now offering prices that the Board and Commission consider "more reasonable," there seems little doubt that many of the premises used by the British Road Services will have to be sold separately, if the task of transferring some 30,000 vehicles to private ownership is to be completed in any "reasonable" time.

Cotton Market and Exchange Control

THE exchange control arrangements for participants in the raw cotton marketing scheme have now been circulated to banks and cotton firms. They closely follow the pattern set by other commodity schemes in which there is a considerable "dollar element," and where, therefore, free arbitrage might involve substantial dollar losses arising from purchases in the dollar area and sales outside it. As in all commodity schemes, participation will be restricted to persons and firms "having a continuing interest in the import and marketing" of this commodity. They will have to be recommended to the Bank of England by the Liverpool Cotton Association and, where appropriate, by the Manchester Cotton Association. The futures market in cotton will be a genuinely free market in which participants will be allowed to operate or arbitrage outside the sterling area for their own account or for a non-resident. Non-residents will be welcomed to the Liverpool futures market. Differences due to or from them will be payable in the currency of the non-resident or in the appropriate type of sterling—American or transferable.

For transactions in physical cotton—as distinct from the "paper transactions" of the futures market—participants will be free to buy in any part of the world and import into the United Kingdom. Cotton which has been paid for in US or Canadian dollars or in American or Canadian account sterling may be re-exported to another sterling area country only if approval has first been obtained from the Exchange Control in that country. Where dollar cotton is re-exported outside the sterling area payment must be exacted in US or Canadian dollars, or in American or Canadian account sterling. Thus for cotton, as for cereals, resident sterling is convertible into dollars when the commodity is needed for domestic consumption, but non-resident sterling is not so convertible. This approximates to the Swiss conception of convertibility which, like charity, begins at home.

The participants will be called upon to render the usual monthly returns to the Bank of England and make their relevant books and documents available for examination by the bank. Once again the principle of the "closed shop" is espoused; but to judge from the experience of the other commodity schemes it will not be abused.

Higher Dividends in Lombard Street

THE three discount houses that make up their accounts at or near the end of the fiscal year all report an increase in profits and all have raised their distributions. They are Smith St Aubyn and Jessel, Toynbee, whose accounting dates are to March 31st, and Cater Brightwen, whose year runs to April 5th. In the words of Mr R. H. Jessel the expansion of profits partly reflects the "immediate benefit" derived from the reduction of Bank rate from 4 to 3½ per cent in September last. Any reduction in money rates involves not only an increase in the running profit margin on bills held in portfolio that have been bought at higher rates but also a capital profit if such bills are resold. The most striking result is that shown by Smith St Aubyn, whose profits rose from £100,578 to £206,374, and thus were doubled for the second year in succession. The final dividend is being raised from 4 to 5 per cent making a total payment for 1953-54 of 10 per cent, against 8 per cent for 1952-53. The final, moreover, is being paid on the ordinary capital as increased, by the bonus issue of last August, from £525,000 to £630,000. Even so, allocations to general reserve are £75,000 this year (plus £15,000 to make good the excess of the capital bonus over the amount previously carried on share premium account), against £25,000 in

1952-53 though the carry-forward has been reduced by £28,500, or by rather more than in the previous.

Jessel, Toynbee's published profits are only moderately higher—they rose from £111,664 to £115,918—but the contrast with Smith St Aubyn's figures affords no reliable guide to the relative profitability of the year's experience. Discount houses, as banks, are permitted great latitude in their reserve policy, and carry substantial undisclosed reserves. Jessel, Toynbee has made no increase in its final dividend, but the total payment is up from 8 to 10 per cent—a rate that the board considers "strikes a fair balance" between the claims of shareholders and the companies' reserves. The house experienced a slight reduction in its bill portfolio, while that of Smith St Aubyn rose quite fractionally; but both show a moderate expansion of bond portfolios. Jessel, Toynbee remarks that there was "no marked change" in the supply of commercial paper —after its steep decline since early 1952. This house gives its usual useful breakdown of its bill portfolio according to types of acceptor. It is interesting to note that over the past year the proportion of bills accepted by fifteen acceptance houses has fallen, whilst the role of trade paper and acceptances by dominion banks has increased.

Cater Brightwen, whose preliminary statement only is so far available, announces an increase in profits from £140,408 to £160,694. The final dividend rate, payable on the ordinary capital increased from £800,000 to £1 million by the bonus issue of last December, is reduced only from 8¼ to 7½ per cent. This gives a total dividend for the year of 15¾ per cent, equivalent on the former capital to a dividend of 17.6 per cent, compared with 16½ per cent actually paid for 1952-53.

Titanium in Canada

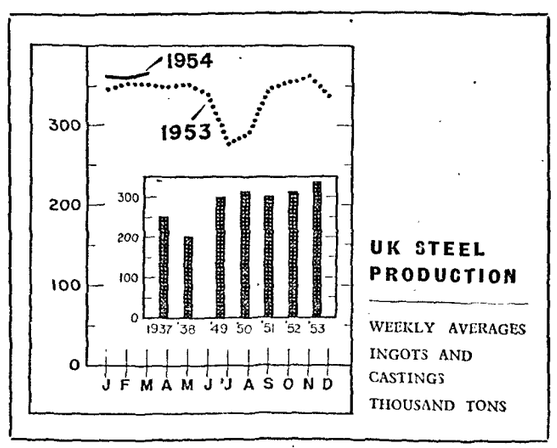
THE purchase by the Hawker Siddeley Group of a Toronto company, Canadian Steel Improvement, that specialises in precision forging of steel and light metals, is chiefly notable because the new subsidiary has been forging titanium, and this side of its work is to be expanded. Sir Roy Dobson, who announced the purchase on his return from Canada last week, said that the company would handle titanium through from the raw sponge in which it is first produced to the finished product. This indicates that the company will put in facilities to produce ingots, which is almost as troublesome a technical operation as the primary reduction of this light metal from titanium ores. Some fabricators on this side of the Atlantic have so far burked at making their own ingots, in the hope that improved primary and secondary refining methods may come along.

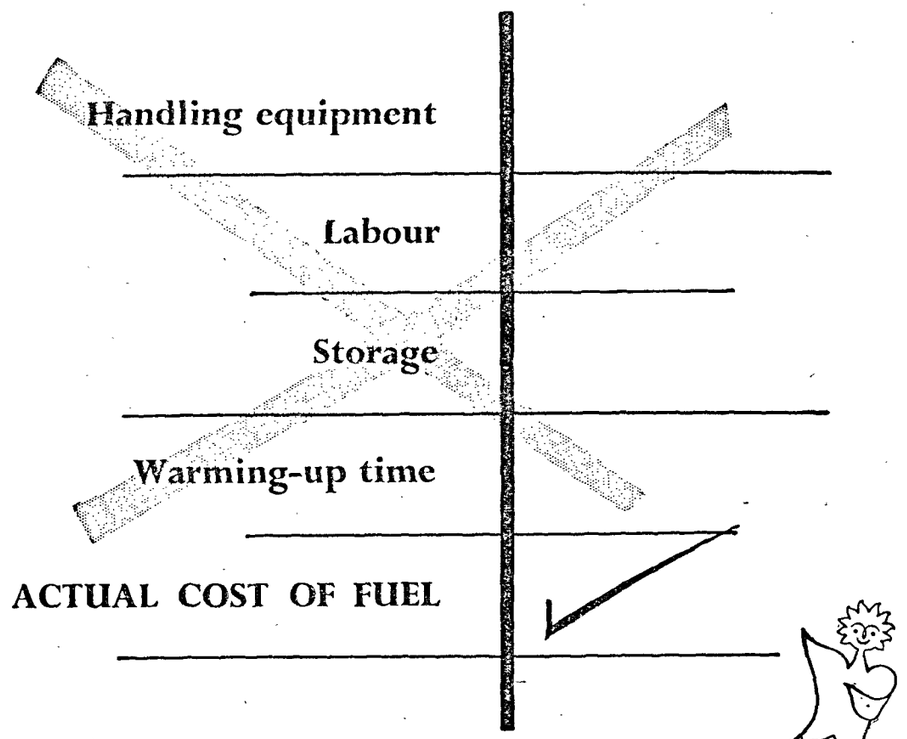
Rise in Prices of Materials

THE Board of Trade's price index of basic materials, which excludes fuel and the materials of the food-manufacturing industry, rose by 1 per cent in March to 141.7 (1949=100). This was the first appreciable rise for a year, and it follows two years of almost uninterrupted decline. The rise sprang from a 4.1 per cent increase in raw cotton prices, a 0.7 per cent gain in raw wool, and higher prices for non-ferrous metals. Copper rose by 3.5 per cent, lead by 4.8 per cent, tin by 8.6 per cent and zinc by 2.6 per cent. Other materials which rose in price included woodpulp and imported hardwood. These increases were slightly offset by a fall in prices of East African sisal, hides and skins, linseed oil and a few other items. The higher prices of non-ferrous metals were mainly responsible for a fractional rise in the price indices of materials used by the mechanical and electrical engineering industries, which in recent months have been several points above their lowest point of 1953. The benefit which British manufacturing industry has enjoyed of cheapening raw materials over a two-year period went hand in hand with an improvement in the terms of trade. British industry was able to sell its products at relatively steady prices while enjoying cheaper raw materials.

Tungsten Prices Soar

THE market in tungsten ore rarely stays still, and has recently bounded upwards almost as fast as it fell. Wolfram has doubled in price in the last six weeks, rising from a trough of less than 100s. a unit (of 22.4 lb) cif Continent to 215s./225s. The selling price of the Ministry of Materials, which is based on the market, plus a premium for handling and delivery charges, is now 235s. for wolfram. British consumers must still buy three-quarters of their requirements from the Ministry, which is no doubt delighted at this opportunity of reducing its accumulated loss on tungsten trading. The rebound appears to have started because one or two Continental consumers were forced to cover against orders for ferro-alloy, the concentrated form of tungsten that is used in the manufacture of high speed steel and other cutting tools. Producers took this as a sign that demand was reviving, and have succeeded in forcing the market higher. Despite the fact that much of the supply comes normally from the East the possible extension of the war in Indo-China does not seem to have stimulated buying, but the producers may well feel that it strengthens their hands.





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What does 'not knowing' cost?

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The Gas Council, 1, Grosvenor Place, London, S.W.1

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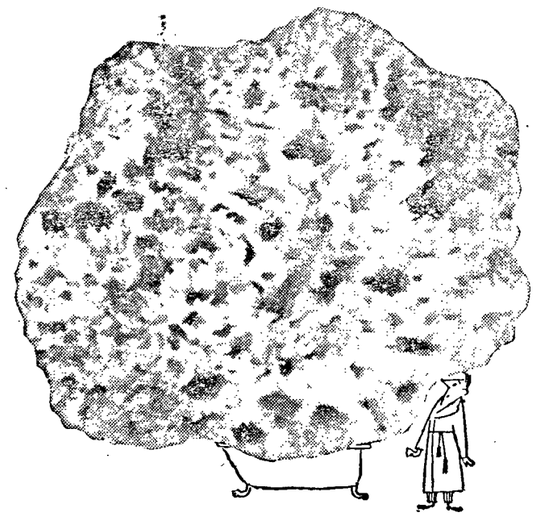
We suggest that you throw out the sponge



We suggest that the linings of many furnaces are, in effect, sponges — heat sponges: they soak up heat that should go into the charge. On batch-type furnaces this is not only a waste of fuel but a waste of time and quite unnecessary. It can pay very handsomely to get rid of this heat sponge. And it can be done very simply — by using M.I. bricks for the lining instead of ordinary refractories: they require only a fraction of the heat (and fuel) to bring them up to the same working temperature.

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50 YEARS ON TRACKS 1904-1954

DIESEL TRACTORS AND EARTHMOVING EQUIPMENT

The price at which the market will level out is as uncertain as ever. Consumers' stocks are low, but consumption appears to have shown only a slight increase, and supplies available to the market, as distinct from those still being delivered under long-term contracts, are conjectural. The largest producer, China, is rumoured to have some 28,000 tons available. The South Korean mines, which have recently been producing at the rate of about 9,000 tons a year, have been ordered to close down since the United States failed to renew its long-term contract. The order is probably no more than a bargaining move, and it is still possible that the United States will renew the contract, if a price can be agreed. The recent recovery in the price of tin may have encouraged some producers in Burma and Siam, where tungsten is frequently produced jointly with tin, to concentrate on tin production. A price above 200s. will probably encourage many of the smaller tungsten mines to resume production, and even a moderate increase in supplies might suffice to check the rise.

SHORTER NOTES

All the outstanding $13,236,000 of 5 per cent refunding bonds of the Manila Railroad have been bought by the Philippine Government from Manila Railway (1906) for a sum of approximately $13 million in cash. The purchase consideration is expected to be received in London within a few days. The sum of money to be received is more than sufficient to cover repayment in full of the claims of the "A" and "B" debenture stocks amounting with accumulated arrears to £153 and £141 respectively, with a substantial amount remaining for the junior stocks.

★

United Sua Betong Rubber Estates has increased its final dividend from 12½ per cent to 15 per cent, thus maintaining the total distribution for the year 1953 at 20 per cent, notwithstanding the reduction in the interim dividend from 7½ per cent to 5 per cent and a fall in the year's net profit after tax from £183,360 to £169,763. The directors also propose a one for two free distribution of £1 ordinary shares.

★

Increased profit and dividends are announced by Home and Colonial Stores, the retail provision merchants controlled by the Unilever group. Group net profits after tax were £1,141,723 compared with £850,987, and a bonus of 3 per cent is added to the 12 per cent dividend, making a total of 15 per cent compared with 12 per cent.

★

A 5½-mile railway tunnel through the Rimutaka mountains of New Zealand was "holed through" this week—less than three years since driving began and a year ahead of schedule. The job was done by the Morrison-Knudsen Company of New Zealand, subsidiary of the Idaho construction engineering company, and Downer and Co., a Wellington contracting firm. The two companies are also associated in driving a 1,700-foot tunnel for the New Zealand railways at Maoribank; this was begun late in 1953 and is expected to be completed in mid-1954.

Company Notes

PENINSULAR & ORIENTAL. The sharp decline in shipping earnings is discussed on page 309 of this issue. A more detailed examination of the preliminary figures of P & O and Cunard suggests that notwithstanding their fall the equity stocks of both companies remain as sound (though not as exciting) as ever.

P & O reports the biggest fall. Profits before tax for the year ended September 30th were down by nearly 40 per cent, from £13,921,856 to £8,476,052. Before all charges (including the repeated provision of just over £9 million for depreciation) the trading surplus appears to have fallen by about £6 million to £17 million. Cunard has reported a decline of about 25 per cent in its profits before tax for the year ended December 31st. The differing experience of the two companies may partly be a reflection of the different timing of the financial years, but both companies are exempt from full disclosure of their reserves and provisions by the Shipping Companies Exemption Order of 1948, so that actual gross earnings are not disclosed in full. It could also have happened that passenger traffic across the Atlantic in Coronation year held up rather better than passenger traffic east of Suez. But both companies must have suffered a decline in cargo freight earnings.

The decline in gross profits earned by P & O has been balanced by a very abrupt fall in taxation (from £7,043,424 to £3,054,390) and this has provided the cushion for equity earnings. Net profits before the transfers to replacement reserves have fallen by £1,456,770 to £5,421,662 and, after these appropriations (which have been reduced from £3,372,864 to £2,293,586) and the payments to minority shareholders, these earnings have declined by only £254,861 to £2,491,558.

Ordinary dividends were thus protected and the directors of P & O have decided to pay out a little more. The total deferred ordinary dividend has been raised from 20 to 22 per cent. The directors have also decided to capitalise £6,888,777 from reserves (which now total over £85 million) in order to issue a one for one deferred stock bonus. On this new capital the interim dividend (payable in November) is to be 3 per cent, effectively the same rate as was declared last year. The critics of the P & O dividend policy, of whom there are many, will argue that the latest increase is a minor concession that was long overdue. However much sympathy they may have with this view, shareholders on the latest year's showing may feel fairly confident that the massive cover of earnings and assets on the dividend should carry the deferred stock through a general decline in stock market values with little difficulty. The immediate reaction in the stock market, where the £1 deferred units were marked down 4s. to 81s. (to offer a yield of 5.4 per cent), reflected disappointment with the actual size of the dividend increase rather than any attempt to reappraise the long-term prospect.

★

CUNARD STEAMSHIP. In a minor key, the preliminary report of Cunard Steamship (for the year to December 31st) echoes that of P & O. Cunard's profits before tax have fallen by about 25 per cent, from £8,182,339 to £6,141,657, but thanks to a fall in the tax provision (from £4,557,691 to £3,076,318) net profits have declined by only £560,406 to £3,061,072. The tax saving is proportionately smaller in Cunard than in P & O, which supports the possibility that the two companies may have pursued different policies on hidden reserves.

The directors of Cunard have decided to leave the ordinary dividend unchanged. The full year's payment is again 16 per cent. Although the earnings cover (of the order of 70 per cent) is smaller than in P & O (where equity earnings are over 100 per cent) it is still very high, providing a substantial buffer against any further decline in profits. Realising that P & O could afford to be more generous than Cunard with its dividends, the "bulls" have not taken such an optimistic view of the prospects for the Cunard £1 ordinary stock units as of the P & O deferred

units. Recently the yield offered by the Cunard £1 ordinary stock units has been over 2½ points higher than that offered by the P & O units. But the market in shipping shares always seems to be the home of the optimist (rightly attracted by massive assets and earnings), and, after the preliminary announcement, Cunard's £1 units were marked down 4s. 3d. to 39s., to yield about 8.2 per cent. On the face of it, the Cunard units hardly deserve to stand at such a large discount compared with P & O.

★

WHITBREAD. In a listless brewery market the £1 "A" ordinary stock units and 5s. "B" ordinary units of Whitbread and Company stand head and shoulders above most other shares. They are active and strong and are among the few brewery equities which can have the tag of "growth stock" pinned to them. Since the shares were brought to market in 1949 the company's profits have advanced steadily, carrying dividends year by year along with them. Whitbread's results have consistently moved against the trend of falling beer consumption and falling brewery profits. It is no secret that the company's success turns on the sale of bottled beer all across the country and overseas (backed up by an extensive advertising campaign).

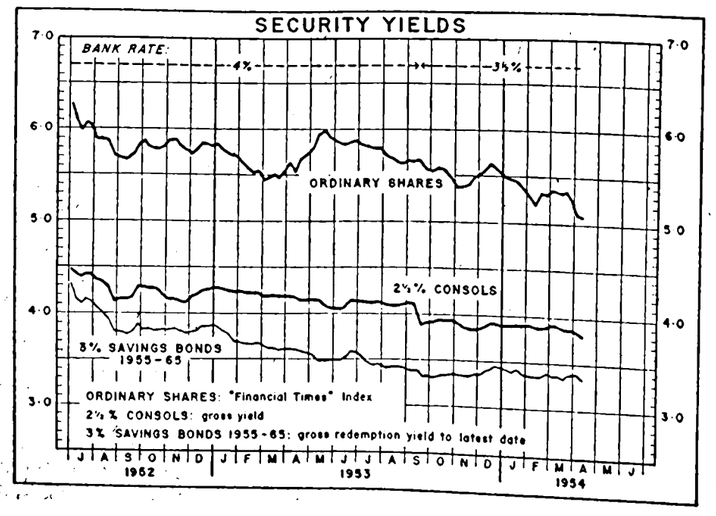
Last year, Whitbread added to its laurels. Net profits increased from £903,015 to £1,363,256 and profits before tax appear to have advanced from £1.8 million to £2.5 million. This increase has been followed by the customary increase in equity dividends. The directors have decided to make a one for two bonus issue to both the "A" and "B" ordinary shareholders and on the newly increased capital of £4,609,800 to pay a final dividend of 15½ per cent. Together with the interim dividend of 8 per cent, the total distribution for 1953 is equivalent to 21 per cent on a capital of £4,609,800; this compares with the 1952 dividend of 25 per cent paid on a capital of £3,073,200. If the bonus issue is taken out of the reckoning the ordinary dividend has in effect been raised from 25 to 31½ per cent.

The news of this dividend led to a rise of 8s. 6d. in the £1 "A" ordinary units to 107s. 6d. and a rise of 3s. in the 5s. "B" units to 28s. At these prices the "A" units yield £5 17s. per cent and the "B" units £5 12s. per cent; the difference in the yield reflects the fact that every "B" unit has five votes while every "A" unit has only one vote. These yields are only slightly below the average run of brewery share yields, for the directors have seen to it that shareholders have benefited quickly from the company's climb to a place among the giants of the industry.

★

PRESSED STEEL. The principal customer of the Pressed Steel Company is British Motor Corporation, though it also supplies motor bodies to other vehicle manufacturers. The burst of activity among these manufacturers in recent months prepared the way for the announcement of higher profits from Pressed Steel. Last year its net profits remained almost unchanged at just over £800,000, but profits before tax advanced from £2.5 million to £2.9 million. Almost the whole of this increase has been absorbed in taxation (which has risen from £1.7 million to £2.1 million).

The stickiness in net earnings, however, has not prevented the directors from recommending quite a substantial increase in the dividend. For 1953 they have declared a full year's dividend of 17½ per cent on a capital of £3,314,444 (as increased by the 100 per cent share bonus in October). For 1952 the total distribution was 25 per cent (including a 5 per cent Coronation bonus). In effect, the dividend has thus been raised from 12½ to 17½ per cent. This news added 6d. to the price of the 5s. ordinary stock units, which at the current price of 16s. 6d. offer a yield of 5.3 per cent.



LONDON STOCK EXCHANGE

Next Account begins: May 5th.
Next Contango Day: May 5th.
Next Settlement Day: April 27th.

AFTER the holiday the stock market opened on a confident note and on the first day of the new account equity prices jumped ahead again. The continued strength of sterling and buying by institutions kept gilt-edged prices very firm and by the close on Thursday War Loan was quoted at 89⅞ and old Consols at 67½. The biggest advance in equity prices took place on the first day of the new account when the *Financial Times* ordinary share index gained 1.2 points to a new peak of 146.1. In the foreign market German issues hardened on hopes that part of Germany's EPU surplus would be used to accelerate the redemption of prewar debts; in two days the Young loan gained 1½ points to 132½. Japanese issues lost heavily on the report of Japan's shortage of foreign currency. Baltic bonds were marked up on the formation of a committee to press the case for a distribution of ex-enemy assets. Manila Railway issues were marked up sharply on the report that the Philippine Government was to buy out the railway; within two days the "A" debentures jumped 26 points to 130 and then after the report had been confirmed they gained another 8 points.

Most equities shared in the advance. One of the most buoyant sectors was that dealing in textile shares. Cheered by the Amalgamated Cotton preliminary report such shares as J. & P. Coats gained 1s. to 60s. 3d. and English Sewing Cotton 6s. to 64s. 3d. Elsewhere, Spillers gained 4s. 4½d. to 49s. 9d. on the increased dividend and share bonus. Hudson's Bay put on 3s. 3d. to 115s. after a line of shares which had been overhanging the market had been absorbed. The market in shipping shares, which after the week-end had improved a little from the initial setback caused by the dividend announcements of P & O and Cunard, received another knock on Thursday when it was announced that the Union Castle dividend was to be left unchanged. The Union Castle shares were marked down from 29s. 9d. to 25s. before recovering to 27s. 6d.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
April 13	144·0	113·07	3·79	5·08
„ 14	143·9	113·23	3·77	5·11
„ 15	144·3	113·22	3·77	5·11
„ 20	144·9	113·34	3·75	5·09
„ 21	146·1	113·42	3·74	5·09
			Total bargains 1954	
1954, High	146·1 (Apr. 21)	113·42 (Apr. 21)	April 13	12,150
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 14	11,742
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 15	10,361
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 20	11,424
			„ 21	10,423

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Apl. 21 High	Prices, 1954 Jan. 1 to Apl. 21 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 13, 1954	Price, April 21, 1954	Net Yield, April 21, 1954 §	Gross Yield, April 21, 1954
					£ s. d.	£ s. d.
100½	99½	Exchequer 2½% 1955	100 ⅛	100 ⅛	0 19 5	2 4 2
102⅛	101½	Exchequer 3½% 1960	102 ⅛	102 ⅛	1 3 10	2 11 1
101½	99⅛	Exchequer 3% '62-63	100⅛	101¼	1 11 9	2 19 10
99⅛	99	Serial Funding 1½% 1954	99⅛	99⅛	1 8 7	2 2 8
99⅛	99⅛	Serial Funding 2½% 1957	99⅛	99⅛	1 6 2	2 6 1
101½	100⅛	Serial Funding 3% 1955	101 ⅛	101 ⅛	0 19 9	2 5 6
100⅛	100	War Bonds 2½% '54-56	100 ⅛	100 ⅛	1 2 9	2 7 0
100⅛	100⅛	Funding 2½% '52-57	100⅛	100⅛	1 1 7	2 9 0
101⅛	100⅛	Nat. Def. 3% '54-58	101⅛	101½	1 3 10	2 12 4
102½	101½	War Loan 3% '55-59	101 ⅛	101 ⅛	1 6 3	2 13 1
97⅛	95⅛	Savings Bonds 3% '55-65	97 ⅛	97 ⅛	1 19 2	3 7 3
98⅛	97½	Funding 2½% '56-61	97⅛	98⅛	1 13 4	2 16 1
94⅛	92 ⅛	Funding 3% '59-69	93⅛	94 ⅛	2 2 4	3 10 4
95⅛	93⅛	Funding 3% '66-68	95 ⅛	95 ⅛	2 1 5	3 9 10
102⅛	100⅛	Funding 4% '60-90	101⅛	101 ⅛	1 18 9	3 14 3
93 ⅛	90⅛	Savings Bonds 3% '60-70	92⅛	93	2 3 7	3 12 1
91 ⅛	90½	Savings Bonds 2½% '64-67	90⅛	91¼	2 2 11	3 6 7
103 ⅛	101 ⅛	Victory 4% '20-76	102⅛	102 ⅛	2 0 0	3 16 0
90 ⅛	87⅛	Savings Bonds 3% '65-75	90	90⅛	2 5 1	3 14 3
96	93⅛	Consols 4% aft. Feb. '57	95⅛	95⅛	2 6 2	4 4 3
88⅛	84⅛	Conv. 3½% aft. April '61	87⅛	88⅛	2 3 5	3 19 0
99⅛	99 ⅛	Con. 3½% 1969	99⅛	99⅛	1 19 5	3 11 5
66⅛	63 ⅛	Treas. 2½% aft. April '75	65⅛	66⅛	2 1 2	3 14 11
77⅛	74 ⅛	Treas. 3% aft. April '66	77	77⅛	2 2 6	3 17 4
96	92⅛	Treas. 3½% '77-80	95⅛	96 ⅛	2 3 2	3 16 4
95⅛	92⅛	Treas. 3½% '79-81	95⅛	95⅛	2 3 1	3 15 10
86⅛	83	Redemption 3% '86-96	86⅛	86⅛	2 2 11	3 12 10
89⅛	84 ⅛	War Ln 3½% aft. Dec. '52	88⅛	89⅛	2 3 7	3 19 9
66⅛	63 ⅛	Consols 2½%	65⅛	66⅛	2 1 2	3 14 11
90⅛	88 ⅛	Br. Elec. 3% '68-73	90⅛	90⅛	2 5 2	3 13 11
90⅛	87⅛	Br. Elec. 3% '74-77	89⅛	90⅛	2 4 3	3 13 3
05 ⅛	96⅛	Br. Elec. 4½% '74-79	105	105 ⅛	2 0 10	3 18 2
96⅛	93⅛	Br. Elec. 3½% '76-79	95 ⅛	95⅛	2 2 9	3 15 0
87⅛	83 ⅛	Br. Trans. 3% '78-88	86⅛	87 ⅛	2 4 2	3 14 3
90⅛	88⅛	Br. Trans. 3% '68-73	90 ⅛	90⅛	2 5 3	3 14 0
03⅛	100⅛	Br. Trans. 4% '72-77	102⅛	103 ⅛	2 1 0	3 17 5
86 ⅛	84⅛	Br. Gas 3% '90-95	85⅛	86⅛	2 3 1	3 12 11
98⅛	96⅛	Br. Gas 3½% '69-71	97⅛	98⅛	2 1 5	3 13 7
103 ⅛	99⅛	Br. Gas 4% '69-72	103⅛	103 ⅛	1 19 10	3 15 11

Prices, 1954 Jan. 1 to Apl. 21 High	Prices, 1954 Jan. 1 to Apl. 21 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, April 13, 1954	Price, April 21, 1954	Yield, April 21, 1954 §
		% %				£ s. d.
			BANKS & DISCOUNT			
46/-	42/3	7 a	9 b Barclays £1	45/6	46/-	4 6 11 m
62/6	58/9	6 a	8 b Lloyds "A" £5, £1 pd.	61/-	61/-	4 11 10
81/6	74/9	8 a	8 b Midland £1, fully pd.	77/-	77/-	4 3 1
81/-	72/7½	8½ a	8½ b N. Prov. "B" £5, £1 pd.	75/-	75/-	4 10 8
90/-	79/6	9 a	9 b Westminster £4, £1 pd.	81/6	83/-	4 6 9
100/-	92/-	7½ a	17½ b Alexanders £2, £1 pd.	97/6	97/6	5 2 7
45/6	40/10½	5 a	5 b Nat. Disc. "B" £1	44/-	45/-	3 6 8 v
51/6	44/6	5 a	5 b Union Disc. £1	46/-	48/-	4 3 4
41/-	37/6	4 a	4 b Barc. (D.C.&O.) "A" £1	38/6	40/-	4 0 6
45/7½	40/3	7 a	7 b Chart. Bk. of India £1	43/-	43/-	6 10 3
			INSURANCE			
11⅞	9⅛	50 a	85 b Leg. & Gen. £1, 5/- pd.	10⅛	11⅛	2 17 6
22½	20⅛	40 t b	Pearl £1, fully pd.	22	21½ •	5 0 4
40⅛	35⅛	105 t c	112½ t c Prudential "A" £1	40	39⅛ •	5 3 1
			BREWERIES, ETC.			
129/-	126/-	10 a	33 b Bass £1	128/1½	127/6	6 14 11
21/-⅛	17/4½	15 b	7½ a Distillers 4/-	19/9	20/6	4 7 10
33/6	31/-	7 a	11 b Guinness 10/-	31/6	31/3	5 15 2
8/9⅛	8/2½	4 a	8 b Ind Coope 5/-	8/6	8/3	7 5 5

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1 to Apl. 21 High	Prices, 1954 Jan. 1 to Apl. 21 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, April 13, 1954	Price, April 21, 1954	Yield, April 21, 1954 §
							£ s. d.
92	84⅛	93⅛	90⅛	Aust. 3½% '65-69	93⅛	93¼	3 16 9
95⅛	91	96⅛	94⅛	N. Zealand 3½% '62-65	95⅛	96	3 14 4
99⅛	93⅛	99⅛	97⅛	S. Africa 3½% '54-59	98⅛	99⅛	3 15 7
73⅛	66⅛	76⅛	71⅛	I.C.C. 3% aft. 1920	75	76	3 18 11
95⅛	90⅛	96⅛	95	Liverpool 3% '54-64	95•	95	3 12 2
94⅛	88⅛	95⅛	93⅛	P.L.A. 3½% '66-71	93⅛	93¼	4 0 10
104⅛	101⅛	103⅛	101⅛	Agric. Mort. 5% '59-89	103	103	4 6 5
77⅛	66⅛	80⅛	75⅛	Austria 4½% '34-59	79	80	4 4 5
21⅛	8	19⅛	11⅛	Chinese 5% '1913	15⅛	15⅛	Nil
102	65	142	102	German 4½%	129⅛	133	...
139⅛	119	159⅛	132⅛	Japan 5% 1907	156⅛	155	...

Prices, 1954 Jan. 1 to Apl. 21 High	Prices, 1954 Jan. 1 to Apl. 21 Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, April 13, 1954	Price, April 21, 1954	Yield, April 21, 1954 §
		% %				£ s. d.
			STEEL & ENGINEERING			
50/3	41/4½	12½ c	15 c B.S.A. £1	49/6	50/-	6 0 0
18/6	13/1½	5 a	10 b Cammell Laird 5/-	15/9	14·9•	7 11 0 h
59/4½	49/9	10 b	5 a Guest Keen N'fold £1	59/3	59/3	5 1 3
24/10½	22/1½	2½ a	7½ b United Steel £1	24/6	24/6	7 6 11 o
60/9	47/6	2½ a	12½ b Vickers £1	59/-	58/6•	5 2 7
			TEXTILES			
39/-	32/-	4 a	11 b Bradford Dyers £1	38/-•	38/-	7 17 11
29/-	24/9	12 c	6 a Brit. Celanese 10/-	27/9	27/3	5 17 5 i
62/9	49/4½	7½ b	5 a Coats (J. & P.) £1	60/6	59/9	4 3 9
28/-	25/2½	6½ a	6½ a Courtaulds £1	27/6	27/9	5 0 11 k
56/-	47/4½	5 a	10 b Lancs. Cotton £1	53/9	53/6	5 12 2 j
71/-	64/-	20 c	5 a Patons & Baldwins £1	67/9	70/6	5 13 6
			ELECTRICAL			
48/7½	41/9	7½ a	7½ b Assoc. Elect. £1	47/6	47/6	4 14 9 z
44/4½	38/-	2½ a	17½ b B.I.C.C. £1	43/6	42/6•	4 14 1
44/6	38/6	5 a	6½ b English Elect. £1	42/6	43/9	4 11 5 m
43/9	37/9	7½ b	3½ a General Elect. £1	42/6	42/6	5 5 11
			MOTOR & AIRCRAFT			
20/6	18/6	6½ b	3½ a Bristol Aero 10/-	19/6	19/-	5 4 0
		6½ b	4 a British Motor 5/-	7/9	7/7½•	6 17 9
30/3	24/9	7½ c	7½ c De Havilland £1	27/3	25/-•	6 0 0
58/9	35/9	7½ c	12 c Ford Motor £1	55/-•	58/1½	4 2 7
60/4½	47/7½	6 a	9 b Hawker Siddeley £1	58/-	58/3	5 3 0
97/-	80/6	25 c	25 c Leyland Motors £1	87/6	90/-	5 11 1
38/9	31/-	2 a	8 b Raleigh Ind. £1	37/-	37/-	5 8 1
75/-	66/-	10 b	5 a Rolls Royce £1	70/-	74/4½	4 0 8
6/9½	5/5½	12 c	12 c Standard Motor 5/-	6/4½	6/4½	9 8 3
			SHOPS & STORES			
26/-½	22/9	20 c	10 a Boots Pure Drug 5/-	25/3	24/9	4 0 10
36/10½	32/-	15 b	7½ a Debenhams 10/-	34/6•	34/3	5 16 9 w
102/-	92/9	17½ b	5 a Lyons (J.) "A" £1	99/9	99/9	4 10 3
93/6	73/10½	35 b	20 a Marks & Spen. "A" 5/-	91/6	91/6	3 0 1
76/3	64/-	20 a	40 b Woolworth 5/-	74/3	75/9	3 19 3
			OIL			
11⅛	8⅛	30 b	5 a Anglo-Iranian £1	11⅛	11⅛	3 2 7
84/3	66/10½	12½ b	2½ a Burmah Oil £1	82/6	80/7½	3 14 5
£44½	£33⅜	12 b	4 a Royal Dutch 100 fl.	£42½	£43½	3 9 6
115/-	93/4½	10 t b	5 t a Shell Reg. £1	110/7½	112/6	4 17 0
21/4½	17/6	5 t a	15 t b Trinidad L'holds 5/-	21/-	20/6	4 8 8 x
			SHIPPING			
44/-	37/9	16 c	2½ a Cunard £1	43/6	39/-	8 4 1
86/6	62/6	6 a	16 b P. & O. Def. £1	84/6	79/-•	5 11 5
35/3	32/-	10 c	10 c Royal Mail £1	34/6	34/6	5 15 11 p
			MISCELLANEOUS			
78/-	67/9	22½ b	5 a Assoc. Port. Cem. £1	73/9	72/6	4 2 9 r
55/3	44/-	15 c	16 c Bowater Paper £1	52/6	53/1½	6 0 6
40/-	35/3	4 a	6 b Brit. Aluminium £1	36/3	36/3•	5 10 4
43/3	36/3	12½ t c	4 t a Brit. Amer. Tob. 10/-	38/9	40/-•	5 13 7
$47½	$38⅜	3 a	3 b Canadian Pacific $25	$44½	$44	6 2 8
6/10½	5/1½	6½ a	11½ b Carreras "B" 2/6	5/4½	5/6	7 19 1
39/9	32/6	35 c	5 a Decca Record 5/-	35/6	35/-•	5 0 0
23/3	18/5	17½ c	17½ c Dunlop Rubber 10/-	21/6	23/-	5 1 5 y
60/9	53/-	8 b	6 a Imp. Chemical £1	59/3	60/3	4 19 7 q
58/7½	49/9	8½ a	11½ b Imp. Tobacco £1	52/10½	52/10½	7 11 4
$72	$63¼	$2·60 c	$2·35 c Inter. Nickel n.p.v.	$70⅜	$71	5 18 2
59/6	51/6	7½ a	9 b London Brick £1	56/3	58/9	4 15 4 n
68/-	63/6	3½ a	12½ b Tate & Lyle £1	67/6	66/6	4 16 3
68/9	60/6	7½ a	7½ b Tube Investments £1	65/-	65/-	4 12 4
78/10½	69/-	2½ a	15 b Turner & Newall £1	78/-	78/6	4 9 2
68/7½	57/6	8½ b	6 a Unilever £1	67/3	68/3	4 12 4 s
			TEA & RUBBER			
6/6	5/6	5 c	7½ c Allied Sumatra £1	6/-	6/3	24 0 0
24/-	20/3	4 c	2½ a Jhanzie Tea £1	22/3	22/6	3 11 1
49/3	37/9	5 a	15 b United Sua Betong £1	46/3	48/1½	8 6 3
			MINES			
6⅞	5⅛	20 a	40 b Anglo-Amer. 10/-	6⅛ •	6⅞	4 16 11
37/-	32/6	53½ b	53½ a Blyvoor 2/6	36/-	35/7½	7 8 11
76/6	69/-	60 a	60 b Daggafontein 5/-	73/1½	69/4½	8 13 0
83/-	68/3	80 a	120 b De Beers 5/- Bearer	81/-	80/6	12 8 5
52/-	42/-	17½ c	17½ c Johannesburg Con. £1	46/3	43/6	8 0 11
20⅛	16⅛	175 b	50 a Rhokana £1	20⅜ •	20⅛	10 18 2

(a) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. • Ex dividend. † Assumed average life 12 years approximately.

* Ex dividend.

New York Closing Prices

	Apr. 13 $	Apr. 21 $		Apr. 13 $	Apr. 21 $		Apr. 13 $	Apr. 21 $
Balt. & Ohio	20⅛	19⅜	Am. Smelting	36	34⅛	Inter. Paper	64⅛	66⅛
Can. Pac.	24⅛	24⅛	Am. Viscose	34•	32⅛	Nat. Distill.	17⅛	17⅛
N.Y. Cent.	21⅛	20⅛	Cel. of Amer.	20⅛	17⅛	Sears Roebuck	61⅞	63
Pennsyl.	16⅛	16⅛	Chrysler	62	58⅛	Shell	91⅛	93⅛
Amer. Tel.	164⅛	164⅛	Gen. Elec.	108	111⅛	Std. Oil of N.J.	83⅜	86
Stand. Gas.	13⅛	13⅛	Gen. Motor	68⅜	67⅛	U.S. Steel	44⅛	44⅛
United Corp.	5⅛	5⅛	Goodyear	62	61⅛	Westinghouse	63	64⅛
W. Union Tel.	40⅛	39⅛	Inter. Nickel	40	39⅛	Woolworth	41⅛	40⅛

• Ex dividend.

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75½% of face value. (e) To earliest date. (f) Flat yield. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 7%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 15% as forecast by Company. (r) Yield basis 15% after capital bonus. (s) Yield basis 15½%, as forecast by Company. (t) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (y) Yield basis 11½%. (z) Yield basis 11½%.

Statistics

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

British		Overseas	
Prices and Wages	April 3rd	Western Europe :	
Production and Consumption	April 10th	Production and Trade	April 3rd
Manpower	April 17th	*British* Commonwealth	April 10th
External Trade	Mar. 27th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	April 17th
Industrial Profits	This week	United States	Mar. 27th
		World Trade	This week

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
				1953 Annual Rate					1953 Annual Rate	
	1938	1952	1953	July to September	October to December	1938	1952	1953	July to September	October to December
WORLD										
Total (1)	**20,857**	**74,126**	...	**72,085**	...	**23,568**	**79,842**	...	**74,882**	...
STERLING AREA										
Total	**5,650**	**18,749**	...	**17,614**	...	**7,801**	**21,954**	...	**19,807**	...
United Kingdom	2,601	7,633	7,524	7,394	8,030	4,449	9,741	9,366	9,091	9,336
UK dependencies	975	4,629	...	4,056	...	1,002	4,375	...	4,050	...
Hong Kong	185	510	483	397	450	188	663	682	614	626
Malaya and Singapore	327	1,280	986	948	915	315	1,265	1,055	1,073	1,024
Kuwait	...	565	...	650	...	...	250	...	...	...
Gold Coast	52	216	...	111	...	50	186	...	176	...
Nigeria	70	337	...	299	...	56	317	...	280	...
Northern Rhodesia	50	231	...	282	288(2)	28	132	...	167	178(2)
Other sterling countries	2,074	6,487	6,659	6,164	7,110	2,350	7,838	6,406	6,668	6,595
Australia	552	1,690	1,908	1,661	2,245	571	1,979	1,315	1,622	1,648
Ceylon	104	315	329	323	340	86	358	339	329	345
India }	621	1,296	1,112	1,097	1,230	575	1,677	1,189	1,244	1,040
Pakistan }		532	...	398	350(2)		611	...	363	357(2)
Iraq	68	288	...	423	...	46	173	...	212	...
Ireland	119	284	319	352	336	203	482	514	473	580
New Zealand	225	672	...	440	509(2)	225	739	...	551	...
Southern Rhodesia	30	153	...	214	148(2)	51	277	...	248	241(2)
Union of South Africa	161	954	...	918	1,054(2)	503	1,294	...	1,343	1,275(2)
EPU COUNTRIES										
Total continental countries	**6,566**	**19,140**	**19,412**	**18,519**	**21,973**	**7,804**	**21,908**	**21,294**	**20,389**	**22,631**
Belgium-Luxemburg	733	2,426	2,238	2,152	2,392	765	2,424	2,395	2,368	2,528
Denmark	334	851	894	846	992	354	962	1,000	938	1,076
France	881	3,896	3,792	3,227	4,196	1,324	4,431	4,003	3,722	3,859
Germany, Federal Republic	...	3,990	4,378	4,335	5,177	...	3,818	3,778	3,675	4,255
Italy	553	1,383	1,481	1,450	1,697	593	2,313	2,366	2,194	2,358
Netherlands	594	2,130	2,151	2,147	2,369	803	2,251	2,379	2,420	2,614
Norway	192	565	509	502	544	292	873	912	792	997
Sweden	464	1,572	1,477	1,540	1,689	525	1,730	1,578	1,472	1,735
Switzerland	302	1,100	1,206	1,194	1,334	366	1,202	1,178	1,151	1,298
Turkey	115	363	396	276	488	119	556	533	541	607
Total dependencies (excl. sterling area)	**715**	**2,825**	...	**2,724**	...	**779**	**4,389**	...	**3,950**	...
Netherlands Antilles	187	750	...	...	...	253	1,028	...	...	...
NORTH AMERICA										
Total	**4,020**	**19,942**	**20,334**	**19,880**	**19,910**	**3,259**	**16,116**	**16,722**	**16,741**	**15,834**
United States	3,102	15,182	15,755	15,140	15,356	2,465	11,637	11,831	11,645	11,153
Canada (3)	918	4,760	4,579	4,740	4,554	794	4,479	4,891	5,096	4,681
LATIN AMERICA										
Total	**1,641**	**7,045**	...	**7,381**	...	**1,535**	**7,210**	...	**6,193**	...
Dollar countries	676	4,038	...	3,814	...	568	3,402	...	3,248	...
Cuba	143	677	...	713	...	119	667	...	...	...
Mexico	147	584	537	464	626	114	807	739	795	827
Venezuela	181	1,552	...	1,400	1,566(2)	107	810	...	802	853(2)
Other countries	965	3,007	...	3,567	...	967	3,808	...	2,945	...
Argentina	408	670	...	...	...	440	860	...	...	...
Brazil	289	1,409	...	1,463(4)	...	295	2,010	...	1,312	...
REST OF THE WORLD										
Total	**2,265**	**6,425**	**5,941**	**5,967**	**6,165**	**2,390**	**8,265**	**7,862**	**7,793**	**8,160**
Egypt	147	417	...	262	424(2)	185	608	...	508	579(2)
Indonesia	381	986	...	884	841(2)	275	972	...	854	747(2)
Iran	146	152	...	86	...	79	165	...	142	...
Japan(5)	767	1,273	1,274	1,265	1,413	759	2,028	2,410	2,362	2,630

Figures cover general trade as far as possible. Area totals include estimates for countries for which data are not available. Data refer to calendar years with the following exceptions in 1938 :—Australia, year ending June; India and Pakistan, year beginning April; Iran, year beginning June. (1) Excludes China (mainland), USSR, and non-reporting countries of Eastern Europe. (2) Including the trade of Newfoundland in 1938 amounting to $36 million in exports and $51 million in imports. (3) Excluding trade with Taiwan in 1938. (4) Based on two months' data.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 17th, there was an "above-line" deficit (after allowing for Sinking Funds) of £31,215,000 compared with a deficit of £11,162,000 in the previous ten days and a deficit of £57,855,000 in the corresponding period of last year, bringing the cumulative deficit to £42,377,000 (£52,703,000 in 1953-54). Net expenditure "below-line" absorbed £7,373,000, which brought the total cumulative deficit to £59,759,000 (£82,352,000 in 1953-54).

£'000	Estimate 1954-55	April 1, 1953 to April 18, 1953	April 1, 1954 to April 17, 1954	Week to April 18, 1953	Week to April 17, 1954
Ord. Revenue					
Income Tax	1800,000	86,741	73,931	21,691	19,030
Sur tax	152,000	6,500	7,500	2,300	1,900
Death Duties	264,375	11,900	8,500	4,300	2,200
Stamps	55,000	2,500	3,200	800	1,000
Profits Tax & EPT	172,000	10,600	6,500	1,800	2,000
Excess Profits Levy	60,000	1,200	3,100	600	500
Special Contribution and other Inland Revenue	1,000	60	...	...	...
Total Inland Rev.	2384,375	119,701	102,731	31,491	26,630
Customs	1062,500	50,240	52,102	22,308	18,569
Excise	719,000	9,755	15,080	4,625	4,135
Total Customs and Excise	1781,500	59,995	67,182	26,933	22,704
Motor Duties	77,000	3,281	4,261	...	2,108
Broadcast Licences	21,000	...	...	...	...
Sundry Loans	24,000	54	106	...	...
Miscellaneous	245,000	7,947	6,503	549	...
Total	**4532,875**	**190,979**	**179,783**	**58,973**	**50,442**
Ord. Expenditure					
Debt Interest	570,000	51,953	61,363	23,461	22,637
Payments to N. Ire.					
Road Exchequer	51,000	1,469	1,712	...	...
Other Const. Fund	10,000	223	...	218	...
Supply Services	3855,399	189,600	168,450	93,000	58,650
Total	**4486,399**	**243,245**	**221,525**	**116679**	**81,287**
Sinking Funds	36,000	437	634	150	370
"Above-line" Surplus or Deficit		**52,703**	**42,377**	**57,855**	**31,215**
"Below-line" Net Expenditure		29,649	17,382	15,476	7,373
Total Surplus of Deficit		**82,352**	**59,759**	**73,331**	**38,588**
Net Receipts from :					
Tax Reserve Certificates		6,404	9,842	−519	271
Savings Certificates		4,200	700	1,700	600
Defence Bonds		−5,537	−2,494	−2372	−1008

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
April 18	2,950·0	1,542·3	298·6	...	4,791·0
1954					
Jan. 16	3,110·0	1,570·0	265·6	...	4,945·7
" 23	3,090·0	1,669·9	266·1	...	4,846·0
" 30	3,060·0	1,442·6	243·4	...	4,746·0
Feb. 6	3,040·0	1,362·5	236·0	...	4,638·5
" 13	3,040·0	1,303·8	265·7	...	4,609·5
" 20	3,040·0	1,331·9	293·5	...	4,665·4
" 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
" 13	3,080·0	1,345·5	301·7	0·3	4,727·4
" 20	3,100·0	1,359·7	369·6	...	4,829·2
" 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
" 17	3,190·0	1,382·7	308·3	...	4,881·0

THE MONEY MARKET

APPLICATIONS for the reduced volume of £230 million of bills on offer at last Thursday's Treasury bill tender rose by £25 million to the record level of £417.2 million, and the market raised its bid by 2d. to £99 9s. 7d. per cent. The upshot was a fall of over 8½d., to £2 1s. 7.41d. per cent, in the average rate of discount, while the market's allotment fell from 59 to 44 per cent. At yesterday's tender the offer was again for £230 million.

In the four days of market dealing in the week covered by the Bank return, conditions in Lombard Street, became gradually easier. On Thursday before the holiday credit was generally short, and help from the authorities, given directly to the market, was necessary; but when the result of the Treasury bill tender was known the banks' buying rate for June maturities eased from 2⅛ to 2⅛ per cent, and later in the week the rate for early July bills eased correspondingly. On Saturday some official purchases, made through the banks, were still necessary, but after the holiday market supplies of credit were adequate.

The gold market has had a quiet week. Only on Tuesday was there any considerable business after the fixing, with prices ranging up to 248s. 9d.

The Bank return shows an outflow of notes of £6.1 million. With last week's outflow of £16.8 million, this brings the total efflux since the January low point to nearly £80 million. In 1953 the outflow in the weeks before the (earlier) Easter peak was £68.4 million.

LONDON MONEY RATES

	%		%
Bank rate (from 4%, 17/9/53)	3½	**Discount rates**	
		Bank bills 60 days	2⅛
Deposit rates (max)		3 months	2⅛
Banks	1½	4 months	2⅛–2⅛
Discount houses	1½	6 months	2⅛–2⅛
Money—Day-to-day	1½–2½	Fine trade bills :	
Short periods	1½–2½	3 months	3⅛–4⅛
Treas. bills 2 months	2⅛	4 months	3⅛–4⅛
3 months	2⅛	6 months	4 –4⅛

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	April 22	April 14	April 21
Issue Department :			
Notes in circulation	1,511·1	1,609·0	1,615·1
Notes in banking dept.	39·3	16·3	10·2
Govt. debt and securities*	1,546·8	1,621·8	1,621·7
Other securities	0·7	0·7	0·8
Gold coin and bullion	2·9	2·9	2·9
Banking Department :			
Deposits			
Public accounts	11·1	14·6	10·4
Treasury special account	39·5	1·0	1·0
Bankers	273·5	278·1	292·5
Others	72·7	64·6	63·5
Total	396·8	358·3	367·4
Securities :			
Government	351·2	335·0	347·9
Discounts and advances	9·1	7·8	10·5
Other	13·1	14·1	13·9
Total	373·4	356·9	372·3
Banking department reserve	40·1	19·1	12·9
" Proportion "	% 10·3	% 5·3	% 3·5

* Government debt is £11,015,100 capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied for	Allotted	Average Rate of Allotment s	d	Allotted at Max. Rate %
1953						
April 17	230·0	360·8	230·0	48	3·51	45
1954						
Jan. 15	220·0	335·5	210·0	42	7·72	61
" 22	210·0	343·8	210·0	41	11·78	58
" 29	220·0	382·0	220·0	41	11·04	36
Feb. 5	220·0	386·4	220·0	41	3·68	49
" 12	230·0	369·9	230·0	41	4·00	58
" 19	240·0	398·9	240·0	41	3·56	45
" 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	412·9	270·0	41	3·83	53
" 12	270·0	414·6	270·0	42	2·61	45
" 19	260·0	365·6	260·0	42	3·64	60
" 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
" 9	270·0	392·2	270·0	42	4·05	59
" 15	230·0	417·2	230·0	41	7·41	44

* On April 16th tenders for 91 day bills at £99 9s. 7d. secured about 44 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £231 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot					
	April 21	April 13	April 14	April 15	April 17	April 20	April 21
United States $	2·78–2·82	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛
Canadian $		2·76⅛–2·76⅛	2·76⅛–2·76⅛	2·76⅛–2·76⅛	2·76⅛–2·76⅛	2·76⅛–2·76⅛	2·77⅛–2·77⅛
French Fr.	972·65–987·35	984½–985½	984½–985½	984½–985½	985½–985½	985½–986½	986½–986½
Swiss Fr.	12·15⅛–12·33⅛	12·21½–12·22½	12·22–12·22½	12·22–12·22½	12·22½–12·22½	12·22½–12·23½	12·23½–12·23½
Belgian Fr.	138·95–141·05	140·65–140·75	140·55–140·65	140·60–140·70	140·65–140·70	140·70–140·80	140·80–140·90
Dutch Gld.	10·56–10·72	10·65½–10·65½	10·65–10·65½	10·65½–10·65½	10·65½–10·65½	10·65½–10·65½	10·65½–10·66
W. Ger. D-Mk.	11·67⅛–11·84⅛	11·73½–11·74	11·73½–11·73½	11·74½–11·74½	11·74½–11·74½	11·74½–11·74½	11·75½–11·75½
Portuguese Esc.	79·90–81·10	79·90–80·10	79·90–80·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·59½	14·55½–14·55½	14·55½–14·55½	14·55½–14·56	14·55½–14·55½	14·55½–14·56½	14·56½–14·56½
Danish Kr.	19·19½–19·48½	19·43½–19·43½	19·43½–19·44	19·43½–19·44	19·43½–19·44½	19·43½–19·44½	19·44–19·44½
Norwegian Kr.	19·85–20·15	20·01–20·01½	20·00½–20·01	20·00½–20·01	20·00½–20·01	20·00½–20·01	20·00½–20·01½
		One Month Forward Rates					
United States $		½–⅓c. pm	½–⅓c. pm	½–⅓c. pm	½–⅓c. pm	⅓–¼c. pm	⅓–¼c. pm
Canadian $		⅓–½c. dis	½–⅓c. dis	½–⅓c. dis	½–⅓c. dis	½–⅓c. dis	½–⅓c. dis
French Fr.		2–4 dis	2–4 dis	1¼–3½ dis	1¼–3½ dis	1¼–3½ dis	1¼–3½ dis
Swiss Fr.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
Belgian Fr.		½ pm-par	½ pm-par	½ pm-par	½ pm-par	½ pm-par	½ pm-par
Dutch Gld.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
W. Ger. D-Mk.		1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm	1¼–1pf. pm
Swedish Kr.		3–1o pm	3–1o pm	3–1o pm	3–1o pm	3–1o pm	3–1o pm
Danish Kr.		1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par	1o pm–par
Norwegian Kr.		1o pm–1o dis	1o pm–1o dis	1o pm–1o dis	1o pm–1o dis	1o pm–20 dis	1o pm–1o dis
		Gold Price at Fixing					
Price (s. d. per fine oz)	248/7	248/7	248/7	248/7	...	248/7½	248/8

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 306

Comparative analysis of 537 profit and loss accounts published January-March, 1954 (£'000)

Industry / No. of Companies	Breweries (20)		Clothing and Footwear (28)		Food and Confectionery (28)		Shops and Stores (8)		Tobacco (6)		Building (21)		Engineering (41)		Iron and Steel (19)	
	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	7,194	7,531	6,209	7,263	15,694	16,871	30,136	33,997	30,972	31,181	4,482	5,269	16,607	16,408	54,094	53,168
Income from investments	217	260	53	139	506	334	660	807	3,002	3,228	32	37	211	228	1,416	2,050
Other current income	...	...	...	...	1	...	39	42	...	...	...	...	15	14	47	70
Non-recurring credits	185	230	442	402	378	583	511	798	77	126	117	172	272	564	1,830	3,147
Total Income	**7,596**	**8,021**	**6,704**	**7,804**	**16,579**	**17,788**	**31,346**	**35,644**	**33,151**	**34,535**	**4,631**	**5,478**	**17,105**	**17,214**	**57,387**	**58,435**
Repairs and maintenance	479	463	...	...	1	...	12	11	1	...	53	50	...	...	...	...
Depreciation	849	794	745	798	2,470	2,792	1,241	1,383	1,538	1,947	716	824	2,126	2,516	9,864	12,050
Income tax (excl. profits tax)	2,438	2,608	2,406	2,519	5,681	6,102	11,479	12,746	12,268	12,774	1,552	1,777	6,690	6,319	22,628	18,734
Profits tax	786	695	569	603	1,626	1,958	3,649	4,479	3,770	3,094	441	554	2,014	1,888	8,363	3,069
Directors' emoluments	316	321	668	699	612	641	650	697	520	554	481	516	918	979	732	795
Administrative charges, etc.	21	27	51	47	198	338	4,305	4,871	1,918	1,851	45	76	131	152	127	173
Contingencies, provisions, etc.	645	741	183	654	963	915	683	357	4,041	342	72	174	736	805	3,252	2,166
Pensions	18	20	224	216	156	150	398	501	69	155	60	60	157	256	646	594
Minority share in profits	26	31	28	26	373	380	288	280	152	164	45	66	74	99	904	219
Profits retained by subsidiaries	180	239	12 Dr.	8	1,030	1,428	1,117	1,243	382	895	122	267	1,522	928	2,804	2,532
Debenture interest	499	541	235	198	144	183	232	228	1,425	1,425	34	32	66	76	962	1,171
Preference dividends	229	236	279	286	390	407	506	532	487	510	61	64	191	199	363	378
Ordinary dividends	928	1,122	864	955	1,516	1,839	5,308	5,977	7,495	7,905	415	516	1,168	1,470	3,160	3,543
Revenue reserves	70	168	582	677	450	439	1,289	1,725	2,066	2,826	490	655	949	1,141	6,918	10,055
Brought in (parent company)	2,196	2,299	2,302	2,160	2,240	2,309	3,331	3,639	4,745	1,765	973	1,069	2,275	2,585	6,543	8,316
Carried forward (parent company)	2,299	2,314	2,160	2,294	2,309	2,525	3,639	4,253	1,765	1,878	1,069	966	2,585	2,922	8,316	11,272

Industry / No. of Companies	Shipbuilding (1)		Chemicals and Paint (14)		Electrical Manufacturing (9)		Motors, Cycles and Aircraft (24)		Newspapers, Paper and Printing (18)		Miscellaneous Manufacturing (74)		Shipping (1)		Cotton (12)	
	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	70	101	3,327	3,870	20,494	22,485	20,623	25,090	14,764	15,486	42,154	47,486	329	300	2,802	3,402
Income from investments	...	...	335	428	277	285	118	124	206	237	1,010	1,057	15	23	60	84
Other current income	...	...	...	...	...	...	30	97	9	...	14	35	...	...	...	...
Non-recurring credits	...	26	630	462	132	348	226	629	212	316	859	2,418	...	...	702	905
Total Income	**70**	**127**	**4,342**	**4,760**	**20,903**	**23,118**	**20,997**	**25,940**	**15,191**	**16,039**	**44,037**	**50,996**	**347**	**323**	**3,564**	**4,391**
Repairs and maintenance	...	...	50	47	...	...	40	38	...	7	93	136	...	...	415	467
Depreciation	10	11	837	1,389	2,411	2,834	3,611	3,737	2,443	2,745	6,936	7,422	162	141	426	447
Income tax (excl. profits tax)	20	16	1,196	1,293	8,469	8,946	7,503	9,008	5,670	5,400	16,312	17,557	80	46	1,036	1,319
Profits tax	5	8	371	307	2,740	3,189	2,241	3,052	994	928	4,789	4,798	...	...	149	147
Directors' emoluments	4	5	282	316	256	265	753	777	447	490	1,660	1,853	2	3	263	302
Administrative charges, etc.	16	14	13	15	16	18	111	135	61	65	473	546	27	27	30	45
Contingencies, provisions, etc.	...	65	271	415	1,578	2,383	599	1,093	1,223	1,028	3,816	3,721	...	...	59	290
Pensions	...	...	47	48	...	...	530	647	64	47	377	425	...	...	...	...
Minority share in profits	...	...	17	12	70	4	14	16	209	214	129	199	...	...	Dr. 4	18
Profits retained by subsidiaries	...	...	180	161	1,515	1,576	833	616	1,693	2,141	1,659	2,239	...	...	523	248
Debenture interest	...	...	71	75	498	539	241	223	318	459	313	429	...	...	5	6
Preference dividends	...	...	63	69	172	180	134	174	267	281	511	525	...	...	121	132
Ordinary dividends	5	7	448	576	1,559	1,874	1,421	4,905	1,007	1,145	3,876	5,268	75	105	361	412
Revenue reserves	8	...	214	86	1,500	1,515	1,590	1,597	751	749	2,294	4,440	...	...	212	551
Brought in (parent company)	13	15	1,168	1,450	1,351	1,470	7,809	9,185	1,638	1,682	8,478	9,287	27	28	1,221	1,189
Carried forward (parent company)	15	16	1,450	1,401	1,470	1,265	9,185	9,107	1,682	2,022	9,287	10,735	28	29	1,189	1,196

Industry / No. of Companies	Silk and Rayon (4)		Wool (19)		Other Textiles (17)		Oil (2)		Rubber (38)		Tea (4)		Other Companies* (129)		TOTALS ALL GROUPS 537 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
Gross trading profit	197	1,035	5,923	8,053	5,366	7,447	169	224	2,180	1,337	569	1,000	7,978	8,832	291,433	317,836
Income from investments	53	55	88	104	195	223	...	...	223	244	5	4	13,566	14,512	22,301	24,263
Other current income	...	...	...	...	1	1	...	...	21	43	...	...	107	94	284	396
Non-recurring credits	270	224	2,598	587	169	495	1	1	233	499	20	22	776	759	10,640	13,713
Total Income	**520**	**1,314**	**8,609**	**8,744**	**5,731**	**8,166**	**170**	**225**	**2,657**	**2,123**	**594**	**1,026**	**22,427**	**23,997**	**324,658**	**356,208**
Repairs and maintenance	...	...	...	6	...	...	...	...	15	15	...	...	335	368	1,500	1,608
Depreciation	203	194	730	768	1,425	1,484	17	17	153	166	62	73	1,144	1,313	40,115	45,844
Income tax (excl. profits tax)	180	331	2,941	3,048	1,586	2,582	52	78	868	584	246	426	6,872	7,150	118,173	121,343
Profits tax	29	49	597	671	386	465	20	27	339	151	59	198	845	878	30,264	31,298
Directors' emoluments	72	96	528	573	470	558	33	33	61	49	20	21	756	805	10,504	11,348
Administrative charges, etc.	2	9	61	25	17	21	...	...	104	97	6	6	1,517	1,600	9,250	10,138
Contingencies, provisions, etc.	10	20	237	465	94	601	...	...	434	586	97	197	639	617	19,632	17,625
Pensions	2	2	93	84	46	97	...	...	...	...	...	...	166	216	3,053	3,518
Minority share in profits	...	...	8	3	277	171	...	...	...	...	...	...	23	12	1,932	1,914
Profits retained by subsidiaries	Dr. 45	15	221	738	249	253	...	...	...	...	...	...	2,740	2,919	15,167	15,615
Debenture interest	10	10	68	62	50	48	...	...	19	4	45	22	121	78	7,927	8,655
Preference dividends	29	26	107	124	256	286	2	2	7	7	11	12	1,531	1,609	5,719	6,039
Ordinary dividends	80	131	815	1,058	473	619	22	27	381	312	71	84	3,956	4,728	35,304	44,578
Revenue reserves	55	335	1,518	1,330	448	940	...	55	215	159	...	...	1,460	1,256	23,079	30,659
Brought in (parent company)	236	135	1,452	2,131	1,166	1,121	113	136	487	522	Dr. 44	Dr. 67	7,307	7,623	57,026	69,055
Carried forward (parent company)	135	231	2,131	1,920	1,121	1,155	136	122	522	510	Dr. 67	Dr. 80	7,639	8,117	60,055	66,170

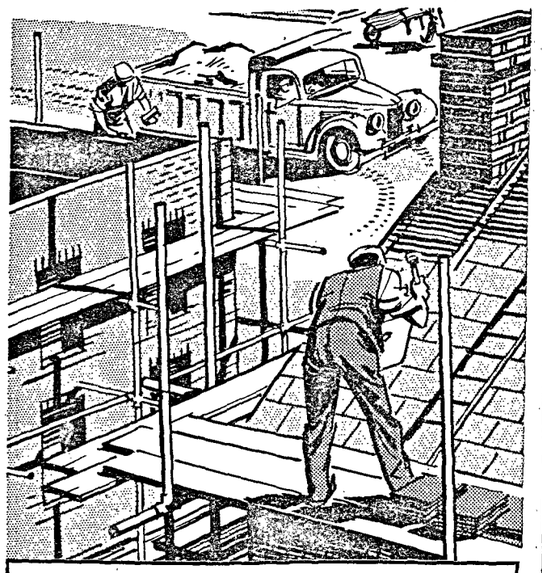
Comparative analysis of 537 balance sheets published January-March, 1954. (£'000)

Industry / No. of Companies	Breweries (20)		Clothing and Footwear (28)		Food and Confectionery (28)		Shops and Stores (8)		Tobacco (6)		Building (21)		Engineering (41)		Iron and Steel (19)	
	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	48,046	50,073	22,320	21,739	60,062	65,598	58,510	62,560	40,174	44,087	11,663	12,927	32,859	36,566	253,607	293,635
Trade investments	867	2,002	298	329	1,950	983	885	878	16,895	16,421	123	138	1,058	935	19,949	8,390
Stocks	7,758	7,951	17,927	19,329	30,953	30,431	20,937	21,594	135,182	141,697	5,996	5,644	35,148	36,550	69,902	83,110
Debtors	3,508	3,723	3,594	8,332	19,495	20,596	5,135	5,440	59,505	63,865	7,564	9,162	19,326	19,834	62,183	61,332
Net balances due to parent cos.	5	5	211	336	120	201	...	...	...	...	12	107	34	16	5,195	10,733
Gilt-edged	650	604	604	438	1,157	1,053	5,328	5,004	653	944	26	28	884	910	2,515	1,757
Cash	4,022	4,996	6,432	5,654	10,001	11,932	38,185	42,401	1,752	1,866	2,261	2,524	7,374	10,764	16,359	16,481
Other marketable investments	1,819	2,010	204	179	2,470	1,313	238	230	3,943	4,076	197	165	643	675	676	809
Intangible assets	4,543	4,647	3,430	667	6,633	6,334	4,541	4,604	10,352	10,549	1,115	1,102	471	552	336	348
Total Assets	**71,218**	**76,011**	**55,020**	**57,003**	**132,841**	**138,501**	**133,759**	**142,711**	**268,756**	**283,535**	**28,957**	**31,797**	**97,751**	**106,802**	**430,722**	**476,595**
Bank overdrafts and loans	417	638	902	692	7,743	3,451	8	8	31,736	39,171	1,324	623	3,625	2,336	15,720	31,176
Reserve for future income tax	2,524	2,885	2,407	2,565	7,177	7,523	11,383	12,372	11,015	11,547	1,744	1,974	6,277	6,106	29,669	31,193
Depreciation and obsolescence	4,238	4,869	5,370	5,783	14,249	16,846	14,594	15,669	18,181	19,686	4,633	4,657	13,459	15,699	62,509	73,670
Capital reserves and EPT refunds	5,021	4,829	3,866	4,419	17,982	20,758	3,867	4,106	2,704	2,972	1,475	1,435	9,587	9,669	14,338	17,717
Other provisions	724	612	578	510	3,702	3,406	3,159	3,468	2,223	698	115	94	1,217	1,087	11,621	12,442
Current liabilities and creditors	9,087	9,637	8,723	8,646	25,445	28,020	29,697	32,660	38,657	40,070	7,117	8,001	25,826	28,489	57,221	84,877
Revenue res. and carried forward	17,054	18,170	11,219	12,369	21,993	22,758	21,157	24,810	35,942	41,039	5,516	6,334	14,854	17,549	71,455	87,782
Net balances due to subsidiaries	...	...	...	...	...	...	13	13	...	...	1	...	14	30	2,535	2,071
Minority interests	956	900	791	802	5,083	4,737	6,893	6,581	968	877	314	421	838	802	1,637	1,758
Debenture capital	12,572	13,441	4,556	4,459	1,992	2,879	5,454	5,387	40,000	40,000	85	823	1,070	1,678	52,992	52,253
Preference capital	8,185	8,428	7,672	7,672	12,493	12,635	14,542	14,535	14,333	14,333	1,929	1,984	6,119	6,285	14,290	14,290
Ordinary capital	10,440	11,602	8,936	9,086	14,982	15,488	23,082	23,082	72,967	73,142	5,244	5,451	14,835	17,070	66,735	67,366
Total Liabilities	**71,218**	**76,011**	**55,020**	**57,003**	**132,841**	**138,501**	**133,759**	**142,711**	**268,756**	**283,535**	**28,957**	**31,797**	**97,751**	**106,802**	**430,722**	**476,595**

Industry / No. of Companies	Shipbuilding (1)		Chemicals and Paint (14)		Electrical Manufacturing (9)		Motors, Cycles and Aircraft (24)		Newspapers, Paper and Printing (18)		Miscellaneous Manufacturing (74)		Shipping (1)		Cotton (12)	
	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	195	212	14,422	15,414	46,548	53,881	43,200	46,857	53,469	67,549	105,105	118,129	1,616	1,475	10,900	11,048
Trade investments	...	...	639	633	5,022	5,300	512	777	1,132	1,033	5,296	6,063	...	...	157	261
Stocks	515	435	5,274	4,587	69,375	70,545	43,837	39,440	27,934	24,562	72,261	65,243	15	14	12,008	11,849
Debtors	55	43	3,269	3,763	43,351	52,172	24,204	26,161	12,010	13,233	42,592	46,443	88	63	4,554	4,581
Net balances due to parent cos.	...	...	18	15	853	579	201	205	...	...	165	407	...	...	...	...
Gilt-edged	...	...	303	358	72	72	537	1,273	987	923	3,542	3,581	665	575	67	67
Cash	...	1	3,527	4,476	4,895	9,298	9,103	18,291	17,420	18,894	36,124	46,015	256	572	4,917	4,637
Other marketable investments	...	...	819	1,024	...	...	202	209	1,115	1,348	6,691	7,766	...	...	1,679	1,862
Intangible assets	...	...	1,024	1,032	220	194	1,274	1,268	2,894	1,780	2,671	2,625	...	...	208	188
Total Assets	**765**	**691**	**29,360**	**31,302**	**170,336**	**192,041**	**123,070**	**134,481**	**116,961**	**129,322**	**274,747**	**296,272**	**2,640**	**2,699**	**34,490**	**34,493**
Bank overdrafts and loans	311	252	48	32	10,824	10,160	3,619	1,874	4,334	1,297	10,113	7,549	6	6	366	316
Reserve for future income tax	19	16	1,435	1,512	9,862	10,294	7,879	9,514	3,999	4,116	15,365	16,906	...	...	693	643
Depreciation and obsolescence	42	52	3,543	4,397	22,876	25,975	20,370	23,257	21,066	23,450	39,340	46,007	...	...	4,912	5,085
Capital reserves and EPT refunds	82	82	2,048	2,053	18,196	8,690	11,918	11,532	6,564	6,679	26,137	25,882	...	...	3,101	2,716
Other provisions	22	47	60	60	2,260	2,409	619	586	638	884	4,926	5,346	513	504	1,434	1,333
Current liabilities and creditors	124	101	4,768	4,800	40,960	47,453	26,779	31,815	21,432	23,202	54,015	57,862	1,428	1,429	9,741	10,628
Revenue res. and carried forward	40	16	5,747	6,796	28,622	32,233	23,631	26,378	21,123	23,202	54,015	57,862	1,428	1,429	9,741	10,628
Net balances due to subsidiaries	...	...	2	2	...	4	6	14	60	60	317	312	...	...	1	...
Minority interests	...	...	131	140	1,760	3,021	350	357	6,917	6,927	7,115	6,776	...	...	170	166
Debenture capital	...	...	1,963	1,902	12,829	15,127	4,500	5,125	13,232	25,164	4,583	6,204	...	...	150	110
Preference capital	...	...	2,081	2,080	6,375	6,375	5,349	5,276	7,954	8,315	15,892	15,656	...	...	3,838	3,838
Ordinary capital	125	125	7,528	7,528	15,772	30,300	18,056	18,756	9,642	10,652	39,236	47,415	600	600	4,752	4,992
Total Liabilities	**765**	**691**	**29,360**	**31,302**	**170,336**	**192,041**	**123,070**	**134,481**	**116,961**	**129,322**	**274,747**	**296,272**	**2,640**	**2,699**	**34,490**	**34,493**

Industry / No. of Companies	Silk and Rayon (4)		Wool (19)		Other Textiles (17)		Oil (2)		Rubber (38)		Tea (4)		Other Companies* (129)		TOTALS ALL GROUPS 537 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	3,169	3,318	14,806	15,722	20,660	22,177	550	626	9,481	10,443	1,738	1,863	73,516	78,709	926,556	1,034,608
Trade investments	21	21	270	268	880	1,147	...	21	944	1,006	...	...	18,595	18,593	75,403	65,159
Stocks	3,159	3,706	18,732	22,243	9,934	10,734	157	134	1,009	899	1,759	3,095	7,169	7,279	596,941	611,071
Debtors	1,259	1,357	6,376	6,915	8,148	7,735	292	213	417	366	35	54	8,878	10,143	336,372	365,526
Net balances due to parent cos.	...	...	...	...	...	23	23	22	30	44	...	...	67	174	6,934	12,867
Gilt-edged	...	...	157	108	1,912	1,500	...	...	959	1,305	152	109	3,342	3,257	24,577	23,866
Cash	526	561	5,652	5,628	6,140	7,968	65	146	4,107	3,012	166	118	12,334	14,212	191,634	230,477
Other marketable investments	309	324	1,370	1,451	24	24	1	1	458	477	...	...	2,256	1,949	43,667	39,398
Intangible assets	197	187	654	629	714	708	...	...	134	35	...	...	159,542	164,203	182,400	188,206
Total Assets	**8,690**	**9,474**	**48,017**	**52,964**	**48,358**	**52,016**	**1,028**	**1,163**	**17,539**	**17,587**	**3,850**	**5,239**	**285,609**	**298,519**	**2,384,484**	**2,571,218**
Bank overdrafts and loans	671	733	439	1,425	602	812	...	...	14	33	177	501	3,768	3,577	96,772	106,662
Reserve for future income tax	184	298	2,815	3,169	1,908	2,645	50	76	786	473	256	424	1,887	2,092	119,234	128,345
Depreciation and obsolescence	1,169	1,342	5,668	6,167	8,693	9,619	164	218	1,188	1,304	332	401	9,254	10,567	275,381	314,470
Capital reserves and EPT refunds	233	235	1,269	1,262	3,031	3,678	1	1	940	1,809	457	457	15,624	15,603	148,447	146,882
Other provisions	19	17	480	413	119	68	...	2	413	554	21	29	3,772	4,242	39,637	38,896
Current liabilities and creditors	1,153	1,132	8,578	9,142	7,909	7,635	292	260	3,642	2,242	723	1,337	15,488	17,234	426,354	447,308
Revenue res. and carried forward	1,991	2,447	13,414	15,308	8,945	10,073	169	213	2,370	2,463	468	669	34,044	33,445	404,938	453,968
Net balances due to subsidiaries	...	...	...	...	...	...	...	...	...	...	...	...	6	6	2,958	2,512
Minority interests	4	4	61	52	1,747	1,763	1	1	...	...	...	...	670	698	36,386	36,783
Debenture capital	250	250	1,431	1,416	1,228	1,201	...	...	477	520	...	...	75,102	77,993	234,862	255,941
Preference capital	930	930	3,807	3,807	6,978	7,166	61	61	202	202	586	586	59,096	60,073	192,767	194,529
Ordinary capital	2,686	2,686	10,055	10,803	7,138	7,336	200	328	7,494	7,888	835	835	66,818	72,991	407,648	444,922
Total Liabilities	**8,690**	**9,474**	**48,017**	**52,964**	**48,358**	**52,016**	**1,028**	**1,163**	**17,539**	**17,587**	**3,850**	**5,239**	**285,609**	**298,519**	**2,384,484**	**2,571,218**

* This group includes entertainment, hotels and restaurants, canals and docks, electricity supply, gas, telegraphs and telephones, trams and buses, warehousing, waterworks, coal, finance and land and investment trusts.



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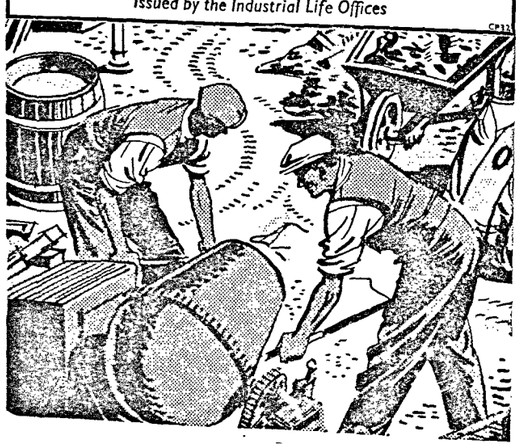

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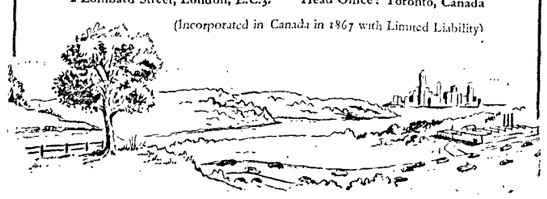

UNILEVER LIMITED
AND
UNILEVER N.V.

The Boards of Unilever Limited and Unilever N.V. RESOLVED to-day to RECOMMEND to the Annual General Meetings of their respective Companies which will be held on 31st May, 1954, the DECLARATIONS of FINAL DIVIDENDS on the Ordinary Capitals in respect of the year 1953 payable on 14th June, 1954, at the rates forecast by the directors at the time of the announcement of the Interim Dividends in November, 1953, namely :

1. In the case of Unilever Limited a DIVIDEND of 9¼ % actual (1/11.4d. per £1 of stock) less income tax at 9/- in the £, making 15¾% for the year ended 31st December, 1953 (1952—13¼ % for the year), PAYABLE TO STOCKHOLDERS REGISTERED in the books of the Company on 8th May, 1954.

2. In the case of Unilever N.V. a DIVIDEND of 8¼ % actual (Fl.87.5 per share of Fl.1,000) making 14 % for the year ended 31st December, 1953 (1952—12 % for the year).

The total dividends are equivalent in value under the terms of the Equalisation Agreement between the two Companies.

Trading conditions in general have been favourable and results satisfactory. The value of turnover at £1,310,121,000 is the largest so far achieved. After charging depreciation of £15,154,000 (1952—£16,825,000, including the addition to reserve for replacement of fixed assets), the combined trading profit of the Group's operations throughout the world was £61,652,000 (1952—£38,921,000).

Taxation for the year amounted to £33,860,000 (1952—£22,180,000) and the consolidated net profit £25,824,000 (1952—£21,056,000).

The consolidated net profit for 1952 included £1,868,000 withdrawn from reserves for stocks and £4,918,000 of exceptional items and non-recurring profits. There has been no need to make any changes in the stock reserves in respect of 1953 and exceptional items are negligible.

The results for the Groups separately were :—

	Consolidated Net Profit	*Profit of Parent Company*
Unilever Limited	£16,891,000 (£13,343,000)	£7,325,000 (£6,247,000)
Unilever N.V.	£8,933,000 (£7,713,000)	£4,720,000 (£4,141,000)

The Reports and Accounts of both Companies will be issued on 6th May, 1954.

22nd April, 1954.

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 Dec. 31, 1953	**Pak Rs.**	**372,700,000**

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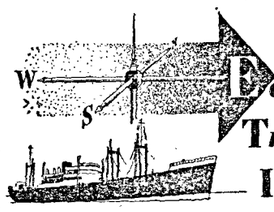

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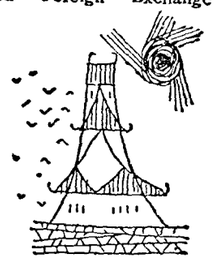

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COMPANY MEETINGS

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

REVIEW OF OPERATIONS FOR THE YEAR 1953

STATEMENT BY THE CHAIRMAN, THE HONOURABLE W. B. L. BARRINGTON

The annual general meeting of Legal & General Assurance Society Limited will be held on May 12th at Aldwych House, Aldwych, London, W.C.2.

The following is an extract from the statement by the chairman, The Hon W. B. L. Barrington, which has been circulated to shareholders with the report and accounts:

LIFE ASSURANCE AND ANNUITY FUND

Once again I am in the happy position to report that the new life assurance business transacted by the society during 1953 created yet another record.

The total net new sums assured, including additions in existing group policies, amounted to £81,481,132, an increase over the previous year of £9,134,111. The deferred annuities issued amounted to £9,752,287 per annum. It will be noted that the figure for new deferred annuity business under group life and pension schemes is very much larger than in the previous year. The main reason for this is that the society has brought its practice into line with that adopted by the Life Offices Association by treating all new entrants and increments under existing schemes as new business. By so doing the society is assisting the association to compile statistics of pension scheme business on a comparable basis for all offices.

The total net premium income amounted to £27,864,326, an increase of £2,044,290 over that of the previous year.

MORTALITY

I am able to report that, after investigation into the mortality experience, the results in the life assurance section were favourable.

RATE OF INTEREST

The gross rate of interest earned on the life assurance fund, excluding the amount invested in purchased reversions, was £4 11s. 5d. per cent, as compared with £4 8s. 9d. per cent in the previous year. The corresponding net rate was £4 0s. 10d. per cent, as compared with £3 19s. 2d. per cent for the year 1952.

EXPENSES OF MANAGEMENT

The total cost of commission and expenses of management expressed as a ratio to the life premium income was 9.41 per cent, as compared with 9.49 per cent for the previous year.

FIRE INSURANCE ACCOUNT

The net premium income of the fire insurance account, including the business of the "Gresham Fire," amounted to £2,048,337.

The net profit of £81,456 on the account has been added to the additional reserve, which now stands at £379,956.

ACCIDENT INSURANCE ACCOUNT

The net premium income amounted to £1,380,247, an increase for the year of £105,115. The net profit of £50,471 on the account has been transferred to additional reserve, which now amounts to £215,066.

MARINE ACCOUNT

The net premium income, which last year amounted to £393,476, showed a small decrease compared with the previous year of £20,249. As mentioned in the report, the account for 1951 has been closed and there is a balance on the year of £25,149, which is retained in the fund.

PROFIT AND LOSS ACCOUNT

The balance brought forward in the profit and loss account amounted to £608,506. The directors recommend the payment of a final dividend of 4s. 3d. a share, which, together with the interim dividend paid on January 1, 1954, makes a total dividend of 6s. 9d. per share. The amount carried forward is £468,396.

ASSETS

The assets of the society now amount to £207,953,498, having increased during the year by £28,381,858.

PROPOSED ALTERATIONS TO THE SOCIETY'S MEMORANDUM AND ARTICLES OF ASSOCIATION

First of all I must explain that the purpose of the proposed change is to enable the society to be in a position to offer to the public policies which, on appropriate terms, have the right to participate in the profits earned by the life assurance and annuity fund.

I think, perhaps, that it is necessary to remind the shareholders that the society ceased to issue participating policies of this type in the year 1919, at the time when the society obtained powers to transact fire, accident, and other classes of miscellaneous insurance. The bonus record of the society had for many years, up to that time, been a very favourable one, a reversionary bonus at the high rate of 38s. per cent compound having been consistently declared for 25 years prior to the cessation of this class of business.

PRESENT REQUIREMENTS

In the light of modern conditions the directors are now of opinion that the society is at a disadvantage by its inability to transact business under with-profit tables which are competitive, and as under the provision of the Companies Act of 1948 the shareholders possess the power to vary the objects of the society, they are now asked to pass the necessary resolutions giving effect to the directors' recommendation to resume normal with-profit business.

The directors, therefore, recommend that the society should assume full liability for future bonuses at the maximum rate of 38s. per cent per annum as a guaranteed benefit under all with-profit policies existing at May 12, 1954. The actuary has reported to them that as at December 31, 1953, and after treating as a liability the accrued bonus for the two years which had then elapsed since the end of the previous quinquennium the amount required by way of additional reserve to provide for the guarantee of future bonuses was £2,537,012 and he has certified that on that date there was a surplus in the life assurance and annuity fund in excess of that sum.

The new Article No. 8 describes fully the nature of the guarantee to be given in respect of the existing with-profit policies.

WITH-PROFIT CONTRACTS

Having made full provision for the existing with-profit policyholders, the society will then be free to institute a new series of with-profit contracts under which the new participating policyholders will depend for their bonus exclusively upon the profits of the life assurance and annuity fund. The new Article 9 describes the suggested method of bonus distribution which, stated briefly, is that the new participating policyholders will be entitled to 90 per cent of the profits derived from their own class of policy, together with any further sum which the directors in their absolute discretion may allocate to them from other profits derived from the life assurance and annuity fund.

BANK LEUMI LE-ISRAEL BM

NEED FOR ECONOMIC INDEPENDENCE

MR S. HOOFIEN'S SPEECH

The annual general meeting of Bank Leumi le-Israel BM was held on April 8th in Tel-Aviv. Mr S. Hoofien (chairman) presided.

In his introductory remarks the chairman referred to the stock bonus of I£1 for every I£4 held, resolutions as to the distribution of which had been passed that very morning at separate class and extraordinary general meetings. The paid-up capital was thus increased from I£1,600,000 to I£2 million and the open reserve fund had also been increased to I£2 million by appropriations which the directors had made of I£550,000 from the profit and loss account and contingencies reserve. The balance of net profit amounted to I£502,766, compared with I£455,705 for the previous year. Out of this sum an amount of I£200,000 had been appropriated for the payment of dividends to the stockholders, and the directors had every hope of being able to maintain the present rate of dividends (12½ per cent) on the increased capital. Deposits stood at I£115,285,462 (1952: I£94,907,391) and loans at I£76,743,965 (1952: I£55,783,090).

The chairman touched upon the government's intention to set up a central bank in the course of the current year and explained why its early establishment was considered important. The bank had actively participated in all the preparations for the setting up of the central bank. When the Issue Department and the Government Loans Administration, also various government accounts, were taken over by the central bank, Bank Leumi would be able to bend all its energies to its main task as the country's leading commercial bank.

AGRICULTURAL DEVELOPMENT POLICY

In the main part of his speech the chairman dwelt on the re-orientation of the country's agricultural development policy. He had brought this subject up for public discussion in his speech at the preceding general meeting, when he had advocated a shifting of the emphasis in agricultural policy from the production of animal to vegetable foods, and the growing of greater amounts of staple

and industrial crops as well as the utilisation of natural pastures for grazing. Some progress had been made, but the progress was too slow and the agricultural price policy must be geared to the aims of the new agricultural development policy.

STEPS TOWARDS ECONOMIC INDEPENDENCE

The chairman then passed on to the central problem of how to lead the country's economy towards independence from outside help. This took the form of the very large amounts raised by Jews abroad (especially in the USA), grants, reparations from Germany and foreign loans. The maintenance of Jewish support on the same scale for many years was not a matter of certainty, and all the other sources would also tend to dry up in time; nor were they, under the control of Israel. This foreign aid was, as a matter of policy, used for development purposes, while the ordinary and defence budgets were met from taxation in Israel. He pointed out, however, that it was from these sources that the foreign exchange for most of the country's import requirements were derived and that their cessation would raise grave problems unless the country steered towards independence from outside support. How could such independence be achieved? The natural answer was increased production and reduced consumption.

He analysed the possibilities of increasing production in industry and agriculture and by the development of natural resources; in his opinion, agriculture offered the best hope of achieving important results by planning. He then turned to the question of reducing consumption. The population had shown no readiness to reduce consumption. It was up to the Government to decide whether it considered the reduction of personal consumption essential and whether it had the power to enforce such policy as it considered necessary.

As to public consumption: the most important item in that respect was defence. Since circumstances still kept this subject outside the scope of public discussion, it was all the more essential that the maximum economy be exercised in all other items of public expenditure. All items of the Government and local authority budgets should be examined from the point of view whether a small and poor country could permit itself the expenditure involved.

The problem of preparing the country for economic independence would from now on have to be constantly kept in view. There was still time, but not too much.

THOMAS TILLING LIMITED

YEAR OF PROGRESS AND CONSOLIDATION

MR W. LIONEL FRASER'S REVIEW

The fifty-seventh annual general meeting of Thomas Tilling Limited will be held on May 19th at Crewe House, Curzon Street, London, W.

The following is an abridgment of the review by the chairman, Mr W. Lionel Fraser, CMG, circulated with the report and accounts for the year ended December 31, 1953:

The profit and loss appropriation account shows that the profit of the group attributable to Thomas Tilling Limited after providing for taxation and minority interests is £380,040, which is a little above that of last year.

The preference dividend for the year has been paid and the directors now recommend the payment of a dividend on the ordinary stock of 7½ per cent, which is the same as was paid for 1952. The unappropriated profits retained by subsidiaries have increased by £160,000 during the year.

SUBSIDIARY COMPANIES AND ASSOCIATED COMPANIES

The chairman then reviewed the activities of the subsidiary companies:

Bagshawe and Company, Limited (manufacturers of conveyers and elevators, mechanical chains and malleable iron castings).

Cornhill Insurance Company, Limited,

Daimler Hire, Limited,

Mark Dawson and Son, Limited (worsted spinners),

Hobourn Aero Components, Limited (manufacturers of light engineering components, textile machinery, electrical convection heaters),

James A. Jobling and Company, Limited (manufacturers of "Pyrex" brand glassware),

Newey and Eyre, Limited (industrial electrical engineering suppliers),

Spray and Burgass, Limited (dyers and finishers),

Stratstone, Limited (distributors of Daimler and Lanchester cars),

F. Troy and Company, Limited (building, civil engineering and painting contractors),

and of the associated companies, i.e., those in which a substantial minority interest is held:

John H. Ashton, Limited (mahogany and hardwood merchants),

British Steam Specialties, Limited (manufacturers and distributors of valves, gauges, etc.),

Heinemann Holdings, Limited (book printers and publishers),

Timothy Hird and Sons, Limited (worsted combers and spinners),

E. R. Holloway, Limited (comb manufacturers, fancy goods, etc.),

Lime-Sand Mortar, Limited (ready-mixed mortar and ready-mixed concrete manufacturers, sand and gravel producers),

Stevensons (Dyers), Limited (hosiery dyers and finishers),

Western Motor Holdings, Limited (motor-car distributors).

After referring to the company's holdings of freehold and leasehold properties, and the acquisition of 2 million ordinary shares of the Brush Electrical Engineering Company, Limited, since the end of the year, the review then continued:

KEENER COMPETITION AND RISING COSTS

In the main the above reports tell a tale of progress and consolidation. Nothing spectacular was to be expected at this stage, although many of our companies have intriguing potentialities and your directors have faith in the future of them all.

The significant theme running through the reports is one of keener competition and rising costs, clearly indicative, as everybody knows, that the easy-come, easy-go days are over. This adjustment sets us a stiff task, but it is all to the good provided we accept the challenge and strive for greater productivity at reduced costs. Certain it is that the consequential problems are already being tackled in our group of companies. We believe firmly in high wages, that is to say, full and proper payment for the job. They afford the incentive which human beings need and mostly deserve and they create better and more harmonious conditions and relationships, without which there can be no true progress. But higher wages must be accompanied by extra work and greater output, for otherwise we shall inevitably go down the road to inflation and catastrophe.

This Industrial Holding Company, as we describe ourselves, now comprises ten main subsidiary companies and eight associated companies. We are not only bigger numerically, we now all know one another better, and we are a happy team. We exchange ideas, we discuss one another's problems and difficulties, and we do business together. Indeed, we can see our concept of Tillings as a family of firms, with an ever widening community of interests being translated into reality.

BOARD'S POLICY

Perhaps I may be forgiven if, for the sake of new shareholders, I explain the basic principles which guide and direct your board's policy. This can probably best be done by quoting a few points from my past reviews when I said substantially, as follows:

(1) We envisage for ourselves a positive and active role whereby we can use our funds in a constructive and useful manner by further direct participation in industry, and by the development and expansion of our existing interests.

(2) We are creating a loosely bound, well co-ordinated group of companies, free and unlimited in their possibilities, but in whose destiny we can play some real part.

(3) Our main emphasis is always on the quality of management, and our underlying companies are all admirably directed by men of character and ability. Their boards enjoy complete latitude to conduct their affairs in their own way, subject always to the benign guidance and supervision of the parent company, notably on matters of general policy and finance.

(4) We have embarked upon a long-term undertaking, and we are only in its early stages.

(5) If we are to be successful, we must show sound judgment in our actions, whilst not lacking in courage and enterprise. We must not fear to take reasonable risks, and we cannot expect our path to be free from care and anxiety.

In the light of their experience to date, your directors reaffirm those broad principles. As time goes on, the number of our companies will mount, if for no other reason than that of defence against oppressive death duties, or because smaller companies must search for support and protection in these strenuous days, but possible newcomers must expect us to be very discriminating. So far as we can, we shall broaden our participation in industries in which we are already interested, or in kindred industries. We went some way in this direction last year, but it may not always be possible, and we shall not decline to consider attractive propositions outside our existing scope.

FUTURE PROSPECTS

Your board are pleased with the acquisitions so far made, and they remain confident as to the future of your varied interests, which are spread over many industries. If, as I profoundly believe, this country is to continue to flourish and prosper, there would seem to be no reason why your company should not flourish and prosper too.

THE LONDON & LANCASHIRE INSURANCE COMPANY, LIMITED

THE HON R. M. PRESTON'S REVIEW OF THE RESULTS

The annual general meeting of The London & Lancashire Insurance Company, Limited, will be held on May 12th at 7 Chancery Lane, London, W.C.2.

In a circulated statement the Hon R. M. Preston, DSO, chairman, reports that the aggregate premium income of £27,879,852 differed little from the previous year, but the total profit was rather higher at £1,443,013.

The fire department premiums amounted to £11,185,272 and yielded a profit of £786,201, which was somewhat less than 1952. Nearly half the premiums of the fire account were earned in the United States. Although the ever-present risk of damage by fire continued to be the principal purpose of insurance in that department, there were additional hazards which were included in varying types of policies, such as the risk of damage by or from flood, storm, tempest, riot and civil commotion, earthquake and the like. In the United States more damage was caused by tornado last year than in any other year of its recorded history. Though insurance against loss arising from tornado formed a small proportion of the whole of the business, nevertheless, results suffered as a result of such damage.

The accident department premiums had increased by some £1,300,000 to £12,255,095, and the previous year's result had been bettered by the account yielding a profit of £156,812. Many differing types of insurance were included in that department, of which the most important in volume was probably motor insurance. Indeed, motor insurance produced approximately one-half of the total premiums of the department, and in many parts of the world was still an unremunerative business. In some countries, including the United Kingdom, an upward adjustment of premium rates was still, in his opinion, overdue and would eventually have to be faced. Another important section was employers' liability insurance which, in this country, had an incurred claims ratio of over 70 per cent last year, and rates of premium might call for further adjustment.

Marine insurance business, which was conducted by "The Marine" and the "Standard Marine," had produced satisfactory profits which related to 1951 and previous years, but it was clear that there were leaner times ahead.

The Law Union & Rock Insurance Company, Limited, which handles the life business, had had a very satisfactory year.

Interest earnings and the stockholders' share of the life profits amounted to £782,071, but that did not take into account the profits tax which had to be paid in respect of interest. For 1953 the whole of the sum of £124,310 charged in the account related to interest. In effect, therefore, after deduction of all taxation thereon, the interest earnings for the year were £657,761.

The interim dividend last November was increased by 6d., and the total dividend for the year is 6s. 6d. per £1 stock, costing £650,526 net of income tax.

The statement concluded by paying a tribute to the general manager, Mr F. J. Cottle, the other executive officers and the staffs.

OLDS DISCOUNT

EXTRACTS FROM THE CIRCULATED STATEMENT OF THE CHAIRMAN, MR W. A. OLDS

We have achieved new records. Trading profit for 1953 is £364,851, an increase over 1952 of £82,578. Provision for taxation is £235,000, nearly 65 per cent of trading profit. Group assets total £6,169,281. Reserves and carry forward are nearly double the equity capital.

The companies formed to undertake business in the British West Indies and Eire are developing satisfactorily.

There is no sign of any diminishing demand for our services and facilities. During the first three months of 1954 business was at a higher level than for the same period of 1953.

RECORD OF PROGRESS IN STAGES DURING LAST 16 YEARS

	Profit before Taxation	Ordinary Dividend Paid (Net)	Profit Retained after Taxation
	£		£	£
1938 ...	23,363	13¼%	9,969	1,438
1945 ...	53,873	15 %	10,100	15,273
1949 ...	161,030	20 %	*30,938	27,192
1953 ...	364,851	25 %	55,000	62,201

*and bonus share issue.

The 25 per cent ordinary dividend for 1953 represents 8.7 per cent (gross) on the ordinary stock and reserves.

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa,)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1953.

After providing £433,700 for United Kingdom taxation the profit for the year is £1,227,105, plus £351,686 brought forward, making a total of £1,578,791. The Directors have placed £600,000 to the credit of Exploration Reserve Account, and have declared a final dividend of 10d. United Kingdom currency per share free of United Kingdom Income Tax, absorbing £387,500, and making, with the interim dividend of 6d. per share, a total distribution of 1s. 4d. per share free of United Kingdom Income Tax or £620,000 for the year, leaving £358,791 to be carried forward.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under but in no case above the market value of December 31st last, or, where no market price exists, above the Directors' valuation. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price.

The Accounts include for the first time a Consolidated Balance Sheet and a Consolidated Profit and Loss Account.

The Rt. Hon. The Viscount Leathers, C.H., rejoined the Board of Directors in October, 1953, when he also rejoined the Board of a subsidiary, Bay Hall Trust Limited.

A copy of the Corporation's Annual Trade Cycles Chart, revised to date, is enclosed with the Report.

GOLD MINING INTERESTS

Summary of the operating results for the past year of the Companies operating in the Transvaal and Orange Free State in which the Corporation is largely concerned:—

	East Geduld Mines, Ltd	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Marievale Consolidated Mines, Ltd.	St. Helena Gold Mines Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled ...	1,610,000	1,125,000	2,203,000	749,000	799,000	1,022,000
Yield per ton dwt.	6.03	3.19	4.26	4.89	4.05	3.31
Working Costs per ton	29s. 11d.	33s. 10d.	28s. 2d.	39s. 5d.	42s. 9d.	41s. 6d.
Working Profit per ton	45s. 9d	6s. 5d.	25s. 4d.	22s 0d.	8s. 3d.	2d.
Total Working Profit	£3,684,000	£362,000	£2,789,000	£824,000	£330,000	£35,000
Net Profit ...	£1,760,000	£874,000	£1,347,000	£451,000	£262,000	£81,000
Dividends: Total	£1,575,000	£840,000	£1,287,000	£394,000	—	—
Per Stock Unit or Share	3s. 6d.	11s. 6d.	2s. 3d.	1s. 9d.	—	—

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1953 on its shareholding in The Grootvlei Proprietary Mines was £60,480 and Geduld Proprietary its 1953 on its shareholding in The Grootvlei Proprietary Mines was £60,480 and Geduld Proprietary Mines' dividend income in 1953 on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £6,19,294.

Tonnage milled and working profits of St. Helena Gold Mines Limited continue to increase steadily. The ore reserves at 31st December last were estimated at 2,000,000 tons, assaying 5.3 dwt. per ton over a stoping width of 51 inches.

THE WITHOK PROPRIETARY COMPANY.—The Corporation retains a substantial interest in the Company which owns the mineral rights over 4,823 morgen on the Farm Withok No. 7, District Brakpan, Transvaal, and certain freehold rights thereon.
Interests in Gold Mining Companies not under the administration of the Corporation:—

STILFONTEIN GOLD MINING COMPANY.—Production and profits have continued to show a steady improvement throughout the year. The uranium plant came into production in October last.

WESTERN HOLDINGS.—This Company commenced milling in July, 1953, since when production and profits have progressively increased. Development work continues to show a high percentage payability with good values on the Basal Reef. The capacity of the reduction plant is being extended to 125,000 tons per month.

OTHER MINING INTERESTS

SAN FRANCISCO MINES OF MEXICO.—This Company earned a Working Profit of £3,027,000 in the year ended 30th September, 1952, and paid a dividend of 6s. (unchanged) per 10s. Stock unit in respect of that year. In the year to 30th September, 1953, 693,209 tons of lead-zinc-silver ore were milled compared with 657,000 tons in the previous year. A strike of workmen resulted in complete suspension of operations for two weeks in May, 1953. The steep fall in lead and zinc prices since Mid-1952 has drastically reduced the profits being currently earned.

CHROME MINES OF SOUTH AFRICA.—Notwithstanding the fact that production and sales were again restricted by the limited number of trucks made available by South African Railways, the net profit for the year ended 30th June, 1953, after making provision for taxation and depreciation, amounted to £121,157. The Company has substantial orders on hand at satisfactory prices.
The Corporation is also interested inter alia in the following Company:

TSUMEB CORPORATION.—The net profit for the year ended 30th June, 1953 was £3,186,622 compared with £4,645,443 for the previous year and dividends totalling 12s. 6d. (12s.) per share were declared. During the first nine months of the current financial year dividends totalling 7s. 3d. per share have been declared.

OTHER INTERESTS

BAY HALL TRUST.—The net profit for 1953 was £99,432. A dividend of 7½ per cent. (7 per cent.) free of tax was declared. The Trust's investments as at 31st December last showed an appreciation of £450,918 over book cost of £2,291,849.

BRITISH ZENKA.—As a consequence of a sharp recession in trade, the Company was forced to reduce its production considerably in 1952. After writing down stocks of raw materials by £103,743, the Company incurred a net loss for the year of £95,494 compared with a net profit in the previous year of £419,415. £50,000 was appropriated from General Reserve and a dividend of 6 per cent. was paid, the carry forward being reduced from £136,662 to £90,976.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—The net profit for 1953 after providing for taxation and depreciation amounted to £324,947 compared with £424,149 for the previous year and dividends totalling 2s. per share (unchanged) have been declared. These profits were made from the operations at the Company's Enstra Mill near Johannesburg. The extensions to this mill are now virtually complete. Completion of the Company's new Tugela Mill in Natal is proceeding apace and it is anticipated that this mill will commence production about the middle of the current year. In order to provide further funds for the completion of the present expansion programme and further working capital the Company is raising £800,000 by an issue of 6% Registered Unsecured Convertible Notes.

EXPLORATION

Drilling operations by Capital Mining Areas, Limited, have indicated the existence of payable Kimberley Reef covering a limited area which it is believed will prove to be sufficiently large to justify underground prospecting in due course. Further drilling remains to be done before this area can be more accurately defined. Drilling on other parts of this Company's ground has given inconclusive results. Nothing of economic importance has so far been disclosed in the areas held by the other five exploratory Companies mentioned in last year's Annual Report.

In view of the lack of encouraging results Central Mineral Exploration, Limited, stopped all prospecting work on its concessions in Tanganyika during the year under review.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, E.C.2

COW & GATE LIMITED

A VERY SUCCESSFUL YEAR

The forty-fifth annual general meeting of Cow & Gate Limited was held on April 23rd at Guildford, Mr W. R. Bramwell St. John Gates (chairman and joint managing director) presiding.

The following is an extract from his circulated statement:

I am pleased to report a very successful year in all sections of the business.

We have since the war suffered intense competition from other infant foods which have been available in the shops. But we are convinced that we should do our best to maintain, regardless of cost, the superb quality of our products, which have made the name of Cow and Gate so famous. We believe this policy to be a right one and we are confirmed in our opinion by the fact that the sales of our baby food have increased in volume both at home and abroad in the year under review.

As far as fresh cream is concerned, we were ready, as soon as the regulations forbidding the making of cream were relaxed, to give the public the best that could be produced. We sold a lot of cream to begin with, probably due to its novelty attraction, but sales have since dropped off, as we anticipated they would.

Our creameries and factories benefited last year by what in the trade we call "top gallons." The weather was very favourable for milk production and for the first time for some years there was a steady flow of milk for manufacturing purposes, thus enabling us to operate our plants at full capacity.

On the retail side the acquisition and amalgamation of a number of businesses, in areas where we were already operating, has further consolidated our position.

DECONTROL OF DAIRY PRODUCTS

The decontrol of all manufactured dairy products, except butter and cheese, becomes operative from April 1, 1954. As a result of representations by both manufacturers and distributors, we are given to understand that there are to be modifications of the original marketing schemes which in prewar years gave the producers tremendous authority over the whole milk industry. We welcome these modifications because we believe that if the milk industry is to be successful, there must be close collaboration between producers, manufacturers and distributors, and that one of the major duties of any statutory authority must necessarily be to see that the consumer also gets a fair deal.

I think it is now recognised that a prosperous home agriculture is one of the bulwarks in our defence programme. The fostering of British agriculture must be a sound policy and those industries engaged in the manufacturing and distributing of milk must be encouraged also as equal partners with the producer.

For the first time the net profit exceeds £1 million—being £312,000 above last year's figure of £749,000. In view of the year's excellent results, your directors feel justified in recommending that the ordinary dividend for the year ended September 30, 1953, should be at the rate of 17½ per cent, less tax.

I am glad to report that the approximate trading results of the group for the December quarter, 1953, compare favourably with those of the corresponding period of the previous year.

The report and accounts were adopted and the dividend, as recommended by the board, was approved.

UNITED KINGDOM PROVIDENT INSTITUTION

NEW SUMS ASSURED AGAIN A RECORD

SIR JOHN BENN'S SPEECH

The one hundred and thirteenth annual general meeting of the United Kingdom Temperance and General Provident Institution was held on April 14th. Sir John Benn, the chairman and managing director, said: This is the fifth successive occasion on which I have had the pleasure of reporting a further increase in our annual business. In 1953 net new sums assured reached the record figure of £7,546,877, while premium income amounting to £2,960,712 was also our largest to date. Further headway was made by our subsidiary, the United Kingdom Fire and Accident Insurance Company.

The further increase in the rate of interest earned on the book value of the funds last year is reflected in the increase of 3s. per cent in the compound bonuses we have declared for 1950-53, namely, 38s. per cent per annum on with-profit policies in the General Section and 40s. per cent per annum in the Temperance Section. These rates are equivalent to simple bonuses of 45s. and 47s. per cent per annum over the business as a whole.

The full advantages of the compound reversionary bonus are explained in a supplement to the report entitled "Your Bonus." Our report shows that the surplus disclosed by the actuarial valuation is so substantial that, after declaring bonuses and transferring £475,000 to the contingencies fund, there is a carry forward of £673,845. Our assets are again shown in the balance sheet at considerably less than current market values.

Bearing in mind that we have again declared increased bonuses while adding to our reserves, it seems clear that investment in risk capital is not inconsistent with the first responsibility of a life office—to safeguard its policyholders' money. On the contrary, I believe that such investments as part of a well-balanced portfolio are now the best, if not the only, means to achieve this objective.

While most life assurance companies now engage in risk-taking investment, with advantage also to industry and the country, some people doubt whether we are, in fact, achieving very much in this direction.

Personally, I do not fear enquiry into the life assurance business from any quarter, for although we do command considerable resources, we can justly claim that we make good use of them from the national standpoint. The impression that there are shortcomings in our investment policy perhaps arises from the size of our operations. The figures may suggest that too much power is in too few hands, but the fact that eighty or more life offices are competing for custom affords ample protection against the abuses of monopoly.

Looking to the future, the outlook for our Institution is bright. We have just secured a licence to extend our Head Office building in order to provide for the expansion of our business in the next few years. This Spring has shown a substantial improvement on the opening months of 1953 and I am hopeful that the trend will steadily continue. This is no mere boast or wishful thinking, but reflects the confidence which our mutual Institution enjoys among an ever growing public. With the continued co-operation of members, agents and staffs throughout the United Kingdom, we shall pursue our vigorous efforts to the general advantage.

HANDLEY PAGE LIMITED

SUCCESS OF THE "VICTOR"

The annual general meeting of Handley Page Limited was held on April 22nd in London, Sir Frederick Handley Page, CBE (chairman and managing director), presiding.

The following is an extract from the chairman's review:

During 1953 our four-jet crescent-wing bomber, the Victor, has been fully engaged on an exhaustive test programme of flights high in the stratosphere and close to the sonic barrier. In every aspect of performance tested so far, it has exceeded the operational requirements laid down.

Although the Victor's performance is so outstanding, its basic design has great potentialities and the promise of even better performance and greater striking power.

Modern aircraft bring with them an increasing complexity and many fresh aerodynamic and structural research problems. Future developments are constantly under investigation. Your company is carrying out an active research programme into the problems and possibilities of sustained supersonic flight. Research into boundary-layer control has continued during the year; it is directed particularly towards increasing range and operational economy.

The group net profit, after providing £403,831 for taxation, is £243,574, an increase of £53,636.

We have continued to receive encouragement in our tasks and visits from Ministers and executives of all ranks in government departments and from the principal executives of organisations concerned with air affairs.

The report and accounts were adopted.

CRUSADER INSURANCE

ANOTHER RECORD YEAR

The annual general meeting of Crusader Insurance Company Limited was held in London on April 15th.

In the course of his statement to shareholders, the chairman, Col. Sir Gilbertson Smith, TD, DL, CA, said that during 1953 record results had been achieved in all sections of the company's business; the total net premium income rose from £1,098,000 to £1,220,000 and assets increased from £4,171,750 to £4,538,285. New life assurances amounted to £2,876,304 in sums assured. The life and annuity premium income was £553,435, an increase of £47,953. The directors declared a bonus on "with profits" whole life and endowment assurance policies for the year ending 31st December, 1953, at the rate of 34s. per £100 assured. (1952: 32s.)

Premiums in the fire branch increased by 35 per cent to £81,858. Direct writing of fire business overseas had been extended by arrangements made in Belgium and Holland.

The sickness and accident and miscellaneous premium income was 11 per cent higher at £527,284.

The company's group service department, which exists to help employers and employees in arranging staff welfare plans, had continued its work to such good effect that the company now had over 400 plans in operation, either in connection with group life pensions or sickness and accident insurance.

After paying tribute to a keen and loyal staff, with special reference to those in the company's "Veterans' Association," the chairman concluded: "With their help and that of their colleagues, I am confident that we shall continue to play a worthwhile part in this human and vital business of insurance."

NOTICES

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
(University of London)

Applications are invited for appointment in October, 1954, to a Lectureship and an Assistant Lectureship in Economics. Salary scales £600 x £50—£900; £900 x £50—£1,150 and £500 x £50—£600 per annum respectively with superannuation benefits and family allowances. In assessing the starting salary due consideration will be given to age and experience. Candidates are invited to give in their application an indication of any special interests in the field of economics.

Applications, with the names of three referees, should be received not later than May 17, 1954, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
(University of London)

Applications are invited for appointment in October, 1954, to an Assistant Lectureship in *Economic History with special reference* to the economic history in the ancient world. Salary scale £500 x £50-£600 per annum, with superannuation benefits and family allowances. In assessing the starting salary due consideration will be given to age and experience.

Applications, with the names of three referees, should be received not later than May 12, 1954, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars may be obtained.

THE EDINBURGH AND EAST OF SCOTLAND COLLEGE OF AGRICULTURE invite applications for the temporary post of AGRICULTURAL ECONOMIST. The appointment will be for one year.

Candidates should hold a degree in Agriculture or Economics or Agricultural Economics.

Experience in Agricultural Economics or a knowledge of farm accounting would be an advantage.

Salary up to a maximum of £700 according to experience. The post is not superannuable.

Forms of application for the above post may be had from the Secretary, 12 George Square, Edinburgh, with whom applications and copies of testimonials should be lodged within two weeks of the appearance of this advertisement.

TOP level executive required as PLANNING MANAGER by large organisation with many branches, engaged in Light Precision Engineering. To be wholly responsible to the Works Director for machinery specification, design and manufacture of jigs, tools and gauges, and all processing and ancillary equipment for large flow line production and small quantity programmes. Responsible also for factory layout, capital expenditure and Work, Motion and Time Study Departments. Position offers adequate scope for further advancement, and only men who can offer proof of past experience at Senior Executive level will be interviewed. Our employees have been advised of this vacancy. The salary level has not been fixed, but it will be a substantial one commensurate with the character and the ability of the successful applicant. Full details of age, qualifications and positions held.—Box 520.

MIDLAND FIRM of manufacturing chemists, manufacturing proprietary medicines and a full range of cosmetics, require an executive experienced in marketing and advertising. This is a newly created position and is permanent and progressive, allowing a wide measure of freedom and scope for creative and administrative talents. Applicants should be somewhere between the ages of 30 and 40 years of age, and it is essential that they have already held a senior position with a company marketing nationally advertised lines. Salary would be commensurate with experience and ability. —Applications, in strictest confidence, to Box 526.

EXPORT MANAGER required by important Manchester engineering group, already doing substantial export business.

Applicants should have a sound knowledge of export business and experience in the sale of technical products abroad.

Engineering training or degree an advantage.

The appointment is a senior one, has excellent prospects and is fully pensionable.

Age 35-45.

Remuneration about £2,500 per annum.—*Applications*, which will be treated in strictest confidence, should be addressed to Harold Whitehead and Partners, Ltd., Management Consultants, 31 Palace Street, London, S.W.1.

WANTED by a light engineering company of world wide repute, a number of young men between 25 and 35 years of age. Applicants must be of good general education, preferably to University standard. They must be able to show by their record of education and experience in either industry or commerce that they possess personal and other attributes to qualify them for training for high level appointments.—*Apply Box 523.*

THE Administrative Staff College desires to appoint an additional member to its Directing Staff. Candidates must have substantial industrial experience in production or development. They should be not less than forty years of age. The appointment may be either on secondment from industry or in the direct service of the College. —Further detail can be obtained from the Principal, Administrative Staff College, Henley-on-Thames, to whom all applications should be addressed.

REQUIRED: German-speaking young business man, accustomed to work independently and experienced in the sale and distribution of trade-marked articles, for position in Great Britain, capable of development. Experience in confectionery or food field desired. Detailed offers in German with Curriculum Vitae, salary required and picture to be addressed to PEZ-HAAS Inc., 75 West Street, New York 6, N.Y.

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GERMAN Dr. of Economics (28) wishes 6 or more months' work in trade or industry in Great Britain.—Box 529.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS IN ECONOMIC & SOCIAL STUDIES

Applications are invited for the above studentships, tenable 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 June 1, 1954, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

AUSTRALIAN NATIONAL UNIVERSITY, CANBERRA

RESEARCH SCHOOL OF SOCIAL SCIENCES

Applications are invited for appointment to a READERSHIP IN ECONOMIC HISTORY.

Salary range £A1,788—£A2,038 (gross).

Reasonable travel and removal expenses are payable.

The post is permanent and one year's study leave, with travel allowance, will be granted after each five years' service.

Further particulars and information as to the 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, in Australia and London, is May 31, 1954.

VICTORIA UNIVERSITY COLLEGE, WELLINGTON, NEW ZEALAND

Applications are invited for the post of SENIOR LECTURER IN HISTORY.

The salary will be £1,092 8s. per annum, rising by annual increments of £50 to £1,292 8s. per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

Approved fares to Wellington will be allowed for the appointee, his wife and his children.

The successful applicant will be expected to take up his duties on August 1, 1954, or as soon thereafter as may be agreed upon.

Further particulars and information as to the 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, in New Zealand and London, is May 31, 1954.

KUMASI COLLEGE

CORRECTION.—The Salary Scales shown in the advertisement which appeared in the issue of *The Economist* dated March 13, 1954, should have read:

"Senior Lecturers £1,400—£1,850 p.a."

and not £1,400—£1,500, as stated. The appointments will remain open until May 14, 1954.

MARKET RESEARCH ASSISTANT (female) required with previous research experience and/or applied statistical knowledge. University degree preferred. Accuracy and general intelligence essential. Confidential post as assistant to Research Director. Age limits 22-35.—Apply, in writing, to *Personnel Director, John* Haddon & Co., Ltd., 11/12 Salisbury Square, London, E.C.4.

THE BRITISH INSTITUTE OF MANAGEMENT requires an ASSISTANT MANAGER FOR THE EDUCATION AND TRAINING DEPARTMENT. The appointment which involves individual responsibility and an ability to work with others, will be mainly concerned with education for management at technical college level. Experience of industrial education and training is necessary and teaching experience would be an advantage. Salary according to qualifications. The post is pensionable. Applications, in writing, should be addressed to the Director, 8 Hill Street, W.1, and should be marked "EDT."

AN ASSISTANT is required in the Statistical Department at the London Head Office of an iron and steel manufacturing company. Enthusiasm for the use of statistics and statistical methods is essential and one of the following qualifications is desirable :—

1. A University Degree (with a bias to statistics).
2. Associateship or Fellowship of the Association of Incorporated Statisticians.
3. Certificate or diploma of the Royal Statistical Society.

Applicants, who should not be more than 30 years of age, are invited to send full particulars of education, training and experience, to Box 527.

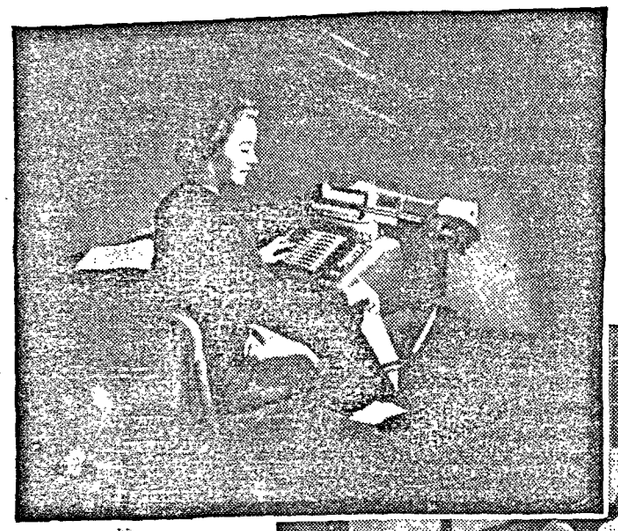
A WELL-KNOWN Industrial Company requires a Chartered Accountant, experienced in Management Accounting, to fill a responsible vacancy on its permanent staff. Those who have held positions of responsibility in industry will be considered, and a University Degree is desirable but not essential. The prospects are outstanding. A commencing salary up to £1,500 a year will be paid, but the successful applicant would be expected to reach upwards of £2,000 within five years. The appointment is pensionable. Applications are invited from accountants not over 35 years of age, giving full details of qualifications, posts held, etc., in confidence, to Box 525.

B.B.C. requires Talks Producer (British) to formulate ideas for and produce discussions, talks and talks features for rebroadcasting in North America. Sound academic background and general knowledge, appreciation of style of spoken and written word, imagination, tact and sympathetic interest in all kinds of people are essential. First-hand knowledge of U.S.A. and Canada and of their people and affairs and experience of writing would be an advantage. Salary £870 with 5 annual increments to maximum £1,175. Requests for application forms (enclosing addressed envelope and quoting reference "143 Ect.") should reach Appointments Officer, Broadcasting House, London, W.1, within 5 days.

MARKET RESEARCH. Applications are invited from male graduates in economics for an appointment in the Market Research Department at the Head Office of a major oil company. Aged 23-26. Salary will be based on qualification and experience. Social Club. Luncheon vouchers. Pension and Life Assurance scheme. Application, giving full details, to Box 531, quoting ref. MAA.79.

THE Council of Industrial Design requires immediately a temporary Senior Recruitment Officer, man or woman, for about six months. University education and experience of recruiting senior staff essential. Age preferably 30-50. Part time arrangement considered. Salary: men, £800-£1,200 p.a.; women, £700-£1,000 p.a., according to qualifications and experience. Applications in writing with details of age, education and posts held with dates to The Establishment Officer, Tilbury House, Petty France, S.W.1.

OTHER NOTICES APPEAR ON PAGE iii OF COVER



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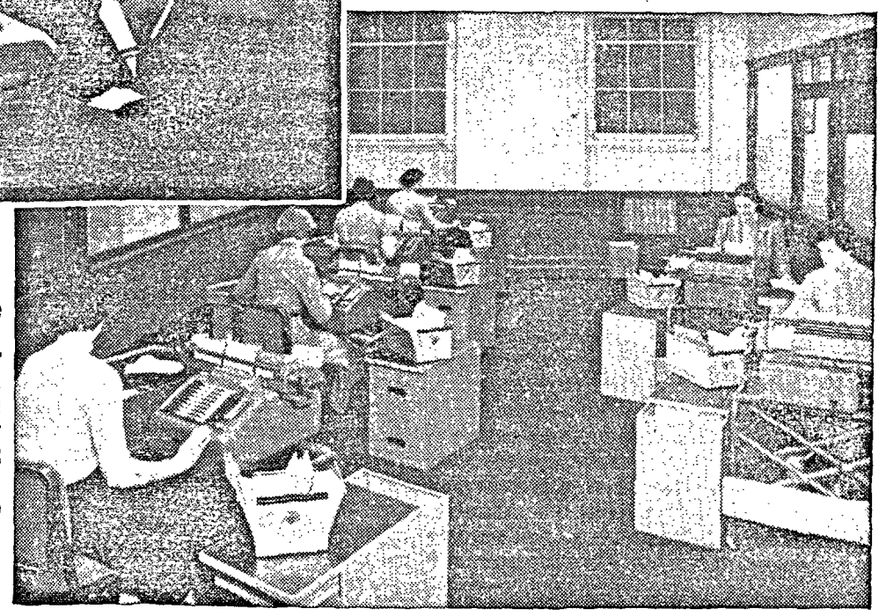
switch all machines to one job



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BUILDING SOCIETIES AND HOUSING

The Bounding Giant — How Many Houses?

Baits for Borrowers — Better Houses for the Money

The Bounding Giant

THERE occurred among the building societies last year the greatest expansion they have experienced—a growth of around £170 million (about 11½ per cent) in total assets. Even for a movement that has doubled in size in the last eight years and quadrupled in the last twenty two, such expansion is phenomenal. All the evidence suggests that the movement has not yet reached its limits even if the pace of further expansion may now become a shade more moderate. Building society people believe that for the next few years annual figures should continue upwards and show some exciting bumping races as one mammoth society chases another for the first, second, third or fourth place.

Almost everything went right for the societies last year. Money poured in from investors at 2½ per cent net on shares and 2 per cent net on deposits; it poured out again on mortgage loans at 4½ per cent as the private house building programme gathered speed. The societies need an equilibrium which will encourage the investor without discouraging the borrower and still leave a margin of about 2 per cent, out of which to meet expenses, pay tax on share and deposit interest, and make up for the lower return obtained on such assets as have to be kept liquid. That equilibrium seems to have been found. Shareholders and depositors provided upwards of £160 million more; mortgagors borrowed upwards of £300 million and after allowing for regular repayments the mortgage debt went up by about £140 million. Some of the smaller societies could probably have used more money with advantage, but the inflow was still impressive.

Moreover, the investor's money was again being used for its proper purpose of home building and home buying. New houses were rising fast and the building societies were resuming, to a corresponding extent, their main job of financing the purchase of new homes. Too often in the years immediately after the war, the building societies' rising aggregates reflected the inflow of "hot money" and the outflow of advances on existing properties changing hands at ever increasing prices. Last year's expansion of mortgages was based more on new bricks and mortar, and last year's inflow of investment money was more healthy than in some recent years.

Most societies have avoided the temptation of dipping too deeply into their holdings of liquid assets in order to lend more money than was coming in from shareholders and depositors. The analysis on page 338 of the 36 biggest societies in the movement shows that the general tendency has been to run down slightly the ratios of liquid assets to liabilities to shareholders and depositors and the ratio of reserves to total assets, but the trend has been kept in strict moderation and responsible societies have maintained liquid ratios in the region of 15 per cent or better.

These reserve and liquidity ratios are of the utmost importance to intending investors. The investor accepts 2½ per cent net on shares or 2 per cent net on deposits for the very reason that he is promised repayment at short notice. The society lends out the bulk of its assets on mortgages which will be repaid only gradually over a period of years. In a way the societies are always borrowing "short" and lending "long," but provided that an adequate liquid ratio is maintained they can do so without risk, just as the banks can without risk hold in cash very much less than their total liability to their depositors. If the recent tendency for business undertakings to use the societies as a temporary home for funds which they will wish to employ themselves when the opportunity arises were to become large, the discriminating investor would require higher

BUILDING SOCIETY GROWTH
(Figures for 1953 estimated)

	1951	1952	1953
	(£ million)		
Total assets	1,357	1,478	1,650
Due to shareholders	1,057	1,186	1,345
Due to depositors	208	197	200
Due on mortgage	1,158	1,263	1,405
Advanced on mortgage (during year)	268	266	300
Number of shareholders (mn.)	2.36	2.47	2.64
Number of depositors (mn.)	0.62	0.60	0.59

liquid ratios to match it. But most building society men feel that the tendency is not out of hand. And there is one strong force limiting its growth ; company money does not enjoy the special tax arrangements that apply to small personal investments. On individual investments up to £5,000 the societies pay income tax on behalf of members' interest, not at the standard rate but at a "composite rate" representing the tax liability of a sample of building society shareholders, taking the standard rate man with the low tax man and the no tax man. For the last financial year the composite rate was 4s. 10d. in the £ while the standard rate was 9s. With no change in the standard rate this year, the composite rate is unlikely to show much change.

On all company money and on individual investments over £5,000 the societies have to pay the full standard rate of tax, which they can only do by paying a lower net rate to such investors. Since last year, moreover, surtax payers have been obliged to gross up building society interest in their returns and to gross it up at the full standard rate. The composite rate takes account of those investors whose incomes are below the level that attracts standard rate tax, and they do not enjoy the right to reclaim tax on their interest. There is no sign that either the very rich or the very poor are discouraged from building society investment by these requirements of the tax law.

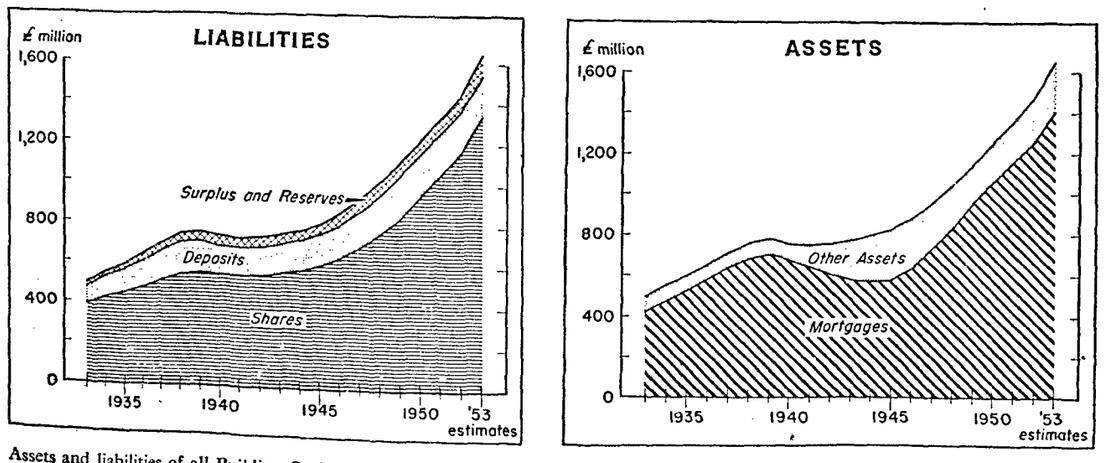
Now that the building societies have found equilibrium between the rates they pay on shares and deposits and the rate they charge on mortgage, they will be reluctant to alter them. They move their rates only in response to pronounced and prolonged changes in interest levels. Last autumn's one-half per cent reduction in Bank rate produced no change, but it did make investment in building societies more attractive to investors. A further small change in either direction would probably again be disregarded. Changes in rates by individual societies will, however, occur. The Halifax, the biggest society, may come up to the general level of 2½ per cent net on shares, compared with its present 2¼ per cent. With its 19 per cent liquidity ratio it will then be a very strong competitor for the investor's favours. There remains also a fringe of societies (with one exception small) which pay more than the general rate. They will presumably continue to do so.

The intending investor can still regard building society shares and deposits as attractive. The yield obtainable from a building society share paying 2½ per cent net is £4 10s. 11d. gross, which does not compare unfavourably with gilt-edged yields. Investors have seen the advantage and have poured money into the societies at a time when some other forms of national saving have not been prospering. Undoubtedly that flow of investment also owes something to the revenue probe which obliges bankers, including savings banks, to disclose interest payments in excess of £15 a year, but the societies have rightly done nothing to encourage transfer of savings from the banks.

It is inevitable, too, that when money is flowing freely into the building societies from investors of every income group, the big societies should attract most of it. There are approximately 800 building societies in this country. The large majority are small but well-managed local concerns. The mere fact that the salient figures for three dozen of the largest are analysed in this issue does not imply that there are no others as good ; often the family solicitor or local bank manager will be particularly well informed about local societies.

The best advice that can be given is to set out the general principles which ought to govern building society investment. First, a high percentage of liquid assets is vital ; the rigid application of that rule also automatically excludes all those societies (there are not many such) that have any appreciable bank overdraft. Secondly, it is advisable to study with care all those societies which bid above the market for money. In deciding to put his money in a building society the investor has already made up his mind to be content with a modest yield in return for freedom from fluctuation in capital value and the right to withdraw at short notice. There is no justification for compromising that decision for the sake of a fraction of one per cent extra. It is a reasonable assumption that those societies that bid highest for money are those that need it most. A third guide is available: the fact that a building society is a member of the Building Societies Association creates at least a presumption that it observes the ordinary standards of fair dealing which are deeply entrenched in the movement. The converse is not true ; there are good societies outside the association, but the difficulty is to know them. Even after these precautions the investor will not know whether the society of his choice has pursued a cautious lending policy on mortgages. Most of the strong ones, however, can afford to do so. Having made his choice along those lines the investor still has to decide whether to place his money on deposit at 2 per cent or to buy the shares paying 2½ per cent. His decision will depend on the purpose of his investment. By becoming a depositor he acquires a first charge on the society's assets, and he usually gains the right to slightly quicker repayment. The sacrifice of ½ per cent in interest might be worth while to the fairly wealthy investor depositing temporarily a substantial sum which he intends to use at short notice, either on the Stock Exchange or in his own business. But the ordinary small saver may feel that he has taken every precaution to choose a strong society and that the risk of anything happening to jeopardise its share capital is sufficiently remote. That is certainly true of the best societies in the movement. They cater well for investors who are prepared to give up ideas of capital gains and be content with a modest regular return coupled with security. Their members will not get rich quickly, but they may still sleep soundly.

TWENTY YEARS OF EXPANSION



Assets and liabilities of all Building Societies in Great Britain—Source : Report of the Chief Registrar of Friendly Societies for 1952 ; figures for 1953 are estimates made by *The Economist*.

Baits for Borrowers

THE building societies already play a big rôle in the nation's housebuilding plans ; the Government and some of the local authorities would like to make it bigger still, for an obvious reason. Houses built by the local authorities for letting involve a subsidy per house of £35 12s. per year for 60 years, of which £26 14s. a year comes from the Exchequer and £8 18s. a year from the local rates. Houses built for sale, whether by the local authority or a private builder, involve no public subsidy. If the house building programme is likely to remain at or near 300,000 houses a year, heavy drafts on local and public funds will continue unless the proportion of houses built by the local authorities for letting is reduced. Hence the growing preference in high places for houses for sale ; hence also the emerging untidiness of local authorities building houses for sale in competition with private builders.

With their strong finances and long experience of the housing business, the building societies are well qualified to assist a change towards a higher proportion of houses for sale. The consequence will probably be that building society figures continue to rise even if the nation's total housing output does not. The chairman of the Co-operative Permanent society, indeed, recently estimated the potential market for new houses for sale to owner-occupiers at 200,000 a year. A time of buoyant demand for house mortgages may also be a time for circumspection about lending standards. All societies are aware of the problem of persuading an intending mortgagor that though the property he wishes to buy justifies the loan he is seeking, his family income does not. In practice, it is not the house but the breadwinner's earnings that pay off the mortgage. How far is it justified to stretch that traditional prudence ?

Shortly—and possibly by the time of the annual congress of the Building Societies Association in London at the beginning of next month—there should be the announcement of a scheme of co-operation between the Treasury, the local authorities, and the societies to increase the proportion of the valuation of a property which can normally be borrowed from 80 per cent to 90 per cent. Powers making such an extension possible already exist under the Small Dwellings Acquisition Act and the Housing Acts, but they have been comparatively little used. The present project is for an agreed plan within the framework of the Housing Acts by which these larger advances should be more freely given, any resulting loss being shared between the three partners, the Treasury, the local authority and the society.

Present lending practice of the societies, however, probably approaches more closely to 90 per cent advances than is generally supposed. The normal practice is to lend up to 80 per cent of the purchase price or the surveyors' valuation, whichever is lower. But that 80 per cent is often extended to 85 per cent for the small properties involving loans of under £2,000, and to 90 per cent or more for specially attractive propositions such as the sale of rent-controlled properties to sitting tenants. And if the mortgagor is willing to support his security with an appropriate life insurance policy, most societies would lend up to 90 per cent.

These figures are a good deal higher than the founding fathers of the movement would ever have thought proper. But their justification rests on the proof that the societies do their business with a remarkably small loss ratio. In 1952, out of total mortgages on 1,675,385 properties amounting to £1,263 million, only £2,129,000 (0.17 per cent) were over 12 months in arrear and only £827,000 (0.065 per cent) were properties actually in the possession of the mortgagee. The final loss on mortgages realised was only £609,000 (0.048 per cent of the mortgage debt). It seems to be recognised that the loss ratio may be higher when the initial personal stake of the borrower is reduced. The Government and the local authorities naturally hope that the saving in housing subsidy will outweigh their share of the loss. Their best hope of being right about that would be to leave the societies to select the borrowers.

Moves to reduce the initial down payment on houses for sale may not be the only fillip which the building societies are encouraged to give to the housebuilding programme. The chairman of the Abbey National society in his recent speech disclosed "the germ of an idea" for the co-operation of the societies in the building of houses to let. Sir Harold Bellman did not particularise, but it seems that he was thinking in terms of a three- or perhaps four-cornered

arrangement whereby an estate would be developed by a housing association possibly in association with a builder, the building society standing behind the association. This would not mean a return to the builders' pool system of the years between the wars, but it has some family resemblance to it.

All these are methods of sales pressure, of letting the owner-occupier occupy on easy terms. All carry some measure of risk, to the building society movement and also to the public. From the building society point of view they are pump-priming devices, coming into action when the pump is working well and the societies are enjoying a rapid and on the whole healthy expansion. They can lend on mortgage all the money they can get in in the form of share and deposit investments from the saving public. If they seek more investment money, they may have to look to less steady sources for it. Indeed, the time must come (unless house building continues to boom and prices again rise fast) when a large corpus of mortgage money will be flowing back to the societies; then they will have to use their wits if they are to avoid slowing down in their activities.

From the public point of view, it may seem rather odd that when finance for all other forms of hire purchase is considered potentially inflationary and is kept under official control, the hire purchase of houses is being actively extended by the Government. Yet the Government is in the business up to the hilt. It offers to advance Treasury money at a rate which undercuts the societies. Four and a quarter per cent is the charge for a local authority mortgage of over 15 years duration; four per cent is the rate which the Treasury charges the local authorities for the money from the Local Loans Fund; and the cheapest new mortgage from a building society is 4½ per cent. It seems extraordinary that these facilities have not been used to an extent which caused the societies serious worry.

It is equally extraordinary that the opportunity to live in council houses at heavily subsidised rents has had hardly any effect on the urge to become an owner-occupier paying the full price. The government-local authority-building society joint plan is likely to meet with some success because of that owner-occupier instinct. In the long run it may even promote the habit of saving, for the owner-occupier responsible for regular mortgage repayments will perforce become a saver. In the shorter run these schemes for saving housing subsidies by inducing people to buy seem at best a poor substitute for a rent system that would not automatically confer a subsidy on council house tenants whether they need it or not and that would encourage some private building of houses to let.

The trend is again towards freedom in building and the speculative builder is regaining a little of his prewar position. The familiar advantages and the familiar costs are returning. A fairly high rate of output, competitive prices and easy purchase terms are the advantages. A high density per acre and savings on quality and appearance are the dangers. The Ministry of Housing and Local Government seems prepared to accept them. The experience of local authorities has recently been that when they reject

36 LEADING BUILDING SOCIETIES

Society	Total Assets £000.		Due to Shareholders £000.		Due to Depositors £000.		Due on Mortgages £000.		Shareholders and Depositors 000's.		Advances on Mortgages £000.		Liquid Assets to Liabilities to Shareholders and Depositors per cent.		Reserves to Total Assets per cent.	
	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953
Halifax	194,703	214,318	145,345	163,337	38,463	39,206	156,928	174,972	470	481	36,884	38,393	20·3	19·1	5·2	5·1
Abbey National	153,974	181,184	127,668	151,156	17,192	20,051	133,417	156,400	465	493	30,040	38,362	13·4	13·7	4·7	4·3
Co-op. Permanent	74,746	86,674	56,891	70,290	13,937	12,176	61,579	73,383	177	197	11,443	19,330	17·6	14·9	4·3	3·9
Woolwich Equitable	76,580	85,954	63,189	72,040	9,124	9,229	63,887	71,948	161	178	13,101	15,727	16·7	16·5	4·9	4·8
Leeds Permanent	66,741	74,650	55,018	62,690	6,968	6,729	55,354	61,964	114	117	12,982	13,854	17·9	17·9	6·0	5·9
Provincial	49,154	53,124	35,863	39,736	9,336	9,123	41,261	44,091	67	70	8,942	8,381	16·7	17·8	6·8	6·7
Burnley	34,386	37,554	25,977	29,012	6,495	6,460	29,547	32,239	73	75	5,911	6,789	14·3	14·4	4·5	4·4
Alliance	29,975	34,776	27,223	31,563	1,680	1,969	25,811	29,741	32	34	6,355	7,333	12·2	13·0	2·2	2·3
Leicester Permanent	28,437	31,285	22,434	25,006	3,144	3,281	24,788	27,301	52	53	4,189	6,420	13·6	13·3	8·4	8·1
Temperance Permanent	29,207	30,438	24,569	25,751	2,674	2,580	26,104	26,189	29	30	5,605	3,476	10·8	14·4	5·6	5·7
Leek & Moorlands	23,201	25,724	19,760	21,999	2,287	2,489	19,830	21,599	32	34	3,105	4,788	14·8	16·4	4·4	4·1
Bradford Equitable	23,798	25,632	18,650	20,498	3,835	3,697	20,719	22,313	34	36	3,827	4,511	13·0	13·0	4·3	4·4
Huddersfield	20,819	23,101	15,898	18,164	3,341	3,291	16,952	18,703	36	37	3,775	3,830	19·1	19·6	5·9	5·6
Westbourne Park	20,603	22,330	17,548	18,877	1,313	1,595	17,952	19,537	30	30	2,977	3,578	14·0	13·6	7·3	7·1
Cheltenham & Gloucester	19,542	21,824	14,793	16,835	3,257	3,407	16,823	18,816	51	53	4,166	4,299	14·6	14·3	7·2	6·7
Scottish Amicable	19,289	20,783	14,422	15,450	3,845	4,209	14,987	15,685	39	41	2,504	2,662	20·8	23·2	4·3	4·4
Northampton Town & County	18,636	20,756	14,530	16,372	2,945	3,125	15,709	17,304	46	47	3,360	3,831	16·5	17·3	5·2	5·0
Bingley	18,196	19,806	14,617	16,063	2,512	2,567	15,838	17,118	24	25	3,073	3,926	13·6	14·3	4·7	4·8
Bradford Permanent	16,449	17,732	12,020	12,989	3,579	3,781	14,187	14,774	19	21	2,037	2,257	13·7	16·9	4·2	4·4
Hastings & Thanet	15,346	16,406	12,454	13,344	1,836	1,952	13,462	14,153	29	30	2,436	2,472	12·5	14·0	5·5	5·5
Borough	11,953	13,233	9,669	10,658	1,609	1,826	10,331	11,088	29	29	1,978	2,115	13·6	16·5	4·5	4·6
Coventry Perm. Ecoromie	11,426	13,121	9,919	11,341	671	868	9,119	10,697	23	24	1,593	2,819	21·5	19·6	6·2	5·9
Leicester Temperance	11,348	12,629	9,920	11,047	825	916	10,402	11,225	15	17	2,352	2,214	8·5	11·5	4·4	4·4
Skipton	11,714	12,294	9,034	9,716	1,938	1,786	10,568	10,704	13	14	1,998	1,827	10·1	13·5	5·0	5·2
Leeds & Holbeck	10,858	11,674	8,914	9,596	1,306	1,360	9,220	9,912	25	25	2,171	2,185	15·0	15·2	4·7	4·9
Rock Permanent	9,566	10,811	8,990	10,133	91	136	7,872	8,916	17	18	1,664	2,052	17·5	17·3	4·3	4·2
Derbyshire	9,284	10,543	8,004	9,225	678	672	7,462	8,325	22	22	1,704	1,962	20·7	22·2	5·5	5·2
Norwich	9,031	9,725	6,708	7,223	1,843	1,978	8,145	8,157	9	9	1,412	1,010	10·2	16·9	4·4	4·5
Portman	8,665	9,657	6,101	6,503	1,805	2,326	7,808	8,255	13	13	1,456	1,507	9·8	14·9	6·2	5·9
Dunfermline	7,815	8,677	6,445	7,281	1,124	1,128	6,580	7,038	13	13	1,244	1,304	15·8	19·0	2·1	2·1
Planet	7,240	8,393	5,885	7,020	898	877	6,306	7,147	8	9	1,007	1,588	13·4	15·4	5·2	4·7
Northern Counties	7,473	8,270	6,893	7,657	178	173	6,493	7,054	12	12	1,218	1,396	13·7	15·4	4·3	4·2
Bristol & West	6,743	8,174	5,326	6,382	881	1,224	5,572	6,610	13	14	1,578	2,002	17·2	18·9	7·0	6·0
Church of England	7,525	8,023	5,990	6,452	1,067	1,064	6,514	6,887	12	12	1,246	1,148	13·0	13·8	5·3	5·3
Birmingham Incorporated	6,895	7,535	5,814	6,400	Nil	Nil	5,332	5,995	8	9	1,175	1,491	26·5	23·8	14·1	13·3
Eastbourne Mutual	5,808	6,230	4,800	5,175	683	759	5,187	5,682	6	7	717	1,105	11·0	9·8	4·3	4·3

All years end on December 31 except: Leeds Permanent and Woolwich Equitable, September 30; Church of England, November 30; Scottish Amicable, January 15, 1953 and 1954; and Halifax, January 31, 1953 and 1954.

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SUMMARISED for the year ended	£	BALANCE SHEET 30th Sept. 1953 ASSETS	£
LIABILITIES			
Shareholders	62,689,997	First Mortgages	61,964,111
Depositors ...	6,729,405	Trustee Securities ...	11,110,082
Provisions for Income Tax and Contingencies	793,273	Sundry Debtors	7,055
Sundry Creditors	52,964	Office Premises	270,094
Reserve Fund ...	4,384,179	Cash in hand ...	1,298,476
	£74,649,818		£74,649,818

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a plan on grounds of appearance alone, the Minister usually overrules them. It is neither the achievement nor the fault of the building societies that they find themselves cast for a big rôle in the new policy. But if they play the rôle wisely and with restraint their experience and expert knowledge can ensure that the expanses of rustic flettons that seem to be England's destiny will be backed by sound finance and occupied by solvent householders.

How Many Houses?

BY A CORRESPONDENT

HOW many houses does this country want? The inconvenience and social ill-effects of having too few are grievously familiar; but a country whose limited savings are much needed for industrial and overseas investment cannot afford to build too many. The "right" number depends on rent and subsidy policy, on the size and distribution of incomes, on the trends of population, and on changing habits of living. The guesses presented below may help to set some limits in answer to the first question.

A convenient starting-point is the census night of 1951. There were then 13.3 million occupied dwellings in Great Britain. These include some which, although split up in a satisfactory way into flats, are regarded as single dwellings because the flats have no separate access to a street or public staircase. There will also have been some houses temporarily vacant on the census night. In round figures, 13½ million is a good estimate of the stock of houses (including flats) in 1951. The census distinguishes 14½ million private households, but many of these include what is termed, in the elegant official language, a "fissionable element"—that is, the nucleus of another potential household, commonly a married son or daughter living in the parental home. There are also bachelors and spinsters who would marry if they could find a house; there are old people who would prefer to keep a place of their own; there are people living in lodgings or in hotels during the delays of house-hunting. The potential extra demand from all these classes can be estimated as 900,000 houses at 1951 prices and rents.

There were thus nearly 15½ million households and potential households in 1951, and only 13½ million houses to hold them. About half of this deficiency was overcome by a doubling-up of households—that is, where two families share a house but do not eat at the same table. The rest was overcome by an amalgamation of households, with everyone eating together. Half the doubling-up is in Greater London, where it is the joint result of large houses and high rents. In an area of small and overcrowded dwellings, like Scotland, doubling-up is much less frequent, no doubt because it is usually physically impossible to fit two families into the same house. Amalgamation of households is much more evenly spread; but it is low in both London and Scotland, and high in the Midlands, Merseyside and Wales.

In estimating the deficiency of houses it must not be supposed that either doubling-up or amalgamation of households will disappear completely. Each may encourage a sensible and economic use of property too large for present-day households. Let it be assumed, for the purpose of this argument, that both doubling-up and amalgamation are reduced until each affects 2 per cent of the number of dwellings; for comparison, doubling-up affected 19 per cent of dwellings in Greater London in 1951, but only 1½ per cent in Leeds and district; while amalgamation affected about 6 per cent of dwellings in London and Scotland, and 10 per cent in Wales.

Given this assumption, some 1½ million more dwellings were already wanted in 1951. By 1970 there will be about 10 per cent more men who are or have been married. Since much the most frequent kind of household is one with a married or widowed head, it looks as though provision will have to be made for 10 per cent more households—and that would call for another 1½ million dwellings. The increases will be mainly at ages above 50, but it would be rash to assume that many of the coming generation of grandparents will be able to live with their children.

Thus a reasonable social requirement emerges that there should be, in 1970, at least 3 million more houses than there were in 1951; "at least" is reasonable because the number of unoccupied houses is now inconveniently low for people to move with fair freedom from one part of the country to another. But how many houses will naturally pass out of use—through conversion to another purpose or final decay? And how many more will be replaced in the course of slum clearance? There appears to be no solid evidence for the suggestion that 200,000 houses a year are falling out of use; it must be a gross exaggeration for otherwise the housing situation would not have improved as much as it has done. According to the White Paper, "Houses: The Next Step,"* published last November, there are

HOUSING NEEDS UP TO 1970	
Irredeemably decayed in 1951 (say)	500,000
For replacement, at 150,000 a year for 20 years	3,000,000
Requiring replacement by 1970	3,500,000
Newer houses lost by conversion to shops, offices, etc., or demolished for roads or other building (say)	250,000
Dwellings for new families	3,000,000
	6,750,000
Built 1951-3.....	750,000
	6,000,000
Required annual rate of building, 1954-70, Great Britain.....	350,000

140,000 houses still standing which were scheduled for demolition before the war, and the total number of irredeemably unfit houses "certainly runs into hundreds of thousands." This gives a starting point—the backlog of slum clearance which must be tackled as soon as possible. How many more houses become ripe for replacement each year? There is no reason why a house should not be habitable even at five hundred years old, but those houses that it is tolerable to preserve beyond a century must be very few. In particular, 2¼ million of the houses let by private landlords are over a hundred years old, and 4 million are over seventy-five years old; these are predominantly the

* Cmd 8996.

dull rows of 19th century industrial housing. The stock of housing, therefore, is already somewhat overweighted by age, and to right this it is necessary to replace more than 1 per cent of the stock of houses each year. In fact, it is desirable to replace at least 3 or 3½ million of the 4 million rented "over 75s" by 1970; for by that time the youngest of them will be over 90.

But these fanciful figures of demand must not be spun out without reference to the price. Let it be supposed that by 1970 real income per family is substantially higher—perhaps by 20 per cent—and that rent controls and subsidies have been much further reduced. How would these changes affect the demand for housing? Few people need or want two houses, and prices and incomes affect mainly the relative demand for the different qualities of house. The stock of houses required will be affected only to the extent that high rents and low incomes may encourage sharing, or low rents and high incomes may make it less necessary. But if there is a strong demand for new houses, while old and inconvenient houses fail to command a rent which covers their repair costs, the rate of replacement will rise; and if new houses stand empty because they are considered unreasonably expensive, and the maintenance and improvement of old houses is more attractive, the rate of replacement will fall. Which way will the balance tip?

If the question is put in terms of building houses to let to working-class families—especially the poorer families, who are most likely to be found in the houses that require replacement—there is little doubt that a high rate of construction would depend on a continued subsidy. This would be so even if rent control of private property were removed, and even if real incomes were to rise substantially—simply because the full unsubsidised rent of new property would be considered an unreasonably large proportion of normal family incomes, especially of large families with several children. The unsubsidised rent, including rates, of a new three-bedroomed council house is now of the order of 40s. to 45s. a week; even if the net advantages of living in a new house (rather than one fifty years old) are put as high as 20s. a week, the landlord of the older property would have no difficulty in letting and even improving it.

It follows that a boom in building small houses for rent can only be at the expense of the taxpayer. The experience of the thirties in England, however, recalls another kind of boom—the building of unsubsidised houses for sale to the middle classes, who moved outwards into their rows of suburban villas and freed older houses for poorer families. The prospects of a repetition of that experience must be affected by the great deterioration in middle-class real incomes, after tax, since the thirties. A really substantial boom in building houses for sale would depend on the availability of building society or other finance, on easy terms, to the better-paid industrial workers, coupled with state assistance in meeting the "down payment." The experience of Northern Ireland shows that the movement could also be helped on its way, at relatively low cost, by offering capital subsidies for the building of small houses for sale. The movement of families to these houses would hasten the decay of the centres of the cities, but do nothing to replace them.

It is thus a fair guess that a "free market" would not give an average of 350,000 new houses a year—in other words, judgment of what might be socially desirable runs far ahead of individual willingness to pay for it. Such a rate could be achieved, at great expense, by continued subsidies to local authority house-building—which could be directed to the orderly replanning of cities. It could perhaps be achieved, at much lower expense, by fostering the building of houses for sale—but this would not of itself solve the problem of decay, nor would it directly assist the worst-housed families. Common sense suggests that the best of both policies will still be needed.

Better Houses for the Money

BY A CORRESPONDENT

FOR several years, efforts have been made to reduce the cost of new houses. The results have not been spectacular; they have indeed barely kept pace with the increase in building costs. For about a year costs have been stable, but it seems unlikely that they can be held at their present level for much longer. Must the country, then, at the outset of a drive to encourage home ownership, face a further rise in the cost of new dwellings? Or is there hope from further attempts to lower costs or to get better value for the same amount of money?

The first attack on housing costs was made some three years ago by reducing floor areas. The present Government took over the plans for "The People's House" prepared under the previous administration, which aimed at saving about 150 sq ft on the average three-bedroomed local authority house. It is difficult to find out what has since happened, but the average house of this type probably still contains something over 900 sq ft. Certainly, British houses are larger than comparable units on the Continent, or in America.

Smaller houses, however, involve a different pattern of living, and this is not easily changed. It is generally held here that without such a change in ways of living no significant further economies are to be obtained by squeezing the floor area of houses or flats. Whether the programme contains too many houses with three or more bedrooms is more arguable. Figures for the first three quarters of 1953 show that about 56 per cent of all new dwellings approved for local authorities and new towns had three or more bedrooms. This is a higher proportion than in 1951 or 1952. It suggests that the types of dwellings now being built may not suit the future needs of the population.

The second approach to economy has been through a rationalisation of the byelaws. Significant savings have been made by removing out-of-date and unduly restrictive rules. But much more remains to be done, and appreciable further economies could be obtained by allowing designers more freedom within a general framework of minimum standards. The byelaws of many local authorities are still basically negative; they betray at many points their origin in a desire

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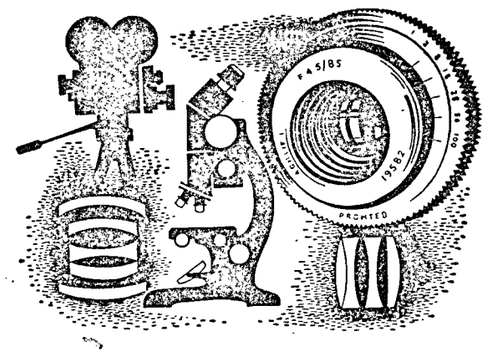

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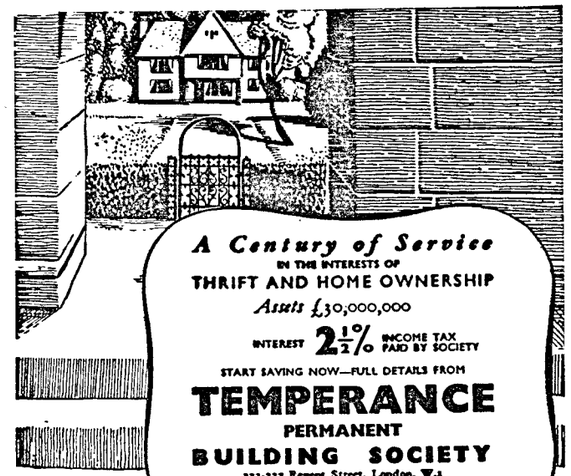

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to prevent speculative builders building badly by traditional methods. The effect is not only to stop bad traditional practice, but also very often to inhibit or forbid sound non-traditional practice.

Such a case is the byelaw in force in one of the biggest housing authority's areas requiring that no wall should be less than 8½ inches thick; its effect is to reduce or eliminate the savings to be obtained from cross-wall construction, since it makes no distinction between load-bearing and non-load-bearing walls. Clearly, the byelaws should lay down in principle the performance required of all walls in terms of resistance to weather, fire and heat-loss, while the structural properties of load-bearing walls should be taken care of by the standard codes of practice. Many byelaws contain other unnecessary and extravagant requirements based, very often, on outmoded ideas of the performance of buildings. Though it is several years since the Girdwood Committee's recommendation that ceiling heights of 7 ft 6 in should be accepted, there are still byelaws requiring room heights of at least 8 ft. Such rules, if redrafted positively and in terms of principle, would still give adequate protection to tenant or purchaser, while setting the designer free to seek better value for money.

The approach to economy in housing should involve study of housing layout as a whole, for substantial savings could well be obtained from the introduction of new ideas and the closer co-ordination of the different interests involved in the development of an estate. It may be that the Ministry of Housing and Local Government could help in this by linking their approval of expenditure on roads and services more closely with the approval of expenditure on the houses themselves. At present, these two approvals are given separately, and there is insufficient incentive for the local authority to reduce its cost on roads and sewers. This, of course, affects private developers as well. Most authorities' byelaws still require a minimum distance of 70 ft between frontages. This rule, which will soon be a hundred years old, appears to be largely based on the idea of a 24-ft carriageway with footpaths on each side—a type of road layout unnecessarily expensive in capital and in maintenance costs, aesthetically depressing and often dangerous.

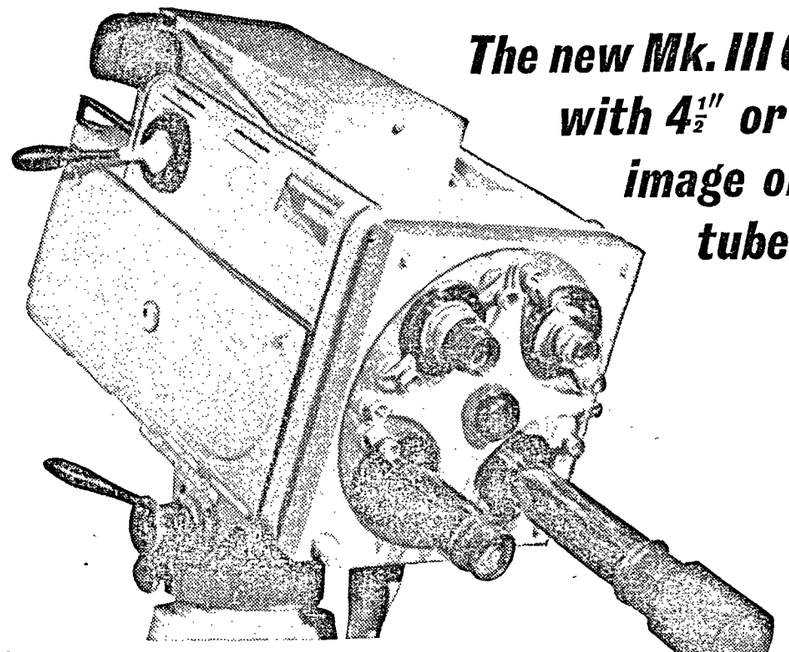
Why should not road widths on housing estates be thought of, not in terms of arbitrary measurements, but in terms of the volume and speed of the traffic they will have to carry? If roads were laid out in short lengths with fairly sharp corners, widths could be reduced—in some cases—to 16 ft. Since fast traffic along such roads would be impossible, footpaths on both sides would be unnecessary, and storm water drains, if required at all, could be kept to one side of the road. Aesthetically, as well as economically, there is a good deal to be said for thinking of service roads on housing estates more on the lines of the country lane than of the arterial road.

Two further avenues to better value in housing have, as yet, hardly been explored—improved organisation on the site and cheaper prefabricated components. The Building Research Station has shown that the average number of man-hours expended per house is in the region of 2,500, but the range is from 1,500 to 4,500 man-hours. Site and weather conditions will naturally account for some part of this disparity, but much of it is due to factors that ought to be under the control of the building owner and the contractor. Better preparation by the architect and the contractor before work starts on the site, and better management on the site by the contractor, can speed up construction and reduce total cost.

Building workers have less machine power to assist them than workers in other industries. Additional machinery on the site is beginning to be seen, and if site management and pre-planning can be improved it will no doubt help to reduce costs. There is also good reason to expect that a determined effort could improve and cheapen factory-made components of various kinds. Although many of the prefabricated structural systems which were introduced immediately after the war have proved uneconomic, it is significant that four or five non-traditional systems of construction for houses are still holding their own against brick building in the market. Another wide field for improvement is in factory-made components to be incorporated in either traditional or non-traditional contracts. It is surprising that the Ministry of Housing and Local Government and some of the big housing organisations have failed to exploit their "countervailing power" as large customers of industry. Why should certain factory-made building components be more costly than precisely comparable articles made, say, in Denmark? A prefabricated concrete staircase can be made for about £14 in Denmark with an excellent terrazzo finish. The same article, but with an inferior finish, costs about £10 more in this country. Similarly, metal windows are made in Denmark below the prices charged for similar components in this country. In school building, non-traditional systems of construction and various other fittings and components have been developed which are at least competitive with traditional products. Would not a similar effort in housing pay for itself?

These are some of the ways in which better value for money might still be obtained in the building of houses. But generalised recommendations cut little ice; control is dispersed and while there has been plenty of good advice and some intelligent experiment, the lever has not been powerful enough to shift the mass. Nor is salvation yet being provided in the field of private enterprise. One important source of finance for private house building insists that all the houses for which it lends money shall have hipped roofs, bay windows and no clinker blocks (providing better thermal insulation than bricks) for internal wall linings. Such a concern could do with more up-to-date technical advice. The Ministry of Housing's experiments have so far concentrated on particular facets of the problem and their methods of administrative control over housing costs are not calculated to give designers adequate incentives to genuine economy.

What seems to be needed is a concerted attack on the whole collection of problems by the Ministry of Housing and Local Government, in association with one or two of the more important housing organisations—and why should private firms be excluded? The attack should start with a complete overhaul of the byelaws and other rules and regulations governing both the construction of the individual houses, and the layout of the whole development. The experiments should also involve collaboration with nominated contractors from the beginning of the design stage, costs and labour deployment being analysed throughout the whole sequence of the operations. Selected manufacturers of components should also be brought in at the earliest stage in a determined and continuous effort to reduce cost, improve quality, and provide the site craftsmen indirectly with a higher ratio of machine power. Such a campaign might well result in better houses for the money.



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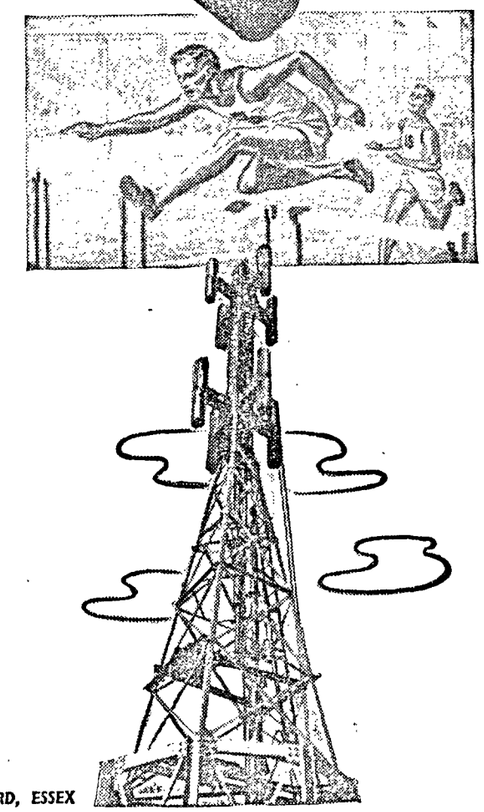

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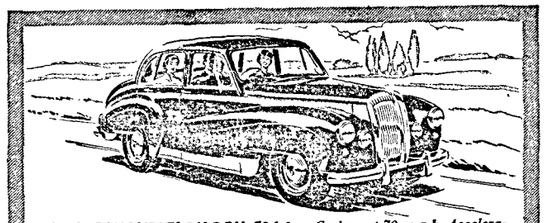

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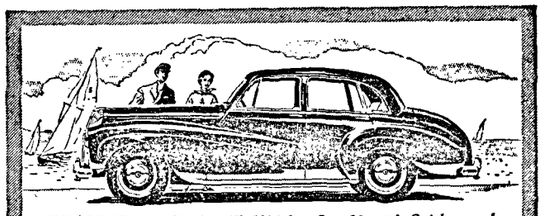

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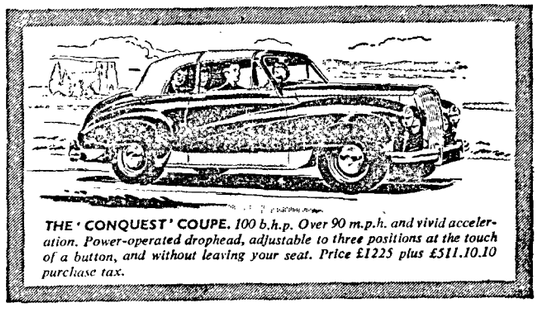

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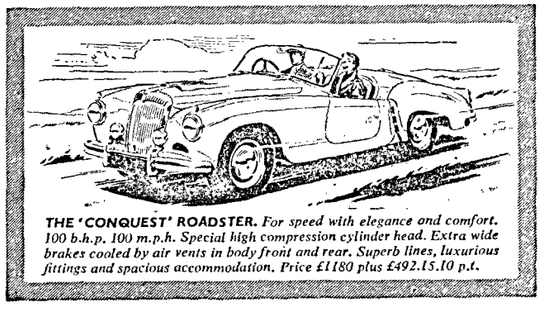

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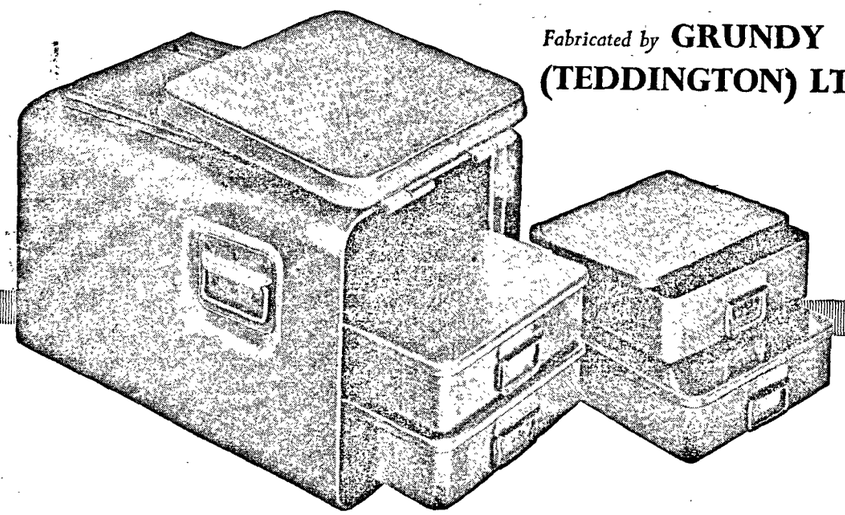

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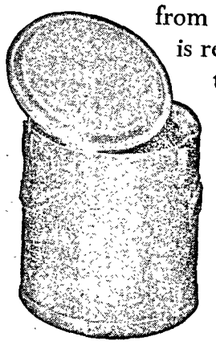

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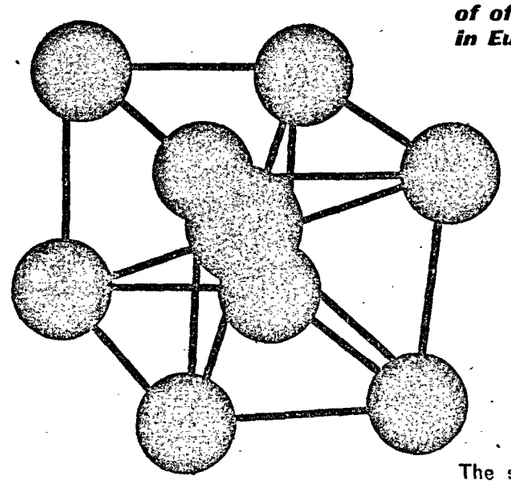

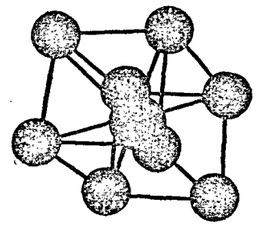

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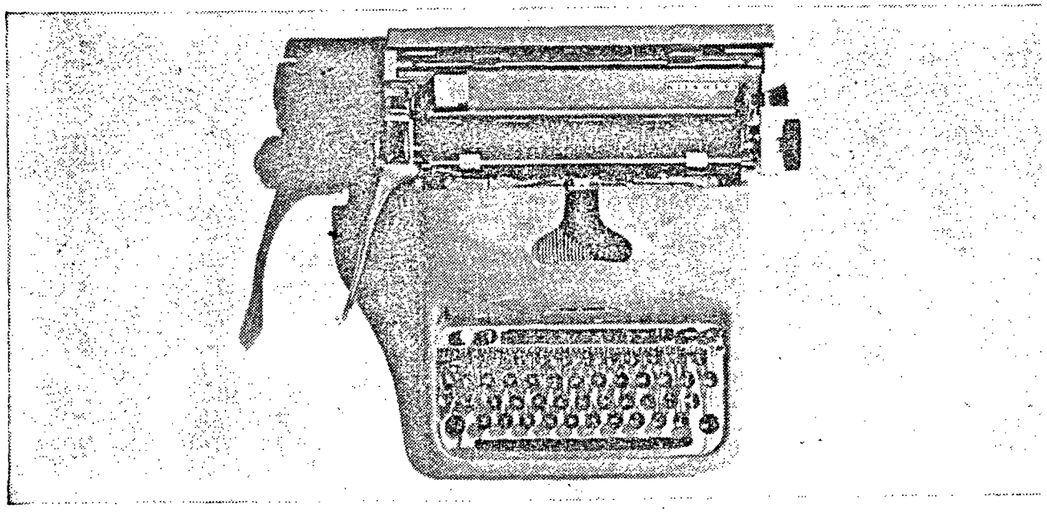

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ONE SHILLING

The Cork in the Bottle 351
Taxing Personal Incomes 353
A Liberal Alternative? 355
Atomic Politics 357

NOTES OF THE WEEK

Gloves off at Geneva ; First Words on Korea ; Asians to Curb Asians ; New Leader for the Left ? ; Operation Bromide ; Paying for Local Government ; From Saigon to Casablanca ; Neck and Neck in Moscow ; The Next Dominion ; Clean Sheet for Dr Nkrumah ; Marketing's Forgotten Men ; Tidier Grants-in-Aid ? ; No Pushover for Perón ; New Zealand's Housing Loan ; Battle of the Books ; Ireland without Issues ; Earnings at the Bar ; Red Light for Eager Traders ; Stopping the Oil. 359

LETTERS TO THE EDITOR . . . 371

AMERICAN SURVEY

McCarthy *versus* the Army . . . 372

Industry and the Atom ; Wool Gathering in the Senate ; Needed Public Works ; Wage Guarantees—1954 Style ; Leaden Duty ? ; Shorter Notes.

THE WORLD OVERSEAS

Secrets of the Soviet Budget . . . 380

India and the Foreign Settlements ; Anglo-Germans Confer ; Dollars for the Coal-Steel Community ; Worries for Kuwait ; Peru Shortens Sail ; Journal of Geneva.

THE BUSINESS WORLD

Profits from the Liners 389
Habits in Money 391

BUSINESS NOTES

Flight to Shelter ; Accounting Deluge ; New York and London Money Rates ; Inspector for the Savoy ; What Price Steel ? ; Repayment of Standstill Debts ? ; Engineering Exports Rise ; Mexico's Devaluation ; Innovations and Exports ; Marking Time on the Comet ; Storing the Sugar ; Dearer Paraffin ; The "Pru" Grows Again ; The Film Industry Takes Heart ; Buoyant Car Exports; Road Haulage and the "C" Licence ; Strong Demand for Nickel ; Shorter Notes. 393

COMPANY NOTES AND SECURITY PRICES 402
STATISTICS 406

Spring Books

FOLLOWING PAGE 382

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The Cork in the Bottle

THE sigh of relief that greeted Sir Winston Churchill's statement on Indo-China in the House of Commons on Tuesday was more human than heroic, more notable for the fears it expressed than for any sense of solidarity with the defenders of Dien Bien Phu. It is difficult to quarrel with the Prime Minister's argument—cold-blooded though it is—that no undertakings about British military action to assist France and Vietnam could be given so long as nothing was known of what might come out of the conference that began, not inauspiciously, on Monday in Geneva. It is doubtful whether American and British armed intervention in the only form that would be immediately possible—by aircraft from aircraft carriers—could have won anything more than a breathing space for General de Castries and his men, and the effects of such action in Geneva would have been unpredictable.

But the need for restraint at this particular stage of the Geneva talks in no way weakens the need to face clearly what might be in future the consequences for this country of a dramatic turn in the war in Indo-China. Long drawn out though the fighting has been, British public opinion has never been encouraged to think out what it means ; and as a result, now that a crisis has blown up, people are inclined simply to cry for peace without caring who wins or loses. Any war can always be stopped at any time if one side gives in. But if the French and their Associated States give up the struggle now, the results will be most dangerous for the British people.

Indeed, that way of putting a stop to the war in Indo-China would actually bring an atomic war nearer. It is the considered opinion of the military experts that Indo-China is, in President Eisenhower's words, the cork in the bottle. If it falls to the Communists, then there will be the greatest difficulty in preventing them from overrunning, in their own time, the whole of South East Asia, reviving the insurrection in Malaya, spreading into Indonesia, spilling over into the whole Indian Ocean area and thrusting a long red tongue of menace down to the shores of Australia. It is perfectly idle to suppose that at some stage in this quite possible chain of events Britain would not try to put its foot down. Indeed, we should be drawn into armed resistance as soon as the red tide reached the frontier of Malaya—which is an early stage, the next but one or two. If these are the possible, the quite probable, consequences of letting Indo-China go, then it is obviously the right policy for Britain to help keep the cork in the bottle now. Recent history provides plenty of awful examples of the failure to marry logic and courage while there is still time. Men of the Left, in particular, should remember that it was faint-hearted miscalculation of risks and obligations by Britain and France that brought General Franco to power in Spain.

The other certain way of bringing the war to an end is to win it. Must we rush to this other extreme and promise the French whatever help they need to drive the Communists right out of Indo-China ?

But at best this would be a long and costly job, and if the western powers intervened on one side, the Chinese might intervene on the other. It is true that, as Korea showed, this would not inevitably and automatically precipitate the third world war. But it might do so ; and even if it did not, another Korea is not a prospect that anybody, in Washington or anywhere else, would wish to have to contemplate. There are some people who maintain that there is no third choice, that the war in Indo-China will be lost if it is not won, that any truce would be such a victory for Ho Chi Minh and such a loss of face for the Europeans and their associates that the whole of Indo-China would be Communist within six months. If this is really so and we are faced with a brutal choice between helping the French to win victory and sharing in the disastrous consequences of their defeat, then we shall have to choose victory, facing now and in company the risks we would cheerfully confront rather than surrender Malaya and the road to Australia. To say this is not to take the chance of war light-heartedly ; it is simply to face a little earlier in the game the facts that everyone would face when and if the time came.

★

But fortunately matters do not yet seem to have come to this stark choice. There may be a middle course between defeat and victory, and the task of Geneva is to try to find it. In searching for an acceptable settlement, there should be no false pride about accepting help from anybody who can give it. If Mr Nehru's proposals provide a basis for negotiation, let them be explored. But in the anxiety for a settlement let the essential conditions not be forgotten. Any compromise that simply saves faces all round will not do. The imperative proviso is that it effectively keeps the cork in the bottle.

This raises two questions. First, is such a truce technically possible? It was difficult enough to arrange in Korea. But in Indo-China there is no continuous and consistent battle-front along which a division can be made, assisted by natural features ; the Communist guerrillas are widely spread behind the French front. Nevertheless, a line could be drawn if there were a will to do it ; and it could be policed if the neutrals would help to do it. Although the position of any non-Communist regime in southern Indo-China would hardly be comfortable, it would not be hopeless so long as Communists were kept out of office and its territorial integrity were guaranteed by the powers.

The second question is whether such a compromise is politically attainable—will the Communists agree to it ? That is what the western ministers are trying to find out at Geneva. The omens are not unfavourable. The Russians have gone on record in favour of a truce, having presumably decided that the chances of the crisis breaking out into a general war have become too great. It may also be that the Chinese are primarily interested in protecting their southern flank by a buffer state ; they might well be satisfied with a relatively small area in the north, provided they could rely on it being safely Communist. What M. Bidault can get out of Ho Chi Minh will depend on the conclusions that Mr Molotov and Chou En-lai come to about America's and Britain's intentions. They are more likely to come to the right conclusions if they believe that Mr Dulles and Mr Eden, while sincerely seeking a truce, are equally determined to be firm if a truce eludes them. Thus once again plain logic suggests that it is firmness that makes for a settlement, and that those who are clamouring loudest for peace are really the ones who are heading for war. If the Communist negotiators think they can see the shadow of Mr Bevan behind Mr Eden's chair, or of M. Mendès-France behind M. Bidault, there will be no truce. Why should there be if they think they can play for an allied surrender ?

★

Thus there is a fairly clear line of policy to be pursued in this tangled Indo-Chinese imbroglio, though it is a delicate and a complex one. But the great difficulty in following it lies less in Geneva than in Paris. For it depends on the French keeping up their morale and their determination to go on fighting alone for a while longer. To say that they are ready to quit is a vast over-simplification. There is every shade of opinion, and several of them actually within M. Laniel's cabinet, where some of the Gaullists object to American pressure for granting what they regard as too much "independence" to Bao Dai and the Vietnam state ; others fear that Mr Dulles will do his utmost to stop M. Bidault from negotiating with the Communists ; some want and others fear the internationalising of the conflict. M. Bidault gained his free hand at Geneva only after stormy discussions in which several members of the cabinet threatened to resign. No one knows whether the cabinet could survive the fall of Dien Bien Phu or any threat of deadlock in the discussions at Geneva.

To France's friends and allies, this threatened loss of nerve at the crucial hour, after so much courage and endurance have been shown, is distressing. But it is also understandable in human terms. Why, after suffering so much, should France fight on alone for even a day more simply to protect the interests of others —for if one thing is now clear it is that only the shadow of French authority, if indeed that, will survive in the Far East ? Mr Eden and Mr Dulles will have to take these feelings into account as they perform their balancing feat. If they stiffen the French against accepting an unsatisfactory truce, they will have to make it clear that they really do want a satisfactory one. In refusing military help now, they can hardly avoid promising it if the truce cannot be secured. In asking the French for more patience, they will have to reassure them that they will not be kept waiting indefinitely.

These are difficult tasks. But they are not beyond the resources of diplomacy. In the end, of course, it is not the conferences of the diplomats that will decide the fate of South East Asia, but Asian opinion itself. An independent southern half of Indo-China would have no hope of surviving unless it could draw on the moral forces of the rest of free Asia. But for the moment those forces have no military power, and the immediate problem is military before it is political. That indeed is the crux of the present Asian emergency. And that is why both those who fear they may have to use force and those who fear that force alone is not the answer are each right. Mr Dulles's task, and Mr Eden's, is not only to determine the correct priorities but to see that the people of Britain and the United States understand them, too. Unless they succeed, the Communist leaders are bound to win any truce that may eventually be signed.

Taxing Personal Incomes

THE second report of the Royal Commission on the taxation of profits and incomes has arrived, later than had been expected, after the Budget and the Finance Bill ; but if next year Mr Butler feels in the mood to order "forward march" instead of "carry on" he will find plenty for his budget box in this report. The Royal Commission has taken a more or less self-contained section of its task—personal taxation—on which it offers conclusions and recommendations, leaving for a final report the question whether individual or business taxation should have a priority in reform. No review of personal taxes could be more fairly argued or more admirably presented.

In general, the Royal Commission finds that the present framework of personal taxation is satisfactory. Its predecessor in 1920 had reached more or less the same conclusion: "Our recommendations, though numerous and far-reaching, do not amount to a suggestion for any fundamental change in the nature of the tax. As it was in 1842, so in essential features it should remain." The essential feature, which the present Royal Commission examines in detail, is that personal taxation should be progressive, becoming more steeply graded as incomes rise. But there is no inevitably "right" system of progression, no demonstrable formula that can be used to justify different rates of tax on different incomes, and nothing more precise in the ultimate balance of sacrifice demanded of different incomes than the exercise of good judgment.

Two things follow from such general conclusions. The first is that the Royal Commission, after a careful examination, has rejected various proposals for a proportionate or flat-rate tax. One proposal associated with the name of Lady Rhys Williams sought to integrate the personal income tax with the system of social security payments ; another suggested a simple tax for low incomes (avoiding the complications of PAYE) to be levied in conjunction with regular income tax on higher incomes. The Royal Commission is sceptical about the advantages claimed for such proposals ; it holds that the administrative savings would be relatively small, that their simplicity on paper would prove illusory in practice, that they are based on a much exaggerated view of the deterrent effect of PAYE on work, and that equity would be badly served by them. Progression must be the principle.

If, then, the framework is satisfactory, and no revolutionary changes in the system of personal taxation are called for, the task becomes the relatively minor one (though it is still vastly complicated) of moulding the various instruments in the tax system to achieve the best form of graduation and differentiation. The personal reliefs, the reduced rates on lower incomes, the graduated surtax on higher incomes, and the differential relief for earned income—all these elements must be blended to secure equity and smooth progression. The Royal Commission turns its attention first to the bottom of the scale, and having already rejected the idea of a flat-rate tax on all incomes, considers where the exemption limit should, in principle, be fixed. "We feel no doubt," declares the report, "that no income tax should be levied upon any income which is insufficient to provide its owner with what he requires for subsistence." But is not the evident desirability of an exemption limit better associated with the disproportionate cost of screwing a small tax revenue from small incomes than with the shadowy concept of subsistence ? As Mr Hicks observes in a thoughtful reservation on this point, the income tax cannot be regarded in isolation from indirect taxation, and subsistence must take account of benefits from social security funds that can only be paid for, broadly speaking, by those who receive them.

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That point having been made, however, there is everything to be said for the exemption limit for small incomes that the Royal Commission proposes for it is of a form that is not automatically transmitted throughout the entire income tax scale. To raise the exemption limit by increasing the personal allowance benefits all taxpayers throughout the scale, and affects the progression of the whole tax system. This fact, the report holds, leads to a distortion of the tax structure at the lower end of the scale, "in that the starting point of liability is lower than it could reasonably be expected to be if the needs of subsistence are borne in mind." The Royal Commission suggests that the earned income relief should start at a minimum lump sum, graduated according to the personal allowances of the taxpayer. The simplest scheme of this sort, for which the report gives examples, would raise the present starting point at

which the single person pays tax from £155 to £183 (£120 personal allowance plus £63 minimum lump sum relief), though it would make no difference to his tax liability if he earned more than £283 (at which point the two-ninths earned income allowance equals £63). For the married man with two children, the present starting point would be raised from £489 to £518, and there would be a tax saving up to £618. The cost of this "modest scheme" is put at £8 million; but a more ambitious scheme (raising the single man's starting point to £226 and giving him some tax advantage up to £476, with corresponding figures of £560 and £810 for the married man with two children) would cost about £56 million, of which less than a quarter could be attributed to the exemption of lower incomes.

★

There is room for plenty of argument about the level of exemption that is appropriate for small incomes; the Royal Commission has offered two examples that lie readily to hand because they fit the present personal allowances and also the bands of income within which reduced rates of tax apply. Any number of *pro forma* schemes could be devised if the allowances and the reduced rate areas were varied. But the majority report holds, rightly, that these are matters for budgeting, and not for detailed proposal; the signatories of the minority report would go a good deal further than the more modest of the schemes outlined by the majority, and would raise the starting point for the single man to £220 and for the married man with two children to £606. But the two sets of recommendations point in the same direction; the differences are of judgment about where the line of personal exemption should be drawn.

Having provided suggestions for equity at the bottom of the scale, the report finds that the present tax structure overrates the taxable capacity of the family man in the middle and upper income ranges, compared with that of the taxpayer without dependants. It proposes a number of changes that would break through the present fiscal barrier of £2,000 and get rid of the sudden jump in the burden of tax when incomes rise above that figure. At present, earned incomes enjoy no further relief when they rise above £2,025; the upper limit, it is proposed, should be raised to £2,500, and further relief at half the rate (that is, at one-ninth instead of two-ninths) should be afforded on earnings between £2,500 and £3,000. A further extension is suggested for the separate earned incomes of married couples, giving earned income relief up to maximum joint earnings of £5,000. These extensions of the earned income allowance would naturally be to the benefit of all incomes that qualified for them, whether they belonged to single or married persons, but the changes proposed would lean considerably towards the benefit of family incomes.

On the child allowance, the Royal Commission has echoed the theme of a recommendation of the Royal Commission on Population—that the allowance should be in some degree proportional to income and not fixed in size. It is now £85 for each child; the Royal Commission would keep this figure for incomes up to £850, make it 10 per cent of income between £850 and £1,000, and allow £100 plus 6 per cent of the income over £1,000 up to a maximum of £160 for each child. But it proposes, further, that these allowances should be given both against income tax and, in effect, against surtax by raising the starting point for surtax (now uniformly £2,000) by £160 for each child. As a corollary to this, they would lower the starting point for surtax payable by single persons from £2,000 to £1,500.

These proposals, taken together, would go a considerable way to meet the case that the burden of taxation on middle class family income is unduly heavy by comparison with the burden carried by other taxpayers. The total effect of these proposed changes on the revenue (including the extension of earned income relief) would be of the order of £25 million, which would hardly imperil the national finances. But such proposals are bound to provoke the usual political cries. "Why should the married man with two children who earns £3,000 get away with £180 less tax while the fellow with £500 saves a miserable £1 2s. 2d.?" This is one crude example of the illogical doctrine that reliefs granted to people who pay taxes must, by some twisted standard of equity, be matched by compensation to those who escape.

★

It will be much harder to make out a logical case for denying reliefs of this order to a class of taxpayers whose burdens have mounted and whose direct drawings on social security schemes are often small. It is to be noted that the minority report, though it makes some points that well deserve careful thought, does not basically deny the general merits of the majority proposals, even though it would appreciably modify them in detail. It endorses the extension of the relief for earned incomes; though in doing so the signatories seem to throw out a hint that their thoughts are turning towards a capital gains tax; it also endorses the principle of the variable child allowance, though it demands a compensating reduction in the single person's allowance as his income rises above £1,000. These differences of view do not extend appreciably beyond the inevitable differences of judgment that are always found when any two parties embark on a discussion about fairness in taxation. It is true that in most respects the majority have the better of the argument; but until the Royal Commission has concluded its work on business profits, the picture of an improved personal income tax that they present will still lack its wider frame. It must be hoped that the Royal Commission's heavy task will be completed in sufficient time to give the Chancellor of the Exchequer full opportunity to frame major reforms in the tax system in readiness for next year's Budget.

A Liberal Alternative?

IT is difficult to discuss the present state of the Liberal party without sounding either far too woolly or far too cruel; and the task is doubly delicate for those who are instinctive adherents of the liberal tradition, and who still feel that (on an average, and with aberrations) Mr Clement Davies and his colleagues strike the right note on rather more major issues than the leaders of either of the other two parties. For to suggest that any significant proportion of the British electorate, in a sudden revival of confidence and fervour, is likely to entrust its fortunes to the Liberals in the foreseeable future is absurd; and it is a perilously short step from recognition of this absurdity to the appearance of sheering at the flag that is still kept flying so bravely.

It is important, however, to try to tread this narrow dividing line while passing comment on last weekend's annual Liberal Assembly at Buxton. Behind the brave exterior, the question for the Liberals to face is whether they shall try to keep their ship afloat by acting as a political party, which can hardly exist without trying to win seats in Parliament, or by turning themselves into a pressure group which would try to get concessions out of the two major parties by offering or withholding their votes in the constituencies without putting up candidates of their own—or conceivably by pursuing one policy in some constituencies and the other in the rest. This is not by any means as easy a choice to make in practice as it is to discuss in the abstract. But if they are to play either part with any success at all, the Liberals will first have to find satisfactory answers to two questions. First, what do they want the man-in-the-street to assume that Liberalism stands for? Secondly, in what sections of opinion do they hope either to exert pressure or to recruit support?

The misfortune of Buxton was that some Liberals—and, in particular, the party's new ginger group, the inaptly named Radical Reformers—seemed to want to give rather tepid compromising answers to these questions. They believed that the Liberal battle line should be drawn up a little to the left of where radicals traditionally (but wrongly) think the Tories are, and a little to the right of where the Labour party traditionally (but wrongly) says it is. The Liberals, on this view, should make all the popular promises about social services that their two rivals make while in opposition but cannot quite perform while in office. This would mean abandonment of the role of a pressure group, because there is no point in pressing the other two parties in the direction they already want to go; it would mean concentration of Liberal effort on trying to win over support by falsetto cries of "me too."

This would be a great mistake. The gap between Butlerism and Gaitskellism is now too small to drive a Rotary Club, let alone a major national party, between. It is a waste of time to shrimp about for support for a third party in these narrow waters, because there are now only two small classes of shrimps to be caught there. The party might catch some of the young, who always prefer to be non-conformist; indeed, there have been recent signs of a so-called Liberal revival in the universities, and it is from this revival that the Radical Reformers have gathered strength. Unfortunately, past experience suggests that most of these young rebels of the centre are all too likely to conform to one or other of the two major parties as they mature. The second, and more embarrassing, type of recruit to be caught by a flexible and undistinctive policy are those who favour particular and peculiar projects that neither of the other two parties feels any need to adopt. It must sadly be recorded that there were too many representatives of these two groups—of the immature and of the cranks—at Buxton; and Liberals will be deceiving themselves (but nobody else) if they translate this into a claim that their party has the fire of youth in its belly and a large number of members with singularly original minds.

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There is, in short, no future for the Liberals as a party of the dead centre or as a platform for unexciting individual idiosyncrasies; they can survive in any organised form whatever only if they proffer a programme which is distinctive but which is not odd. The party must know in its heart what sorts of policy fall foul of these definitions. A policy that is odd is one that is conceived solely out of a desire to be different; it is difficult to believe that many of those who embrace the project for compulsory co-ownership in industry—which aroused an acrimonious debate at Buxton but no flicker of interest anywhere else—have any other motive than this. A distinctive policy, on the other hand, is one that great numbers of people feel strongly about but that both Socialists and Tories have rejected. And these distinctive policies usually have one characteristic in common. Since Socialists and Tories are engaged in a desperate day-to-day battle for votes, they feel bound to reject any policies that would cost them votes at the next election. They cannot embrace anything that would be immediately unpopular, however much they may believe the electors would like it later on (such as a policy of slashing expenditure on some social services in order to reduce taxation). Nor can they touch anything that would be opposed by an articulate and disciplined minority, even if the great unorganised majority would like it. In short, they cannot be bold or far-sighted because they have so much to lose.

This, surely, is one void the Liberals can fill. The prescription—of courting opposition that the major parties dare not face—may seem unusual. But the Liberal party is in an unusual position. In the short

term it has nothing to lose but its deposits ; and as a me-too party in the middle, it is not going to save many of them—or even many of its present six seats in Parliament.

What are these distinctive policies that the Liberals would do well to adopt ? Since the British people can never assimilate and associate with one party too many ideas at once, it is important above all for the Liberals to be concise. Their most promising openings can be summarised under three heads. In the first place, a third party or pressure group might gain greatly in the long run if it could infuse the electorate with the idea that it stands for an advance to lower taxation by way of certain specific (and, in the short term, unpopular) cuts in Government expenditure. By recommending that Government subsidies to farmers should gradually cease, the party has already pinned its flag to one such reform ; it should lose no opportunity of emphasising that a shilling could be struck off the income tax if this policy could ever be brought wholly into effect.

In addition, some delegates at Buxton showed interest in Mr Colin Clark's recent proposals for denationalising some of the benefits—and some of the expenses—of the welfare state. This brand of liberalism perhaps cannot go very far and very fast, because the party is also determined to appear as the champion of the old, who will account for an increasing proportion of the electorate from now on. But it is quite possible to suggest schemes whereby some hundreds of million pounds a year might be struck off the expenditure on the social services, while still improving specific payments in relief of real need ; and—since the Conservatives are not going to dare to advocate such schemes for a long time—a Liberal party that sponsored them might eventually attract surprisingly wide support (or, at least, attention) from dissidents on the right.

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Secondly, the Liberals could make themselves the avowed champions of the middle classes—that is, of all those who have no property but whom the trade unions do not cater for. It is an astonishing thing that, with a real national income nearly a quarter larger than before the war, several millions of hard-working and by no means rich people should submit, to all appearance so tamely, to a real standard of living lower than they had fifteen years ago. They have had to submit because they have had no champion. The Labour party has no interest in championing them. The Conservative party, which needs to collect nearly fourteen million votes to get into power, dare not even appear to do anything against " the workers." But the Liberals could come forward as the champions of the middle class without risking anything. This is not merely a matter of raising the real incomes of an unjustly treated class—though that is important. The middle classes have other grievances, of which perhaps the outstanding one is their resentment at the steady attack on the educational standards that mean so much to them.

Thirdly, there are some quite specific, but more restricted, proposals of policy that the Liberal party could advocate. It could put itself at the head of all those people whose minds have moved beyond nationalism, and turn this sometimes vague internationalist enthusiasm into specific and realistic projects in which Britain could join. It could do so with the more political profit to itself because the Socialist party, once so full of ideals of world brotherhood, is now so narrowly nationalistic. The Liberals believe in advancing towards the devolution of administration and government in Scotland and Wales, which both the major parties have rejected. Equally, they can mount a full-scale attack against monopoly and restrictive practices, where the other two parties have to move very gingerly. But, having chosen a few sharp lines of attack, the Liberals should not overweight themselves with too much confusing luggage. Their aim should not be to make everybody like them a little, but to turn some people into enthusiasts.

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Specific proposals for cutting taxation, for championing the salariat, for a few (a very few) hard-and-fast reforms in other fields. It is not perhaps a programme that could set the Thames on fire. It is also—one must be honest about this—not a programme that would immediately pay off in terms of parliamentary seats won. But, if the Liberals are to survive, either as a party or as a pressure group, their most important objective must be to persuade the public that they stand for something distinctive and intelligible. They need not have a policy for all the issues of the day, provided they really believe in, and will fight for, the proposals they do put forward. Nor need they be frightened about stirring up opposition and anger. Indeed, that is their present task. By lifting Liberalism into active public controversy, by removing it from the crushing path of a Conservative party that is itself moving left and a Socialist party that ought to be moving right, a programme that aroused some people's anger with their interest would be pure gain. It might even be the first step in reviving Liberalism, if not as a major political party, at least as a recognisable political force.

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Atomic Politics

FURTHER American tests of the power of the hydrogen bomb are due to take place at any time now. Their results within an area of 445,000 square miles could be even more pulverising than those that *caused so much bewildered alarm last month* and provoked the emotional and unsatisfactory debate of April 5th in the House of Commons. Indeed, there is no certainty that the passions that flared up on that occasion will not again embarrass Anglo-American relations, this time in the middle of crucial negotiations at Geneva. The heated exchanges that have passed between Government and Opposition have left public opinion confused and worried about what understanding exists between the United States and British governments on the development and use of atomic power, whether for military or industrial purposes. The ordinary person can only guess that a sensible explanation of present arrangements lies somewhere between the extreme left-wing view that British policy is powerless to control or influence American action and the Prime Minister's last word on the matter:

> Speaking generally, I do not consider that any change in our procedure is called for at the moment, nor can I *think of one that would be helpful.*

The key words in this statement are probably " at the moment " ; but, to understand why, it is necessary to put together the various pieces of information that have been made public.

First there is the crucial question of who would decide, in time of war, on the use of atomic or hydrogen bombs. It is clear that formally this power lies in the hands of the President of the United States. As head of state he cannot declare war without the consent of Congress, *but he could order the use of the bomb in* an emergency, without declaration of war, by means of a procedure designed to prevent any misunderstanding or infringement of orders. The British cabinet has a similar responsibility, but its power to wage atomic warfare is so limited, compared with the American, that it weighs little in the balance of strategy and policy-making. Ten years ago, it was different. From 1943 to 1945 the President was pledged, by the Quebec agreement of 1943 between Mr Roosevelt and Mr Churchill, not to use the bomb against a third party without British consent. But that understanding was so secret that most members of the British War Cabinet seem to have known nothing of it ; and in any case it has now lapsed. How it lapsed is not quite clear. Some people seem to hold that the agreement was a personal one that died with Mr Roosevelt—though Mr Truman who ought to know, is not one of them. Others hold that it continued until it was replaced by the new (and equally secret) agreement of 1948. What is clear is that, for a period of at least two and possibly five years, Britain had the right to give or refuse consent to American use of the atomic bomb and exercised that right in the decision to attack Hiroshima and Nagasaki. Since then no such right has existed.

Why then, did Britain not succeed in keeping that right in the agreement of 1948 that is still in force ? Sir Winston Churchill, in the debate on April 5th, appeared to taunt Mr Attlee with having surrendered the right of veto in exchange for receiving complete freedom of action in developing atomic energy for industrial and other civilian uses in Britain. It looks as if the suggestion is both unfair and inaccurate. In the first place, it is clear that American opinion was in no mood at any time after the war to accept a specifically British veto on America's use of America's bomb, even though British scientists had contributed so much to devising it. British security measures were under suspicion, there were ambitious plans for international control of atomic energy, and the intimate ties of Nato were foreseen by no one. Moreover, the McMahon Act of 1946, even though it forbade only the release of information on the making of bombs, was in spirit clearly designed to safeguard the American right to decide about the use of the new weapon. Had the supporters of that Act known about the Quebec understanding it is by no means certain—as Sir Winston seemed to imply in the House of Commons—that a renewal of that understanding would have been possible.

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In the second place, it is manifestly absurd to suggest that Mr Attlee traded the right of veto against the precious right to go ahead with work on the non-military uses of atomic energy. Whatever may have been said on this matter in the 1948 agreement—the contents of which are still secret—it is clear that British research on atomic power for industry was well under way before 1948. The Quebec understanding was regarded by the few who knew about it as having lapsed and was intended, in any case, primarily to ensure that Britain —which was not then making the bomb—should not use jointly acquired atomic knowledge to gain industrial and commercial advantages over the United States—which was concentrating on making the bomb. If there was a bargain in 1948 in this matter between London and Washington, it looks as if Mr Attlee secured little more than a confirmation of *faits accomplis*. The present arrangement on the civil side appears to be far from generous in spirit or practice. All that exists between Britain, Canada and the United States is an exchange of information " over a limited field " about the civilian use of atomic energy.

Apart from these facts, what else is known ? Because

of the McMahon Act no agreement exists between the United States and Britain about the exchange of information on the design and production of atomic weapons. Each country goes its own way. Some information is imparted by the Americans to the other members of Nato—about the effect of atomic weapons and their possible strategic and tactical uses, but on a strictly "take it or leave it" basis. This state of affairs is obviously unsatisfactory if it is compared with the intimate collaboration of wartime; it appears as a blot on the pattern of Anglo-American and Atlantic partnership. In practical terms it means this: that Britain has had to spend more time, money and effort on making its own atomic bomb than would have been necessary had there been no McMahon Act; that Britain has had no share in the making of hydrogen bombs and therefore could claim no formal right to a say in their development; that allied military planning is less well-informed about atomic possibilities than it should be; and that the United States is denied access to some part of Britain's important scientific achievement.

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These, however, are not the matters that really worry the Government's critics and some of their supporters in Parliament. Their concern is with the fact—or what they believe to be the fact—that it lies only with the Americans to decide, for the free world, how many and how big hydrogen and atom bombs shall be made, and to decide where and how to use them. They are alarmed by the Prime Minister's statement that

> We have no agreement with them [the Americans] which entitles us to claim any form of joint authority. They are acting entirely within their rights as agreed between them and the late government.

It has suddenly been understood that Britain has no claim to a decisive voice in atomic power politics such as it won during the war by the efforts of its scientists. If its voice is listened to none the less, it is by grace of the President of the United States. Hence the mingling of resentment with genuine alarm, the unholy alliance between moral indignation and anti-American propaganda that provoked Sir Winston Churchill into turning what should have been a council of state into a party brawl. In fact, as the Labour front bench well knows, things are not nearly as bad as they sound. Contact between London, Washington and Ottawa is so intimate and continuous that a situation in which atomic weapons might be used without consultation is virtually unthinkable. For example, American aircraft could not set out from British airfields on a bombing mission without a joint decision by the American and British governments. But it is the kind of contact that cannot be set down in black and white without destroying its spirit and limiting freedom.

Sir Winston tried to convey this to an excited House and failed. He might have said, but wisely did not say, that if the full measure of consultation between President Eisenhower and himself on matters of high strategy were made known it would arouse dangerous excitement. On one side of the Atlantic there would be fresh outbursts of Bevanite isolationism and on the other vehement opposition to the efforts now being made to change the McMahon Act and to interest the Russians in Mr Eisenhower's plan for sharing the materials and techniques needed for the industrial use of atomic power.

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The lesson of these facts is clear. Britain could, if it wished, propose a formal, public undertaking by the United States, Britain and Canada that the atomic and hydrogen bombs would not be used by any of them without the consent of all. The most reasonable basis for such a request—and it is to Congressional ears that it must sound reasonable—would be the argument that no government with the atomic weapon should, by using it, expose other countries to retaliatory atomic attacks. But on such a basis every country in Western Europe would have as good a claim to be consulted. Such wide-ranging claims would almost certainly be rejected by Congress, for good constitutional reasons and with the support of American public opinion. Therefore, to make them, without the probability that they would be accepted, would be to leave matters worse than they now are.

The only alternative for the British Government is to use its still considerable influence in Washington to create such a state of confidence and understanding in the Atlantic alliance that consultation on the most crucial and secret matters becomes for Americans a matter not of duty but of habit and inclination. Time alone can bring opportunities for more formal and wider commitments. For the moment, it remains to be seen what will take the place of the McMahon Act and what progress can be made between Washington and Moscow on the Eisenhower plan for an atomic energy pool. But on the really crucial question—who is to decide how and when atomic weapons are to be used—it would be foolish to expect that the American President would or could do more than accept, personally and informally, a moral obligation to consult the British Prime Minister. It is very doubtful indeed whether, if the roles were reversed, any British Prime Minister would make a binding commitment—though he might well be willing in practice to keep in touch with his allies. If any British Government wants more than this in future, it will have to press for it in company with other allies of the United States. For American public opinion might in time be persuaded of the need for an Atlantic policy in these matters, but is most unlikely to accept a purely British claim to a veto on American action. Anything even remotely resembling that was possible only in wartime, in secrecy and between the personalities who then stood at the head of affairs.

Notes of the Week

Gloves off at Geneva

DURING the first two days of the Geneva conference, it seemed that the placidity of the lakeside city had cast its spell over the contestants. The problem of chairmanship was quickly settled, without the Peking government's pretensions to great-power status being either accepted or so openly rejected as to cause an immediate breach. The speeches of the foreign ministers of both South and North Korea surprised their hearers by their moderation. But by Thursday the picture had darkened. A hard hitting speech by Mr Dulles on Wednesday afternoon (summarised, with other proceedings at Geneva, on page 386), was at once followed by a speech in which the Chinese foreign minister, Chou En-lai, fully justified earlier fears by dragging in matters as remote from Korea or Indo-China as West German rearmament and European security. Chou had, in fact, little to say about the problems before the conference. His themes were the greatness of China and its leadership of an Asia that was threatened only by American plans for enslavement and war. As well as praising Mr Molotov's proposals at Berlin for the reorganisation of Europe into a security system headed by the Soviet Union, Chou invited the countries of Asia to form a similar system among themselves. The pattern of Communist planning thus emerged clearly: a Europe led by Russia and an Asia led by China, the United States being excluded from both, or at best accorded a tip-up seat in the doorway.

Neither for Korea nor for Indo-China was there much comfort in the way the Chinese foreign minister sought to transform a conference intended to solve their problems into a forum for Peking's familiar demands and ambitions. On the other hand, the earlier episode of the chairmanship, which must have involved Mr Molotov in some delicate explanations to the Chinese of his failure to press their claims to formal recognition as one of the "Big Five," may be taken as an indication that the Communists do not want to wreck the conference. The question remains, however, whether they really want to reach settlements in Korea and Indo-China, or only to maintain the conference as a forum for further ventilation of their demands in other directions.

First Words on Korea

ONE might believe that Mr Molotov has had on his desk for the past nine years a single document marked "Policy for Germany and Korea." The similarity in Soviet plans for the two countries was already remarkable in the days before the Americans withdrew from Korea; and after their departure Stalin put into operation a plan for invading the evacuated south which he may have intended to use also for Germany, if the Americans had not shown their intention of staying there. Now at the Geneva conference the North Korean General Nam Il has put forward proposals that seem intended to restore the similarity between Soviet policies for Germany and Korea. He asks for the appointment of a joint North-South Korean commission, which would prepare an electoral law and co-ordinate financial, trade, transport and "cultural" affairs between the two parts of the country, in preparation for elections that would be "truly democratic." The only difference between this proposal and that made by the Russians in Berlin is in the wording, which has been made less blatant. The Korean "Commission" would evidently have just as much power as would have been given under the Molotov plan for Germany to a nominated all-German government. This, it will be recalled, was to take office before elections were held on the Communist model.

But the Molotov plan for Germany had a feature that was intended to prevent the country falling into western hands: there was to be a Soviet-designed peace treaty, the terms of which would be dictated and the execution of which would be supervised by the occupation powers. As there are no occupation powers in Korea (only belligerents in a state of truce) perhaps a foreign commission is intended as a substitute. It may provide the clue to the final clause in General Nam Il's proposals. This incomprehensible bit of Russian-Chinese-Korean-English reads as follows:

> The need shall be recognised to ensure the peaceful development of Korea on the part of the appropriate states most interested in the preservation of peace in the Far East and thus to create conditions facilitating the early solution of the task of Korea's peaceful unification as a sovereign, independent and democratic state.

A sentence so complicated must be important. But if other delegates at Geneva do not create conditions facilitating the early solution of the task of understanding what the Communists are driving at the conference will get nowhere.

At the moment it seems likely that their idea is to keep the Chinese in Korea after the withdrawal of troops which, it is suggested, should take place within six months. The period before elections took place would be long and would be used for securing support for Communism in the south as well as for urgently needed reconstruction. It may be that India, and perhaps the UN commission that is looking after reconstruction in the south, would be asked to join the Chinese and the Russians in similar work for the north. The more the Communist proposal is examined, the more it seems likely that Mr Molotov will modify his tactics in Geneva in the light of his experiences in Berlin. That is to say, he will keep to the main lines of the policy offered for Germany, but use new and deceptive tactical concessions to get it carried out in Korea.

Asians to Curb Asians

THE speech Mr Nehru made last week on Indo-China was, unfortunately, less remarkable than the speech he did not make. Reports from Colombo at the weekend suggested that the Indian Prime Minister was considering whether the five Asian countries that are now conferring there could offer to assume responsibility for peace in Indo-China after a cease-fire. It is now said that this idea is unworkable: that Burma, Ceylon and Indonesia could contribute no policing forces, and that Indian and Pakistani troops could not work harmoniously together. These arguments may be questioned; but, at all events, Mr Nehru himself has not yet raised the issue in public. In his address to the House of the People in Delhi, he limited himself to calling for an end to threats and increased fighting; for a cease-fire, to be arranged through a working group representing only the belligerents; for Indo-Chinese independence; for direct negotiation between the belligerents; and for a solemn agreement on non-intervention.

All of this deserves consideration, so far as it goes. But does it go far enough? The sad history of the Spanish civil war should be studied in Delhi. "Non-intervention" then meant that only the more unscrupulous powers, who would sign anything but admit nothing, continued to intervene. How could a similar tragedy be averted in Indo-China? Mr Nehru suggests that the United Nations should draw up a convention providing for enforcement. By the time that was done it might well be too late. Ironically, moreover, no new convention would be needed if the "Uniting for Peace" machinery approved by the UN Assembly in 1950 was universally accepted. Its only critics in the Assembly were the Soviet group, Argentina—and India.

The excellent record of General Thimayya's troops in Korea last year aroused hope that India had come to accept its full share of the painful responsibilities of leadership in a torn world. If Southern Asia will not man its own bulwarks against attack, who will? Any western intervention is at once condemned as a new imperialism. The free Asians themselves, on the other hand, enjoy a vast moral advantage. Even if they could place no more than token forces in Indo-China as part of a settlement there, would that not be a useful deterrent to peacebreakers?

New Leader for the Left?

IT would be an over-simplification to say that the leadership of the left wing of the Labour party is now passing to Mr Harold Wilson, and that of the party as a whole to Mr Nehru. But the past week has seen two significant moves in those directions, and it remains to be seen how serious they will be.

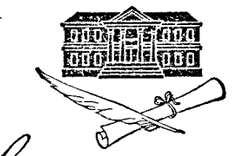
Mr Wilson's decision to take the seat on the "Shadow Cabinet" vacated by Mr Bevan, while reaffirming his "entire agreement" with Mr Bevan on the policy issues involved, is a carefully executed *chassé* along the party floor. Behind the conventional reference to "the interests of the party," Mr Wilson is one of the many left-wingers who believes that he is often a more plausible advocate of Bevanite policies than Mr Bevan is. While Mr Bevan glooms on the back benches among the Adullamites of the far left Mr Wilson will now be alongside the middle men, who rather like Mr Bevan's policies but cannot stomach the man himself. From this vantage point he believes that he can bring a stage nearer the doctrine of "Bevanism without Bevan"; those who hope that he is not really the horse for this course have no doubts about his wind, but some about his staying power.

Operation Bromide

IN the face of this new apparition on its left, the Labour leadership is stumbling towards a policy in rather better heart than a week ago. During the Easter weekend Mr Attlee had plainly decided that he must do something to paper over the split in the party; but at that time he must have feared that he could not do this without opening a split in the country, which would leave Labour on the opposite side of the gap to most of the floating voters whose support it needs. Now, however, Sir Winston Churchill's statement of policy—especially his firm denial that there is any new British commitment in Indo-China—has not clashed as fiercely with Mr Nehru's peace initiative as at one time seemed probable; and Mr Attlee and his supporters on Labour's National Executive have had a sudden accession of hope that everything may, after all, turn out peaceful at the end of the night.

The National Executive's bromidic resolution on Indo-China was devised with this hope in mind. It may not have gone as far as the Bevanites—or the Wilsonites—would like, but presumably no section of the Labour party is going to be angry because the Executive has said it "is as much opposed to Communist imperialism and domination as it is to colonial exploitation." Similarly, the Executive has felt fairly safe in announcing that it would oppose any British action in support of "imperialist policies" in Indo-China, because it has not yet defined where imperialism would end and opposition to Communist domination begin.

Labour has still to apply its platitudes to the practical issues; in particular it has not yet indicated whether—if the matter comes to a test—it would really insist that Mr Nehru should have the right to veto the whole SEATO project. At the moment, however, Labour's attitude towards the Indian Prime Minister falls little short of canonisation. Most Labour questions to Sir Winston after his statement implied that he should not move a step in Asia without Mr Nehru's approval, and when a Tory was so unmannerly as to mention Kashmir there were cries of protest. However, Labour was so busy being nice to Mr Nehru that it forgot to be angry with Sir Winston, and the latter may now hope that the H-bomb fiasco is forgotten. Mr Attlee may hope so too. Three weeks ago it would have seemed fantastic to suggest that Mr Attlee would be anxious to see Sir Winston's failure (and his own triumph) on that occasion slide into oblivion. Now, however, he must be anxious, above all, to see tempers cool. His one hope is that the complicated international situation in South East Asia may be smoothed over by some complicated compromise—before he is forced to lend his name to any utterances in which he would not really believe and which he would soon regret.



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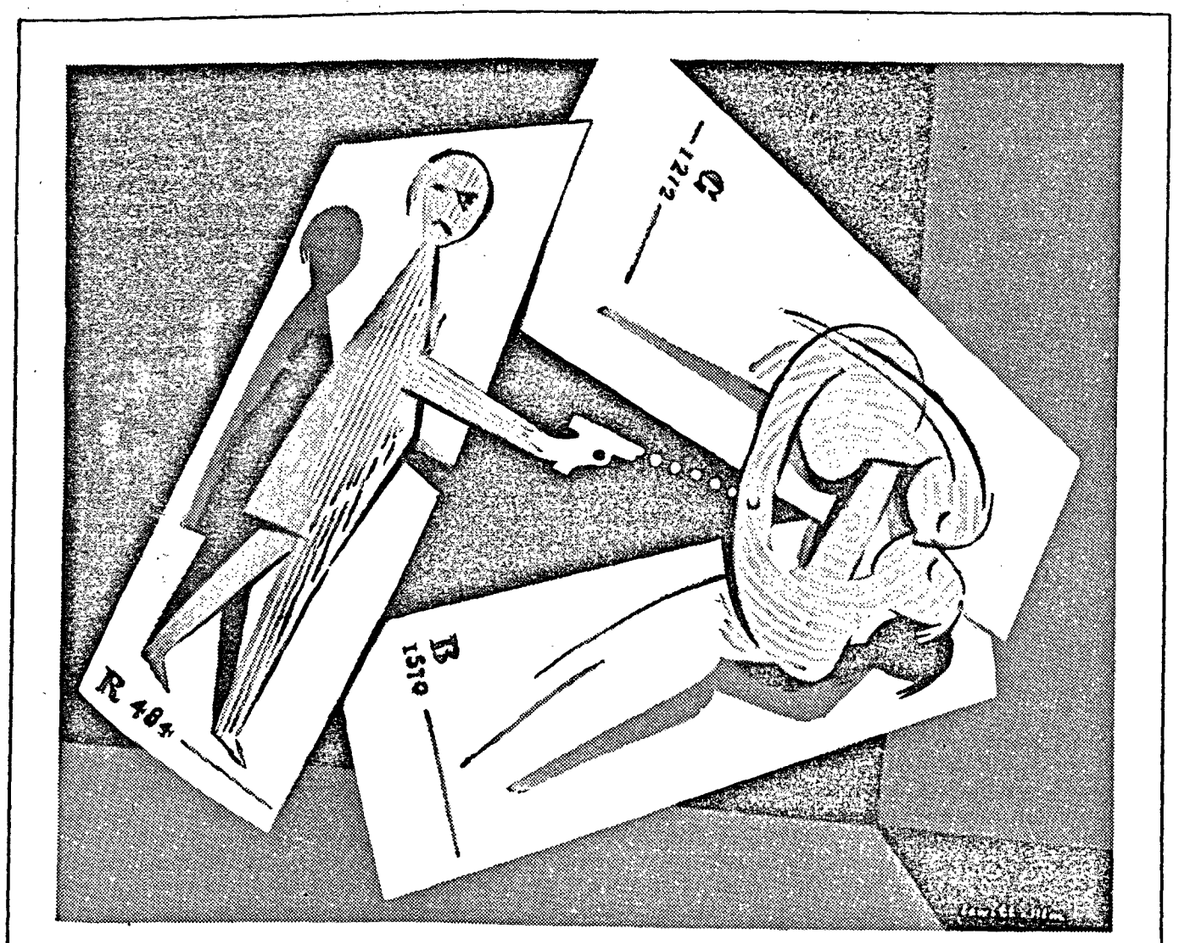

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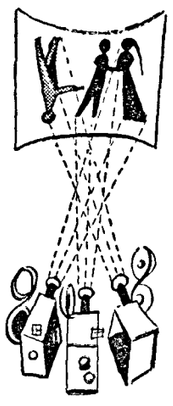

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SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

Paying for Local Government

THE representatives of the local authorities have agreed to a general review of salary scales, following strong pressure from the National and Local Government Officers' Association on behalf of its 225,000 members. This decision was overdue. Pay and conditions throughout almost the whole of the local government service were regulated by the national charter which the Association negotiated in 1946. There have been several salary increases since then (the last was earlier this year), but the senior grades have come out of them badly. Many posts of considerable public importance are now underpaid, and in many areas there are difficulties in recruiting suitable staff.

The local authorities' representatives apparently hope that higher salaries at the top may be offset by lower rates of pay for low-grade clerical work; but it will be surprising, to say the least, if they escape without some increase in the total salary bill. Such an increase would strengthen the case for strong measures to bring about a more economic use of local government staff. Although rates have risen less steeply this year than last—the average rate increase for county boroughs has been 4½d., compared with 1s. 9d. in 1953—many local authorities are still drawing down their balances; and the outlook for ratepayers next year looks bleak.

Some economies might be secured by the introduction of an Organisation and Methods Service, on a co-operative basis among local authorities and in line with the Coventry investigation; but hopes of this sort should not be pitched too high. More effective economies could be ensured (and better avenues of promotion opened up) if the total number of local authorities were to be reduced. There are nearly 1,400 minor local authorities in England and Wales, and 597 of these have a population of under 10,000. It would be wrong to amalgamate such units, if they were working well, solely on grounds of economy; but they have already lost many powers simply because they are too small and poor, and this gradual debilitation has added to the wasteful use of staff. In particular, the union of urban with rural districts could produce new authorities which were little larger in area but much stronger in wealth and population. They could be given back a number of functions, and the efficiency of the local government service would be improved. It is becoming more and more obvious that in the course of the next few years the whole field of local government should be dug over and planted anew.

From Saigon to Casablanca

WHEN the British gave independence to India and Pakistan and Burma they were not seriously worried about the effects in the African colonies. The withdrawal was friendly, orderly and long foreseen—and a lot of British officers, civil servants and business men remained. There was no disastrous *sauve qui peut*. When British personalities advise the French to quit Indo-China as quickly as possible, they forget first that a repetition of what happened in India is not possible with a Communist army on the warpath; second that the Communists want every Frenchman out of Indo-China; third, that what happens to Indo-China must have repercussions in North Africa.

The problem is already before France. The Emperor Bao Dai has been in Paris, prompting from the wings while a Franco-Vietnamese conference draws up terms for a treaty of independence. He has just refused to sign a twin set of draft treaties—the one granting Vietnam full independence, the other laying down the conditions of its membership of the French Union—on the grounds that they do not guarantee completely "unity and independence as a fully associated partner." His chief delegate in Paris has since confused spectators by signing the declaration that was meant to preface the two treaties. Bao Dai doubtless calculates that refusal of the second treaty will win him good marks from his nationalist subjects, and that the Americans will back him against the French if he stands out against compromise with the Communists in the manner of Chiang Kai-shek and Syngman Rhee.

Two contrary reactions in France are significant. One is that France would be lucky if his manœuvres were to free it from its obligations to him and enable it to negotiate a truce in Indo-China, without regard to his dislike of any compromise—for example, a partition of territory with Vietminh. The second is dismay that the Vietnam link with the French Union may be in jeopardy. There were to have been five "associated states"—the highest grade of membership in the Union—consisting of the three kingdoms of Indo-China, and the states of Tunisia and Morocco. The first three signed on, the other two did not. If the Emperor now withdraws, the hope—still cherished in some quarters—that Tunisia and Morocco will join the club must fade, perhaps die. As these territories are only a stone's throw from France and full of French settlers who hope for co-citizenship with Africans, the alarm of their friends in France is understandable. But it is unfortunate for the Quai d'Orsay if, just as it lights the pipe of peace with Ho Chi-minh, the French settler in Morocco is heard shouting that the house is on fire.

Neck and Neck in Moscow

FOR "Sovieticians" there is food for thought in the proceedings of the Supreme Soviet (or parliament) which ended this week. There has been a significant change of protocol. At the end of a similar meeting last autumn the two chambers—the Soviet of the Union and the Soviet of Nationalities—sat together to hear a major political speech by Malenkov. This time there were two major *exposés*: the premier Malenkov addressed one Soviet, while the secretary of the party Khrushchev spoke to the other. Both dealt with home as well as foreign policy, covering the same ground in slightly different terms. One had the impression that whereas last autumn Malenkov was still *primus inter pares*, now he may no longer be much more equal than his colleague.

There is no doubt that the tug-of-war goes on both in the Kremlin and outside. The creation of a "committee of state security" subordinated to the cabinet must be seen in this context. The exact composition and functions of this new body are not yet known, but it will probably be used as a counter-weight to the Ministry of Internal Affairs

(MVD) or may even be used to control it. Many must have thought that the security men had not said their last word with Beria's departure and that it would be worth while keeping a check on them. As the new body is a governmental one, premier Malenkov may well be trying to get the security services under his hand.

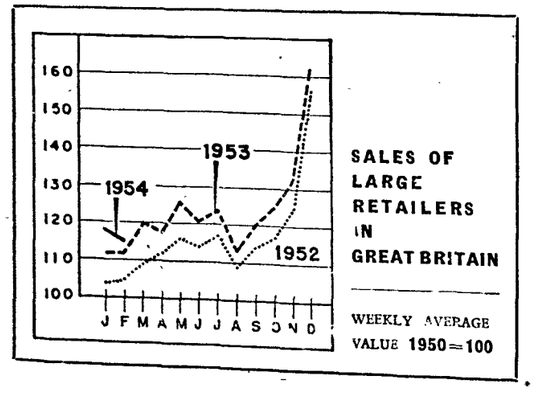
Otherwise this annual budgetary session brought no surprises on the home front (the budget itself is reviewed on page 380). The reappointment of the parliamentary presidium and of the government proved a mere formality: nobody of consequence was left by the wayside. Some minor ministries were subdivided, thus strengthening the new trend towards decentralisation. After Stalin's death the number of ministries was drastically reduced, but—as Mr Malenkov admitted—undue centralisation brought about its own muddles.

The Next Dominion

THE Gold Coast has reached the last rung of the ladder before full independence is attained. Mr Hopkinson was able to tell the House of Commons on Wednesday that, with the exception of a proposal that handling of the Gold Coast's affairs from London should be transferred from the Colonial Office to the Commonwealth Relations Office, the suggestions put forward by Dr Nkrumah last June have been adopted almost in full.

Under the new constitution, the Governor's authority will be confined to defence, foreign affairs, Togoland, and certain matters pertaining to the police and the judiciary. In everything else a cabinet of representative African ministers will have complete responsibility, and a "privy council" will advise the Governor on the discharge of his duties. The new legislative assembly will be composed exclusively of directly-elected members; representatives of the commercial interests and the chiefs will disappear, but Dr Nkrumah's responsible attitude to both should temper any fears they may feel. A clause is to be inserted in the new constitution (at Dr Nkrumah's request) guaranteeing fair compensation to any foreign enterprise in the hypothetical event of nationalisation. After the elections, which are to be held in June, Dr Nkrumah (if he is still Prime Minister) will also set up a committee to consider the establishment of a special House of Chiefs.

A new permutation in the seemingly endlessly adaptable Commonwealth pattern has thus come into being—a halfway house for countries with the will, and within one step of the means, for full independence. Britain has guaranteed that this independence can be achieved within the Commonwealth; but full membership of the Commonwealth will require the agreement of the other member states. The Gold Coast should not suppose that mere Malanism will be an enduring barrier to such membership; in the end, its case —and the hopes of Africans everywhere —will be judged by the hard test of its performance.



Clean Sheet for Dr Nkrumah

THE announcement of these constitutional reforms had presumably been held up until the publication this week of the satisfactory findings of the commission of inquiry into corruption in the Gold Coast. This commission was appointed as a result of Mr Braimah's resignation last November from Dr Nkrumah's cabinet, in which he had been Minister of Communications and Works. His stated reason for resigning was that his conscience was troubled by his acceptance of a gift of £2,000 from a contractor. At the same time he made allegations of corruption against some of his colleagues, including Dr Nkrumah himself; and he eventually declared that he had a "special mission" to ensure that the allegations of corruption in high places were investigated, because if there was any truth in them, "then our self-government would be a failure." The commission found that it was primarily fear of exposure, rather than a sense of mission, that led Mr Braimah to resign. Nevertheless, he was right in saying that he had put self-government itself on trial.

The result of that trial has been general acquittal. Dr Nkrumah, it should be said at once, emerges from the report with his reputation unscathed. The commission exonerated him completely from the four allegations made against him. No other minister was concerned in the inquiry, but allegations were made against three ministerial secretaries. Two of these, Mr Ohene Djan and Mr Atta Mensah, have already been tried and sentenced to imprisonment on charges of criminal corruption, and have appealed against their conviction. These charges were not connected with the Braimah inquiry. The commission found that Mr Djan had improperly obtained the sum of £100 from a partner in a firm of contractors, but that other allegations against him and Mr Mensah could not be substantiated or were unjustified. The conduct of Mr Edusei, the third ministerial secretary concerned, in one respect fell below what should be expected of a public servant. His secretaryship has now been revoked.

One warning—to European contractors in any developing country as much as to the Gold Coast itself—may legitimately be read from this report. Although the commission has cleared Dr Nkrumah's government, it has also shown how difficult inexperienced African politicians must often find it to live up to the high standards of public conduct set by British administrators—especially as the standards of private conduct set by some European contractors can sometimes be a less desirable guide. If ever corruption does occur, there must be two parties to it.

Marketing's Forgotten Men

THE sunny side of decontrol has been to the fore this week with the Government's triumphant announcement that all consumer rationing will end on July 3rd. The rough side, for the Government, lies in the haggling over new marketing schemes for agricultural products. There have been three recent developments. First, the terms on which the Potato Marketing Board will be revived have now been agreed. The board will purchase any surplus potatoes at the guaranteed support price; but, in order to give it a small incentive to economy similar to that lately held out to the milk board, the Government will reimburse only 95 per cent of its losses.

For fatstock, the National Farmers' Union has already submitted a voluntary marketing scheme (producers having been denied compulsory powers except over bacon pigs), and the union has now promoted as well a commercial company, which will operate on an annual turnover that may exceed £100 million. So long as no special favours are shown to this company, the public may benefit in this case from a genuine bout of competition with the insufficiently competitive auction markets.

The most important battle now raging is over wheat, for which marketing arrangements are still not decided. The producers want to disguise the necessity for a large public subsidy (which arises because the British guaranteed price is so far above the import price) by rigging the market through import restrictions or an import levy. Fortunately, a producers' board for wheat is not likely to be sanctioned. The president of the National Association of British and Irish Millers pointed out this week that the wheat subsidy could be administered, as it was before the war, without any interference with a free market. The proper way to reduce the subsidy itself (and it is a pity the Government has delayed doing so) is to relate the price guaranteed to the quantity produced, as also was done in the prewar Act.

But the wrangle over wheat aptly illustrates the dangers of the Government's present policy of drift. The National Farmers' Union knows what it wants and is energetically pursuing it; it hopes to buttress the Government guarantees (which may fail some day) with a complete network of producers' monopolies having compulsory powers. The Government wants only to extricate itself from marketing entanglements in the way which creates least fuss—which means meeting the wishes of the organised producers except where distributors are strong enough to insist on a compromise arrangement. In the process taxpayer and consumer are liable to be forgotten men.

Tidier Grants-in-Aid?

IN its report on grants-in-aid, published this week, the Select Committee on Estimates has steered a careful and skilful course along the narrow line of its terms of reference. It was not the committee's business to assess the technical sufficiency of accounting and audit; nor was it required to pass policy judgments on the importance, or the conduct, of those bodies to which grants-in-aid are given. Its job was rather to suggest ways in which Parliament might be placed in a better position to judge of both—while avoiding proposals that would produce just that cumbersome procedure, and use of sledgehammers to crack nuts, which the grants-in-aid technique has been designed to avoid.

The main problem is that grants-in-aid vary very widely in their historical origin, in their present purpose, their size, the proportion which they bear to the beneficiaries' total resources, and the degree to which their use is subject to official scrutiny. The grants-in-aid, paid by departments to institutions or bodies not subject to their day to day control, are generally a means of getting something done to which departmental machinery and the procedures of intra-departmental finance are unsuited. But it is clearly historical accident—rather than watertight logic—which dictates that Scottish education should be grant-financed according to a formula devised in the 1880s, or that the hollow shell of the Road Fund should survive as a channel through which departmental moneys reach their destination, or that the Forestry Commission Fund should be fed by grant-in-aid rather than by an ordinary vote, or indeed that this or that disbursement should rank as a "grant-in-aid" rather than as a "contribution," an ordinary "grant," or a "loan."

The committee's main recommendations are that anomalies should be corrected by transferring expenditure, wherever no compelling reason to the contrary remains, to the appropriate departmental vote; that there should be caution in the authorising of new grants-in-aid; that the Government should provide more information in each relevant estimate about grant-in-aid commitments; and that all British contributions, whether by subscription or voluntary donation, to international bodies, should be classified as grant-in-aid (so that there should be consistency in the amount of information made available about them). The committee's aim throughout is to preserve parliamentary responsibility even when this is indirectly exercised; and the importance of this aim would be in no way diminished were all the recipients of grants-in-aid currently conducting their affairs with an efficiency and economy well above the national average.

No Pushover for Perón

SOME commentators seem to have jumped rather hastily to the conclusion that this week's Argentine elections were a clear victory for General Perón. Admittedly, nobody expected the voters to shake the government. Only half of the Congress, the vice-presidency, and provincial and municipal councils were concerned in the elections. The ruling party had a monopoly of the press and radio, enormous funds, and the backing of the whole apparatus of the state. Two formerly important opposition groups had been almost liquidated, the Conservatives by economic spoliation and physical violence, the Socialists by the defection to the Peronista camp, under extreme pressure, of several of their

leaders. The vice-presidential candidate of the surviving opposition party, the Radicals, was the little known Señor *Larralde; the Peronista candidate,* Admiral Teisaire, was a nationally famous veteran. The Radicals, with all these *odds against them,* nevertheless secured about a third of the votes cast, and in Buenos Aires they obtained over forty per cent. After a decade of dictatorship, this was a striking feat for a harassed and handicapped opposition party that is still associated in many Argentine memories with the worst features of the old regime.

The Radicals have, in fact, taken as much advantage as they could of the confusion that President Perón's recent switches of policy have sown in the minds of some of his supporters. The president's wooing of foreign, and particularly American, capital last year has enabled them to accuse him of betraying the very same national interests that he has always claimed to champion. Taunts of this kind stung the government into the ill-judged action of arresting Señor Larralde and other Radical leaders just after the elections. In some places in the provinces the Radicals were bold enough to provoke violent clashes, which caused several deaths on polling day and led the president to threaten that in future he would not let the "criminal hordes" shoot first. Two good farming years and last year's drastic action against all opposition elements (except the Communists) have not apparently sufficed to end General Perón's anxieties.

New Zealand's Housing Loan

THE recent announcement by the Prime Minister and Minister of Finance, Mr Holland, that his government will borrow £12 million from the trading banks to finance additional housing has aroused vehement protests by the leader of the opposition and former Labour Minister of Finance, Mr Nash, and the President of the New Zealand Federation of Labour, Mr F. P. Walsh. The exact terms on which the money is being raised have not been declared but it is likely to be at a lower rate than the present bank rate of 4 per cent. It will be lent to the State Advances Department which is the government agency used for financing housing development. The burden of the protests is that this type of borrowing is inflationary and not essentially different from using the government controlled reserve or central bank to create the necessary extra credit.

Mr Holland has strenuously denied this. He has reminded Mr Nash that he saw little objection to creating credit during his own term of office as Minister of Finance, and Mr Walsh that not very long ago he was the advocate for the workers before the Court of Arbitration when he asked for wage increases costing £62 million a year. Mr Holland has also claimed that the public accounts for the past financial year, when they are published, will show a substantial reduction in government borrowing from the banks and, by inference, a financial position so improved that the government will be shown to be fully justified in borrowing £12 million for housing. This move by Mr Holland has placed his Labour opponents in a difficult position, for the need of more houses is, by common agreement, one of New Zealand's crucial domestic issues and one on which both Mr Nash and Mr Walsh find it difficult to be critical.

On the other hand the government stands committed to reduce inflation and it is difficult, on the details so far given, to perceive how Mr Holland can carry out his proposals without increasing inflationary tendencies. Final judgment must be withheld until Mr Holland decides to give the exact details of the proposals, but it is already obvious that this housing loan will be a considerable issue during the coming general election. The argument that it will provide houses for possibly 20,000 people, is likely to count more on the hustings than the economic objections so far expressed.

Battle of the Books

A FORMIDABLE host of distinguished authors have risen in wrath against their publishers; the occasion is the proposed agreement between publishers to demand, in contracts with new writers, a share in the subsidiary sums which a book may earn through film, radio or other adaptations. As so often in such struggles, many of the arguments used by either side have been irrelevant. The publishers have claimed that they carry, as their authors do not, all the overheads of the business from which both earn their livelihood, and must, in the authors' own interest, have the means to cover them; the authors have replied that they make a bigger and more speculative investment than publishers do, since, without benefit of swings and roundabouts, they embody months or years of initially unpaid work in manuscripts which may yield a labourer's pay or nothing at all. The publishers have declared that the break-even point in publishing is now so high that only the certainty of reaping a greater share in the earnings of a real winner can compensate for the loss on the not-quite-good-enough venture which, a few years ago, would at least have paid its way; the authors have pointed out that the material rewards of authorship have observably fallen since the war far more than those of publishing.

Neither these generalisations nor individual hard-luck stories are really relevant. There may in many instances be a genuine obligation, from the unknown author to the publisher who gives him a start, which can as properly be embodied in a clause relating to subsidiary rights as in one relating to royalty scales and options. There are other instances where the claim that the publication of a book by a "new" author is a gamble is absurd. The question is not whether one or the other set of circumstances is more representative of the author's or publisher's lot; it is whether a rigid uniformity should be imposed—in this of all trades—regardless of what circumstances may be. Fortunately, some publishers have now had a delayed access of caution. For the sake of solidarity in face of the relatively weak "new" writer, they are not eager to lose the goodwill of those established names from which the bread and butter and current prestige of publishing are derived. In these circumstances a fully monopolistic publishers' front seems unlikely. And the experience of cartel-builders in other spheres shows that the only beneficiaries from a less than totally inclusive cartel are those concerns which firmly stay outside it.

Ireland without Issues

AFTER Mr de Valera's government had presented a budget that was not after all an electioneering one—it gave certain minor reliefs which it will be difficult either to attack or enthuse about—the *Dail* was dissolved last week; and campaigning has now begun for the third general election in the Irish Republic in just over six years. After each of the previous two, in 1948 and 1951, there was a change of government; and the principal point of interest at present is whether history will be repeated on May 18th.

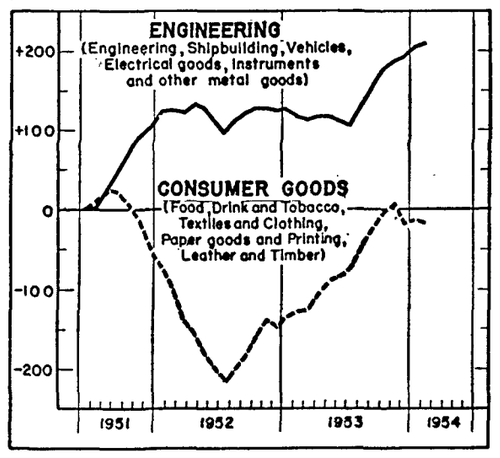
Although it is generally expected that the Government will lose some seats, it seems unlikely that voting by proportional representation will give any clear-cut decision. This is very largely due to the absence of any issue on which there can be a trial of strength. No party has anything special, still less anything useful, to say about "partition"; international affairs, in the wider sense, have been barely mentioned in the last three years. Politics have been dominated by such ordinary domestic issues as the high cost of living and the high level of taxation; unless policies are drastically revised, there seems little prospect of any halt to the growth of public expenditure and thus of any radical cure to either of these ills.

STATE OF PARTIES IN THE DAIL

	After General Election, 1948	After General Election, 1951	At Dissolution, 1954
Fianna Fail (de Valera)	68	69	72
Fine Gael (Costello)	31	40	45
Labour	19	16	15
Farmers	7	6	7
Clann na Poblachta (MacBride)	10	2	2
Independents	12	14	6
	147	147	147

CHANGES IN EMPLOYMENT In GREAT BRITAIN

INCREASES OR DECREASES SINCE JUNE 1951 [THOUSANDS]



The present balance of the parties gives little reason to expect such a revision. Much of the present instability is due to the gradual weakening of *Fianna Fail,* which has been by far the largest single party for more than twenty years. Its principal opponent, Mr Costello's *Fine Gael,* has steadily regained strength since 1948; but if it is to hold office it must, as during its period in power from 1948 to 1951, obtain the support of other parties, of which Labour will be the most important. In a rough-and-ready way *Fine Gael* is more inclined to lower levels of public expenditure and taxation than *Fianna Fail,* and certainly its interest in agriculture is stronger; but these leanings would obviously be modified by an alliance with Labour. Parliamentary majorities have been so difficult to get, and still more difficult to keep, in Ireland in the last few years that manœuvres have become more important than policies; in these circumstances, the prospects of a stable government emerging next month may depend mainly on the manner in which any seats lost by Mr de Valera are distributed among the opposition parties.

Earnings at the Bar

NO one can quarrel very much with what the Attorney-General said when he discussed barristers' fees at the annual meeting of the Bar this week. It is what he did not say that provokes thought. It is true that the level of many barristers' fees has not, in the past twenty-five years, risen to the same extent as either the cost of living or earnings elsewhere. It is equally true that the only specific recommendations in the Evershed Report (Cmd. 8878) last summer were for the reduction of some of the fees payable to junior counsel and the abolition of the system by which the client pays an additional fee towards the cost of the barrister's clerk. In its recommendations about the minimum fees payable to barristers, the committee did no more than urge that the problem should be tackled by the Bar Council and the Law Society together, which is not likely to produce any speedy result. The Attorney-General could properly remind his audience—if it needed reminding—that the Legal Aid Act was passed on the basis that fair remuneration would be paid for work "actually and reasonably" performed.

But Sir Lionel Heald, as he admitted, was speaking only as a member of the Bar. If and when he comes to consider the problems before the legal profession in his capacity as a law officer of the Crown, he will have to take into account all the points that he left out this week. The Legal Aid Act is an instrument that supports the legal profession, both branches of it, out of public funds. The public is therefore entitled to demand that the words "reasonably done" shall be given the same emphasis as the words "actually done"; and this raises the old question whether the division between the two branches of the profession rests on any rational basis. For some things a barrister is paid too little, and he certainly suffers a purse-pinched apprenticeship; for others he is paid too much, which suggests that some of the things he does now could adequately be done by a solicitor alone. The Evershed Committee was precluded by its terms of reference from considering any aspect of a fusion between the

two branches. A minority of the Committee not only thought that a pity; it urged that a fresh committee should be appointed to consider it. That was nine months ago, and nothing has happened since. It is time for such a committee to be set up.

Red Light for Eager Traders

WILL the Soviet embargo on purchases of wool from Australia, which was curtly announced at the same time as Moscow's rupture of diplomatic relations, be recognised for what it is—a bright warning sign? Businessmen who are inclined to enthusiasm over the prospects of vastly increased east-west trade should ponder it well. On Monday Mr Malenkov, with unconscious humour, assured the world that only western restrictions impede the profitable expansion of this trade. Perhaps his speech to the Supreme Soviet had been written well in advance; at all events, his words rang a little hollow, for only forty-eight hours earlier the sudden ban on Australian wool had revealed how closely Soviet trade is harnessed to Soviet politics.

Yet there was nothing new in the Soviet action on wool. Anyone who stops to think must realise that the strictest controls imposed on east-west trade by democratic governments are dust in the balance when compared with the control exercised on the Soviet side. No trading department in a Communist state could even contemplate a deal that conflicted with the current policy of the ruling party. Any free nation that puts more than a handful of its trading eggs into the Soviet basket is, therefore, placing itself at the mercy of Soviet economic pressure. As Australia has just learnt, merely to grant asylum to a refugee may lead to the immediate and savage application of that pressure. Will this unusually clear warning be heeded—in Hamburg and Osaka as well as in London?

It may also be asked whether the British businessmen who are now in East Berlin talking to the Chinese realise the political timing of this gathering. The Moscow trade talks were timed to coincide with the Berlin conference, and impressive announcements from the offices of the Chinese in East Berlin are obviously intended to create a sensation at Geneva—both in the political conference and in the east-west trade talks that are being held by the Economic Committee for Europe.

Stopping the Oil

DELEGATES from thirty countries (and observers from eleven more) met in London on Monday to consider international action to prevent the pollution of the sea by oil. The conference, which has been convened on British initiative, is being asked to accept the recommendations made last summer by a British committee of enquiry. As the countries represented at the conference own 95 per cent of the world's shipping, they have a real chance to end a squalid nuisance. The problem is no doubt aggravated by the oil discharged from the eroding tanks of wartime wrecks, but the chief long-term offenders (as samples from the beaches show) are tankers and oil-using ships.

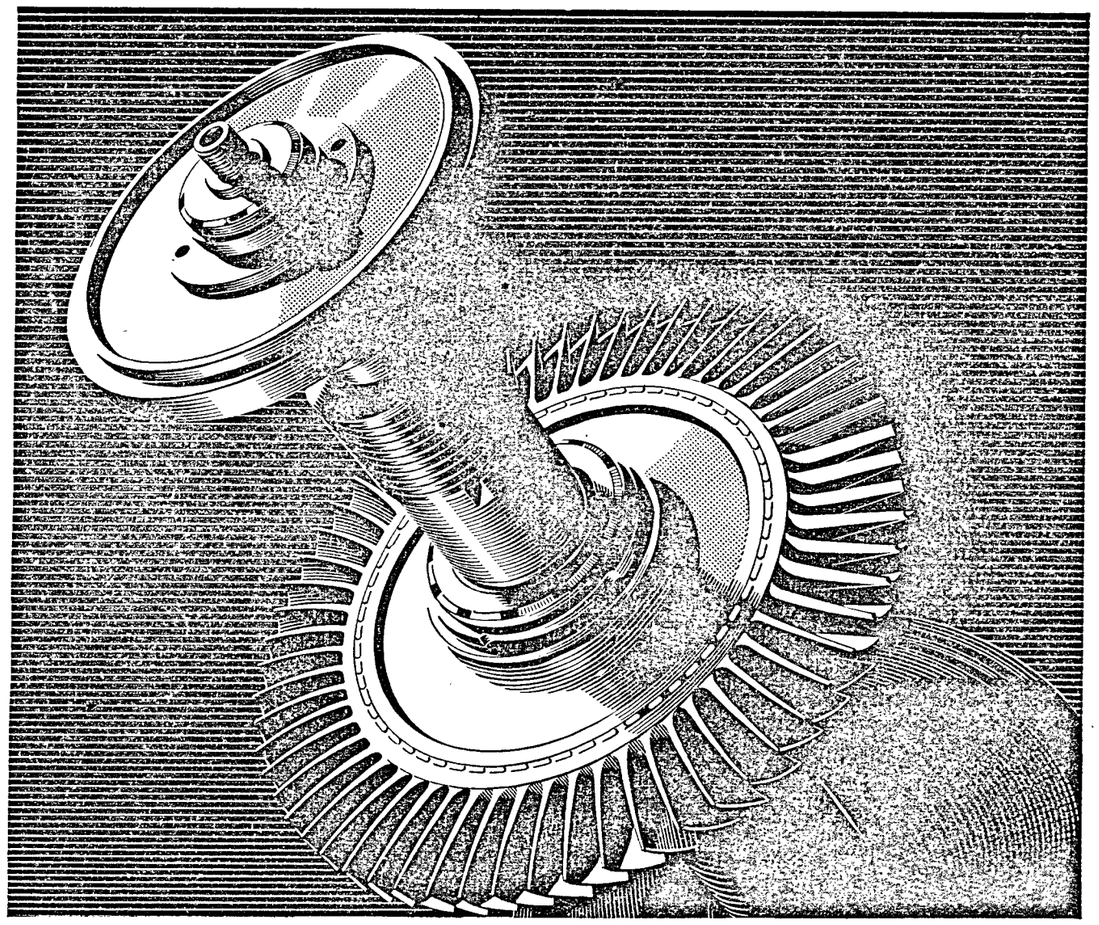
Attempts have been made to stop this menace before, and voluntary agreements limiting the discharge of oil within 50 miles of the coast are now fairly widely respected. But what is needed now, and what is being sought, is a complete ban (eventually enforceable by law in each major ship-owning country) on the discharge of any oil on the high seas. This would involve considerable new investment on the part of the shipping and oil companies and of the port authorities. Since most of the oil is swept into the sea with tank washings and oil-contaminated ballast water, new processes would have to be employed to separate the residue from the water, and special tanks would have to be built at ports and fuelling stations to receive the residue.

Britain is peculiarly badly hit by—and is also peculiarly sensitive to—oil pollution, which makes a sordid mess of so many of its beaches and condemns sea birds to a glutinous death. As a result interested parties in Britain have agreed voluntarily to carry out the committee's recommendations. It is to be hoped that less interested parties abroad will be as helpful. Even if they are, the necessary measures will be expensive and take time; the beaches are already so polluted that it will take far more than Lewis Carroll's proverbial half a year to sweep them clean.

Masters and Men

The strike at Preston, and generally in the North, seems nearly at an end. . . . The general circumstances of society—such as the diminution of trade, the very short harvest, and high prices—have . . . been influential in placing the workmen in a worst position than they were, and have been plainly manifested at Stockport. There the workmen obtained the rise of 10 per cent, but these circumstances have since compelled the masters to withdraw it. They are unable to meet the expenditure. The profit they are now making will not allow it, and their proposition to reduce wages has been met by a strike. This has clearly been brought about by the state of the markets, and ought to convince the workmen that uncontrollable circumstances of this description, and not combinations of either masters or men, determine at all times the rate of wages. The manufacturers have had nothing to do with increasing the rate of interest for money, except as they, in common with all producers, have increased their exertions, have produced more, and have required more floating and fixed capital to carry on their business. They have only contributed to the dearness of provisions by consuming more, and enabling those they employed to consume more. They have had nothing to do with provoking the war, which is at variance with their interest. . . . They were not the finders of the gold in Australia, or the exporters of goods for which there grew up, in consequence of the gold discoveries, an immense demand. . . . Neither for the abundance of employment, and consequent high rate of wages which have prevailed, were they any more to be praised—except as they were industrious, enterprising, skilful men, carrying on their own business successfully—than they are now to be blamed for the diminished demand and lessened wages for manufacturing labour. They may cause high wages, but they never cause low wages, any more than they cause the high price of food.

The Economist
April 29, 1854



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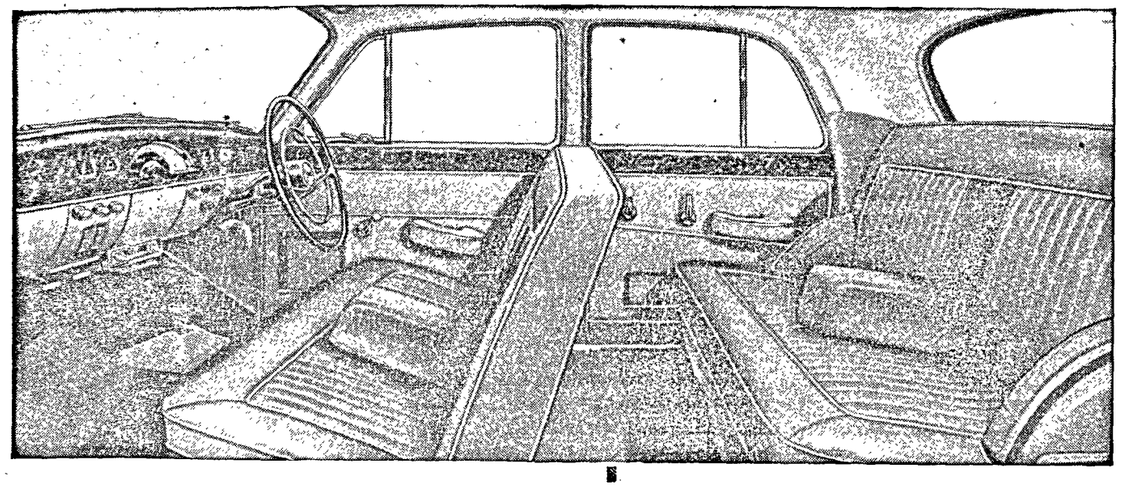

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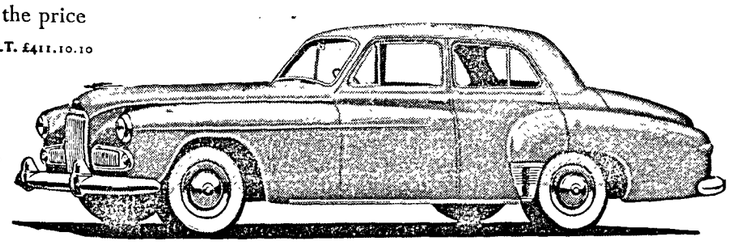

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Letters to the Editor

A Nato for South East Asia

SIR—In your second comment on Mr Strachey's letter you say:

> "the over-riding issue is that the peace of the world depends upon the maintenance of the alliance of the free western nations."

Surely this view could, in certain circumstances, lead to the alliance being regarded as an end in itself instead of being what it is, a means whereby world peace can be preserved. There would seem to be no good reason and several bad ones why Great Britain—in order to maintain the alliance—should participate in any action which Her Majesty's Government believe to be more likely to precipitate a world war than to ensure peace.

For example, supposing the choice lay between accepting a Communist controlled government in Northern Indo-China or participating in military operations against Communist China and our American friends demanded the latter course, would *The Economist* argue that we should agree to go to war with China in order to preserve the alliance? I would not. I agree that we should go a very long way in order to preserve the alliance but the view now being expressed in so many papers that we must always go all the way for this purpose, however much we may think it the wrong way, seems gravely to weaken our influence with the Americans. I suspect that Mr Dulles may sometimes be rather glad to say to some of his supporters(?) "Sorry, Boys! but the British won't take it."—Yours faithfully,

STEPHEN KING-HALL

Bordon, Hants

[Commander King-Hall did not read our comment far enough; four lines lower we wrote: "This does not mean that we must always defer to the Americans." Clearly, we should not, and could not, promise to follow them wherever they went. But every decision of policy is a weighing of alternative evils, and we should never lose from mind, in any disagreement we may have with the Americans, that very very few disasters could do as much harm to the British people as a breakdown of the western alliance.—EDITOR.]

Investigating McCarthy

SIR—I note that *The Economist* in its issue of March 20th remarks that Senator Leverett Saltonstall of Massachusetts, "much as he would enjoy making Mr McCarthy uncomfortable," declines to do so for political reasons.

Why should Senator Saltonstall enjoy making Senator McCarthy uncomfortable? Senator Saltonstall is no cautious agnostic on the subject of McCarthyism. His statement to the *Christian Science Monitor* on January 2, 1954, shows clearly enough that his attitude toward Senator McCarthy is one of substantial approval. The Saltonstall statement at that time was as follows: "I believe in encouraging the routing of subversives out of our government. While I don't approve of all Senator McCarthy's methods, I do think his overall purpose of eliminating subversives from governmental service has been helpful. I believe the majority of the American people approve of it. He has been helpful in stimulating action in the government and in keeping us keyed up to the dangers subversives present to our life as free men."—Yours faithfully,

ARTHUR SCHLESINGER, JR.

Harvard University, Cambridge, Massachusetts

Tremors Around Lysenko

SIR—You may be interested to know, in view of your rumours of "tremors" around Lysenko, in your issue of April 17th, that Lysenko has been one of the leading lecturers appointed by the Central Committee of the Communist Party of the Soviet Union to brief members of the Central Committee before going out to the countryside to supervise the vast new schemes for cultivating the new areas.

This announcement was made quite a time after the criticism of Lysenko to which you and two or three other papers have given such quite disproportionate publicity.—Yours faithfully,

PAT SLOAN

British Soviet Friendship Society, E.C.1

[Mr Sloan does not answer our point, which was that the once sacred Lysenko is no longer beyond the reach of criticism. Would he maintain that Lysenko's "monopoly" still prevails in Soviet genetics?—EDITOR.]

Doneraile Fair

SIR—It is a source of continual irritation to us in this part of the United Kingdom that English opinion of Ulster, where it exists at all, is so confused as to be ludicrous. Charges of intolerance are always framed in the vaguest possible manner, so that it is difficult to know exactly what is implied and, therefore, what to refute. On what definition of intolerance can the term be applied to Northern Ireland, when the following facts are taken into consideration:

(*a*) Persons of any religion are eligible for election to parliament, to local authorities or to any public office.

(*b*) Roman Catholic schools are built and maintained with the aid of a 65 per cent state grant (*cf.* 50 per cent in England), and staffed at state expense.

(*c*) School meals and school transport are available equally to state and voluntary schools.

Politics in Northern Ireland are complicated by the fact that one party does not accept the provisions of the constitution, so removing the basic premise of the party system. The problem resolves itself into the old, and perhaps insoluble, one of how far a state can tolerate those who are disposed to wreck it. Faced with this situation the liberal policy of the government here may be ultimately suicidal; I fail to see how it can be described as intolerant.

The policy of the BBC is to permit political attacks only in programmes in which both sides are represented, either in one specific broadcast or in a series of broadcasts. The people of Northern Ireland have every right to an apology when the BBC negligently permits a political attack in a "religious" broadcast. I would suggest that Radio Eireann is quite capable of conducting any anti-Ulster propaganda that is required—and at no cost to Ulster wireless licence holders!—Yours faithfully,

LOCAL GOVERNMENT OFFICIAL

Belfast

Romance by the Jar

SIR—In your issue of April 10th you give the impression that vaseline is a synonym for petroleum jelly.

We appreciate that the misuse of the word is an extract from a report by the City of Birmingham Analyst, with whom we have already been in contact, but we would point out that "Vaseline" is a trade mark or brand name applied to all products of our manufacture and not the name of a particular product.—Yours faithfully,

D. G. MCDONALD

Cheseborough Manufacturing Co. Ltd. London, N.W.10

Travel Agents

SIR—Now is the time to plan holidays, and the following experience may be of interest as a warning to your readers. Earlier this year I approached a travel agency with which I was not familiar and asked them to arrange accommodation in France. They gave me a quotation which included a booking fee (shown separately) and I accepted it. When I reached the hotel I found that I had been charged ten shillings per person per day in excess of the correct tariff, money which had been taken from me in foreign currency under the guise of hotel expenses. Booking fees are payable in sterling, and it is illegal for an agency to make a concealed profit. Nevertheless, legal actions are tedious affairs, and the fact that I had accepted the original quotation would have made recovery in court an uncertain matter. It is clearly necessary when dealing with an agency for the first time to check their quotations carefully.—Yours faithfully,

London, S.W.3 D. H. MACKENZIE

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 *versus* The Army

Washington, D.C.

THE battle now being fought out under the flood lights in the Senate's main committee room means many different things to many different people. To Senator McCarthy the hearings on his dispute with the Army are the outcome of a conspiracy by "devilishly clever men" with the object of "derailing" his investigation into the "infiltration of Communists into the military under the Truman-Acheson regime" and into the "gross mishandling" of the subject by the service authorities. To Mr Stevens, the Secretary of the Army, the hearings are to expose "an example of the wrongful seeking of privilege, of the perversion of power" on the part of Senator McCarthy and his committee counsel, Mr Roy Cohn, who tried to use their ability to vary the intensity of their investigations of the Army in order to secure the privilege of an easy military career for their colleague, Mr David Schine, who had been conscripted. To Mr Joseph Harsch, of the *Christian Science Monitor*,

> the real issue is not whether the Senate can decide between one of its own members and the Army, but whether the American people in their own good time will accept or reject the essential claim of the Senator from Wisconsin to be the indispensable man in American public life. . . . In truth the Senator is not so much on trial as he is on exhibition.

In the sight of millions with access to television sets, the Senate's Permanent Investigating Sub-committee, which is charged by law with checking the economy and efficiency of the executive branch of government and is allowed to employ a substantial staff for the purpose, has been sitting in judgment on the conduct and veracity of its chairman and of the two senior members of its staff in their dealings with the Department of the Army. Simultaneously, and interwoven with this inquiry, all the committee's recent investigations of the Army have been reopened, but with Senator McCarthy acting this time only as prosecutor, not as chairman. This is the peculiar result of the inability of the committee and its special counsel, Mr Ray Jenkins, who has been retained to conduct these proceedings, to derive from the rival "bills of particulars" that were submitted in advance by the Senator and the Army any narrow definition of the issues to be determined.

Mr Stevens has spent day after day at the witness table trying to uphold the Army's charges, against ferocious cross-examination, and denying repeated suggestions that first by obsequiousness and then by threats he tried to avoid a ruthless exposure of his department's incompetence. Doggedly he has asserted his right to have asked for the temporary suspension of Senator McCarthy's melodramatic methods because they were damaging military morale, and has insisted on the grim reality of the arrogant hectoring to which he was subjected.

Although the members of the committee give the impression of making genuine attempts to get at the truth, there seems a fundamental impropriety in their being the judges. One of the underlying points at issue is the amount of forbearance that the legislative branch of the government ought to show to the executive branch by giving it time to solve in its own way problems which are essentially executive ones—in this case the handling of security risks. In such a conflict a legislative committee cannot but have bias.

Doubts are also rising about the much vaunted rules, similar to those of a court of law, specially agreed for these hearings. At the present rate of progress—only one of the six principals in the case has so far been heard—the inquiry will be going on for months. Moreover, Mr Jenkins, who is a well-known defence counsel in murder cases, persists in putting grossly offensive suggestions to the responsible head of the United States Army in the aggressive manner appropriate to his normal practice.

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From the very outset of the proceedings, Senator McCarthy, whose place has been moved from the centre of the table at which he normally presides to one end of it, sought to move with him the initiative and the centre of attention. By use of his right of cross-examination (which everyone concerned possesses under the special procedure), but still more by raising points of order, he set out to establish three contentions—that the central issue was the investigation of Communists, that the case in so far as it affected Private Schine was utterly trivial, and that it was not the Army which was a party to the dispute, but only a few

> civilians in the Pentagon who have been working night and day to attempt to shift an investigation of Communism into an investigation of one private in the Army.

There is no doubt that Mr McCarthy is seriously worried about the already noticeable effect on public opinion of the daily repetition of the headline, "McCarthy *v.* The Army." But for all his emphasis on "individual civilians," the television viewers will have seen Mr Stevens escorted on either side by uniformed generals and will have identified the figure of General Ridgway, the military head of the Army, moving in beside his civilian chief to lend him moral support as he was waiting to take the witness stand.

Both in the preliminary exchanges in writing and in the hearings themselves, the traditional McCarthy method of replying to charges by diverting attention with other insinuations has been painfully apparent. Mr Welsh, the Army's special counsel, was reminded that he had a law partner who "in recent years" belonged to an organisation found by the Un-American Activities Committee to be the "legal bulwark" of the Communist Party; General Reber, who gave evidence about attempts to obtain a direct commission for Mr Schine, was told that his brother, a former Acting High Commissioner in Germany, had been classed as a security risk when he left the State Department (there is no other authority for this). Mr Struve Hensel, an Assistant Secretary of Defence who helped to draw up the Army's case, was accused of attempting to discredit the committee because his own business dealings in the last war were about to be investigated by it. The record is being swollen with fresh allegations altogether remote from the original dispute.

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Although Senator Joseph McCarthy may not be disappointing his fervent admirers, there is reason to think that his position has weakened over the last few weeks, even though there is little, if any, prospect that the local "Joe Must Go" movement in Wisconsin will succeed in getting him out of the Senate. A Gallup poll, of which the results were published a month ago, three weeks after the original charges were made by the Army, showed that 46 per cent of those questioned disapproved of Senator McCarthy, as against 38 per cent who were in his favour. This compares with a 50 per cent vote for him in January, when there were only 29 per cent against him. A bitter attack on him by the Roman Catholic Bishop Sheil of Chicago as being a "pitifully ineffective anti-Communist" could have done him no good, while in the Senate a Republican, Mr John Sherman Cooper of Kentucky, has admitted that he made a mistake when he voted in favour of giving the McCarthy committee its very substantial appropriation. But the most important sign of change is that Mr McCarthy's fellow-Senators generally, including those on the investigating subcommittee, no longer seem to be afraid of him. Whatever the final outcome of these hearings, it is unlikely that he will again be allowed to wield the undiluted authority of the Senate in the form of a one-man committee.

Industry and the Atom

Washington and New York

THE long-awaited Bill to amend the Atomic Energy Act of 1946, sponsored by the Joint Congressional Committee on Atomic Energy, is now before both Houses of Congress. It has two chief aims: to grant President Eisenhower the powers he requested to give information on atomic energy to America's allies; and, in the words of its sponsors, to provide "the basis for licensing what is hoped will be a great new industry in atomic energy." The Atomic Energy Commission is willing, and would be allowed by the Bill, to relinquish its monopoly of atomic production, although it would still be prepared to assume, if necessary, most of the responsibility for further development. While the government would remain the sole owner of all "special materials"—a new term embracing materials for both fission and fusion processes—the commission would be permitted to license the use of these materials "at a fair price" to private industry. Firms would be licensed to own and operate nuclear reactors—the atomic piles, or furnaces, in which the heat is generated—and to sell the energy to electricity undertakings and other consumers at a "reasonable and non-discriminatory price" and the by-products to licensed industrial users. Somewhat unexpectedly, the Bill offers no compromise on the thorny question of patent rights, but proposes, without qualification, that normal patent rights be permitted in the peaceful application of atomic energy.

The Bill has a very good chance of being enacted by the present Congress—but not in its present form. There is general agreement on both matters of principle, but on questions of method a compromise has still to be reached. The Bill itself is essentially a working draft, prepared by the chairman with the assistance of a few members of the Joint Committee, and by no means has the committee's unanimous approval. Representative Holifield, the committee member who is the most outspoken critic of the Bill in its present form, urges Congress

> to be on guard against an atomic "giveaway" programme through legislative loopholes which would permit the selfish exploitation of atomic resources developed with public funds.

The Atomic Energy Commission's policy on the industrial development of atomic power envisages a five-pronged attack on existing technical problems. It calls for the construction, already under way, of one full-scale experimental power reactor—the first to be built in the United States—and four prototype or pilot-sized power reactors. The main project, a nuclear central station developing 60,000 kilowatts of electricity, is of a "pressurised water-cooled reactor" type, similar in design to that developed by the Westinghouse Electric Corporation for submarine propulsion. This type of reactor is the only one ready for full-scale construction, and it will give industry much-needed experience of the reliability and life of a large atomic plant, and provide some firm data on operating and maintenance costs.

The smaller projects will explore approaches which may prove to be more economic in the long run. The most promising are the "fast breeder reactor" and the "homogeneous reactor," although they are not expected to be ready for large-scale experimental testing for at least another five years. The fast breeder, which produces at least as much fissionable material as it consumes, has already proved itself technically feasible on a small scale. The homogeneous reactor utilises fuel in a water solution—the so-called atomic "soup"—and has the advantage of simplifying reactor design and reducing chemical processing costs. The other two experimental reactors are expected to be completed earlier but are less likely to produce power at an economic price.

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Industry's participation in the programme was, until very recently, limited to designing, constructing and operating plants under contract to the Atomic Energy Commission. For the pressurised water reactor plant, however, industry was invited to participate commercially for the first time. The successful bidder, one of nine, was the Duquesne Light Company, a Pittsburgh utility firm,

which is expected to contribute, directly and indirectly, some $30 million towards the total cost of the project, with little chance, apparently, of being able to recoup its investment.

For the past three years, the commission has been encouraging industrial study teams. Altogether some eight of these teams—mostly from chemical and electric utility companies—have had access to the commission's facilities and technical data. The first detailed reports submitted by these groups were based explicity on the assumption that the plants would be dual-purpose—that they would produce weapon-grade plutonium or other fissionable material for sale at high prices to the government, in addition to producing power. The commission, however, has now changed its policy to favour single-purpose reactors designed primarily to produce power, with any by-products realising no more than their commercial value. The most active group studying the single-purpose approach is headed by the Dow Chemical Company and the Detroit Edison Company, with some twenty-five associated firms. These companies are working on the lines of a fast breeder reactor, and have just set aside $2.3 million of their own money to finance further research this year, with the eventual objective of financing an experimental plant.

While industry is interested in research and in the experimental work of the commission, no company is yet prepared to finance a full-scale project. Apart from the restrictions on ownership and patent rights under the 1946 Act, the chief impediment lies in the uncertain economies of nuclear power production. The actual fuel cost of a conventional power plant in the United States averages about 3 mills (3/10 of a cent) per kilowatt-hour of electricity. Nuclear power has every prospect of competing with this, in spite of a number of technical difficulties, but the key drawback at present is the very high capital cost of nuclear power plants. A conventional power plant costs between $160 and $200 per kilowatt of capacity, while the first full-scale nuclear power plant is expected to cost four times as much. Lower fuel costs, together with the proceeds from the commercial sale of by-products, would give nuclear power plants some advantage in running costs, but at present they are far from being competitive. The commission's objective is to reduce the total cost of producing nuclear power (allowing for fixed charges) to 8 mills a kilowatt-hour by 1960. On the assumption that any future increase in the efficiency of conventional plants will be offset by rising costs, nuclear power, according to the commission, might then be competitive with some ten per cent of the nation's conventional production.

★

The new Bill is designed to encourage greater participation by private industry in the face of uncertain economic prospects. The great incentive to industry is that of keeping the government out of the nuclear power business. The Duquesne Light Company's very low bid was undoubtedly based, in part, on the desire to take the lead in this. The other attraction is the benefit of patent rights to those first in such a fertile field. Firms are, however, unlikely to acquire this benefit unconditionally. A few large companies, as contractors to the government, have already gained at the public expense a long technical lead in atomic "know-how." There is, accordingly, strong opposition to any procedure which would enable them to obtain a patent monopoly. A possible compromise would impose compulsory licensing for a period of five years on private firms which take out patents in atomic energy. It would remain to be seen whether, under those conditions, private industry would be prepared to assume the financial risk of these undertakings, at least until it had had the benefit of the results of the commission's current five-year programme of reactor development.

That nuclear power is technically feasible, and will one day be economic, is no longer in doubt. But there appears little chance of any important nuclear power production in the United States for at least another ten years. Moreover, the potential contribution of atomic power is commonly over-estimated. There is as yet no large-scale, commercially feasible method of directly converting atomic energy into electricity. Therefore the only change nuclear power can make in the electricity industry is to substitute a new fuel for an old one, and to replace the firebox and boiler by a nuclear reactor. Since the steam turbines, electric generators and transmission systems will all remain substantially the same, the area in which atomic energy can effect a cost reduction is essentially limited. Within the United States, the most significant effect of atomic energy is likely to be the equalisation of fuel costs between regions and the resulting impact on industrial location. Outside of the United States, where the cost of conventional power may be much higher, the contribution of atomic energy can be much greater.

The industrial use of atomic energy is, however, by no means confined to the generation of power. A major, if not revolutionary, contribution is likely to come from the use of radioactive isotopes in such industrial processes as control and quality improvement, and also the use of the new metals and chemicals involved in the fission process. If the industrial development of atomic energy is accompanied by a substantial reduction in prices of the radio-active by-products, the tail may eventually be wagging the atomic dog.

Wool Gathering in the Senate

THE Eighty-third Congress, with only three months of its second session to go—members have now no hope of getting away from Washington before the end of July—will have to concentrate on its work if it is to enact "the greatest, most affirmative programme offered to the American people in a generation," as the Vice-President has promised it will. As usual the chief hold-up is in the Senate, even though it did not allow itself an Easter holiday, and as usual legislation is being sidetracked while investigations go full steam ahead. Admittedly the housing investigation which has been attracting attention recently is a necessary forerunner of housing legislation. For Senators can hardly be expected to give the federal government additional powers in connection with loans and mortgages until assurance has been given that present powers are no longer open to abuse by builders.

The Senate Banking Committee is now enquiring into the excessive profits that have been made at the expense of taxpayers and homeowners by builders who mortgaged properties at more than they cost, or borrowed unnecessarily large sums for home improvements, under the government guarantee and insurance schemes, and then pocketed the

difference. This is the Eisenhower Administration's first scandal and its exposure has been followed by a spate of forced resignations of housing officials, in an attempt to prevent the Democrats making election capital out of it. This they can hardly do, since many of the abuses occurred —and were first discovered—during the Truman Administration.

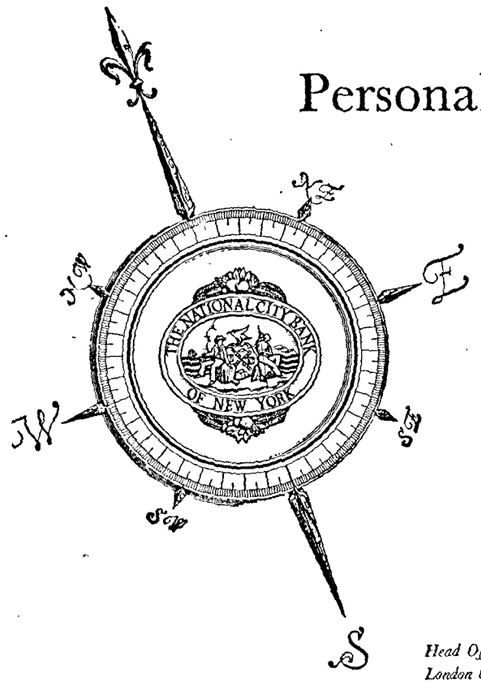
Election considerations are also behind the long argument over the Bill giving subsidies to wool producers; it took a week, and a threat of a presidential veto, to defeat amendments to a Bill to which there was in principle little opposition. The trouble arose over an attempt, by both Democrats and Republicans who feared that the Senate would have no time later on for controversial agricultural legislation, to add a rider to the Wool Bill continuing the present system of high and rigid price supports for the basic crops—wheat, maize, cotton, tobacco, rice and peanuts—for another two years. This system is due to lapse at the end of this year, unless Congress acts, and the Administration wants to substitute a modified and more flexible system. The fight over the rider to the Wool Bill confirms the impression that a prolonged and possibly unsuccessful struggle will be involved.

The House of Representatives has already made the farmers a present by increasing the appropriation for the Department of Agriculture; all other appropriations so far have been for less than was asked by the President. His requests, however, were so comparatively moderate this year that the House found it impossible to make any substantial cuts, at least until it came to the huge sums for defence. There the Appropriations Committee has recommended $28.7 billion, $1.2 billion less than the Present asked. This is being debated on the floor this week and after that the only substantial appropriation left will be for foreign aid. The Senate has not yet acted on a single Appropriations Bill and the House-approved Tax Bill is also still in the Senate Committee.

Needed Public Works

ONE of the few Bills on which Congress has completed action at this session authorises the federal government to spend nearly $1 billion a year for two years, beginning in July, 1955, on highway development. Most of this money would be allotted to states on a matching basis, which means that state governments would be required to provide equal sums for road building, so that potentially the total amount of new spending on roads under the Bill could come to about $3½ billion. Even under the Truman Administration only about half-a-billion dollars a year was appropriated for highways. Under the new Bill the President can ask for funds to be made available almost at once, instead of waiting until 1955, should he feel that the time has come to speed up expenditure on this type of public works.

Another Bill which has been passed, although in differing versions, by both houses of Congress, should also mean increased spending on construction. This is the Lease-Purchase Bill, which permits the federal government to make contracts for new buildings under which rent payments would be set off against the purchase price, so that eventually the government would own the building. It is hoped, probably vainly, that this may mean the end of the temporary structures that disfigure the capital. It seems



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certain, however, that it will mean numbers of new post offices and other federal buildings in local communities. Some of them are likely to be begun soon so that Republican candidates will have something to show the voters next November.

Most of these buildings are undoubtedly needed to cope with the growth in population and in government activity. It has also been calculated that far more ought to be spent on roads than is at present planned, if economic expansion is not to be strangled on overcrowded highways and city streets. A figure of $40 to $50 billion has been mentioned, and the President himself has said that an annual expenditure of $8 billion is needed to ensure an adequate road system; in 1953 the total amount spent by federal, state and local authorities for this purpose was about $5 billion. Indeed, the President's Economic Advisers are reported to have discovered, as they made plans for public works to be used should the recession become serious, that in fact many of these projects, for schools, airports, water development and so on as well as for roads, ought to be started at once, not as pump-priming operations but to keep up with the country's growth.

Wage Guarantees — 1954 Style

THE workers at the Willys Motors plant in Toledo, Ohio, have just created a sensation by accepting what is, in effect, a wage reduction of 5 per cent, although it is camouflaged as a conversion from a piece-rate system to the straight hourly wage basis that is now general in the automobile industry. The reduction was sweetened by the promise of a bonus to be paid out of the savings the company expects to make as a result of lower wage costs and increased efficiency. Together it also hopes that these will once more enable it to compete effectively in the industry, something it has not recently managed to do. The wage agreement also guarantees work for 40 hours a week—or a lay-off for a full week, so that unemployment benefit may be drawn—and Willys employees are therefore being congratulated on having obtained the guaranteed wage that is expected to be the objective of other automobile workers when they bargain for a new labour contract next year.

A guaranteed annual wage is the objective of the steel workers this year—their contract expires in June—and the electrical workers have already asked the General Electric Company for it. Both these unions want higher wages as well, but cannot expect to get much of an increase now that the cost of living has levelled off. The fact that sales have also levelled off, or even declined, is to trade unionists no answer to a demand for higher pay, for they argue that the best remedy for falling business is to give the workers more to spend. Their argument for a guaranteed wage follows the same lines: it would maintain buying power and therefore counteract the swings in the business cycle which, employers insist, make it impossible for them to give such guarantees.

What is really meant by a guaranteed wage nowadays, as is made clear by the electrical union's demands, is a promise by the employer to supplement unemployment insurance payments. The General Electric Company is being asked to put 5 per cent of its weekly payroll into a fund from which would be made up the difference between a laid-off worker's normal earnings for a 40-hour week and the amount he receives in unemployment compensation or from another job which pays less than he earned with the company.

Leaden Duty?

FROM A CORRESPONDENT IN COLORADO

THE smelter-stacks are smokeless and the mine-hoists idle at many a small community tucked away in the folds of the Rocky Mountains as a result of the long-continued slump in the mining of lead and zinc, one section of the American economy that has been enduring a depression in the midst of general prosperity. Mine-operators are becoming as critical of the Eisenhower Administration as they ever were of Mr Truman's, although for years they looked forward to the coming of a Republican Administration as a veritable escape from bondage. They attribute their troubles entirely to "foreign competition" and to the alleged failure of the American government to protect American industry. The recent change in the Administration's stockpiling policy—which promises increased purchases of lead and zinc among other metals—was given only a lukewarm reception. Although prices were pushed up by this news, producers regarded it as temporary relief which did not touch the long-term problems of the industry.

Mine-operators are eagerly awaiting the findings of the Tariff Commission, which held hearings on their emergency application for tariff relief last November. In the meanwhile, the same commission has handed to Congress a 550-page report on the domestic lead and zinc industries in answer to a request by the House Ways and Means Committee and the Senate Finance Committee. The report gives an extensive survey of the ills of the industry, but fights shy of making a definite recommendation in favour of higher tariffs or import restrictions, although some such relief is implicit in its findings. While producers are disappointed at the somewhat negative character of the survey, it is probable that the Tariff Commission will be more decisive in its report to the President on behalf of the industry.

Imports of lead and zinc have risen steadily, until last year the United States imported more zinc than it mined—755,000 tons as against 640,000 tons. And for some years (except in 1951 when the US ceiling price was lower than the world price) it has imported more lead than was mined domestically. The two metals are almost invariably found together; their prices slumped early in 1954 to little more than 9 cents a pound for zinc and 12 cents for lead, while operators say that a combined price of 30 cents is about the lowest profitable level for these Rocky Mountain mines.

Foreign competition is by no means the only cause of this trouble. In this field, as in most American nonferrous mining, the cream of the deposits was long ago skimmed off, and the deposits left for exploitation are of progressively lower-grade and harder to get at; imports, generally speaking, come from richer and more virgin deposits in countries still exploiting their "cream." Moreover, this is an industry in which labour is almost completely organized, and the unions have invariably refused to take the cuts in wage-rates that might have allowed the mines to stay open. In most workings the ores contain gold, silver, and copper in addition to lead and zinc. Before and during the last war, gold and silver were profitable enough to provide a

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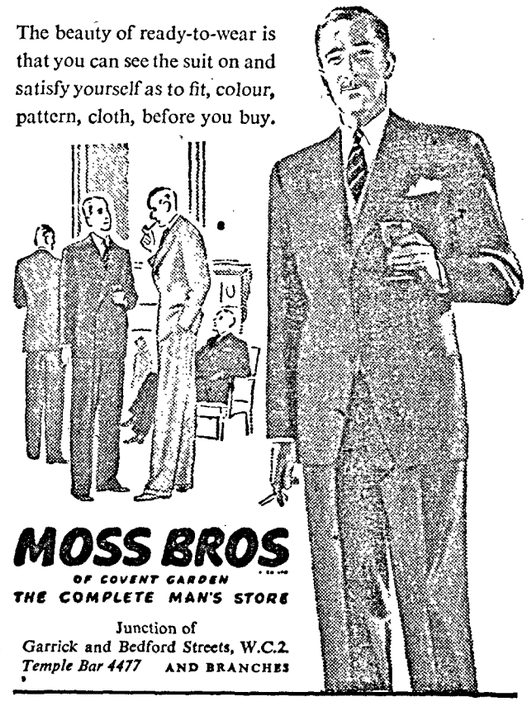

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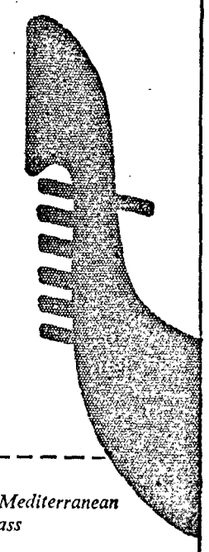

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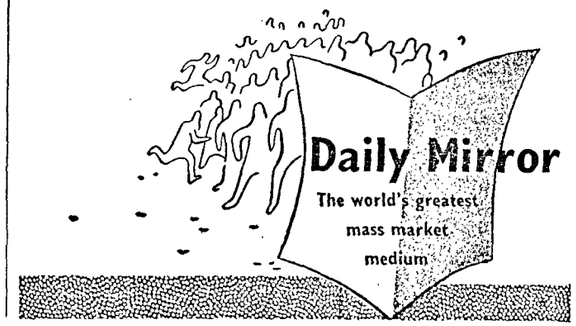
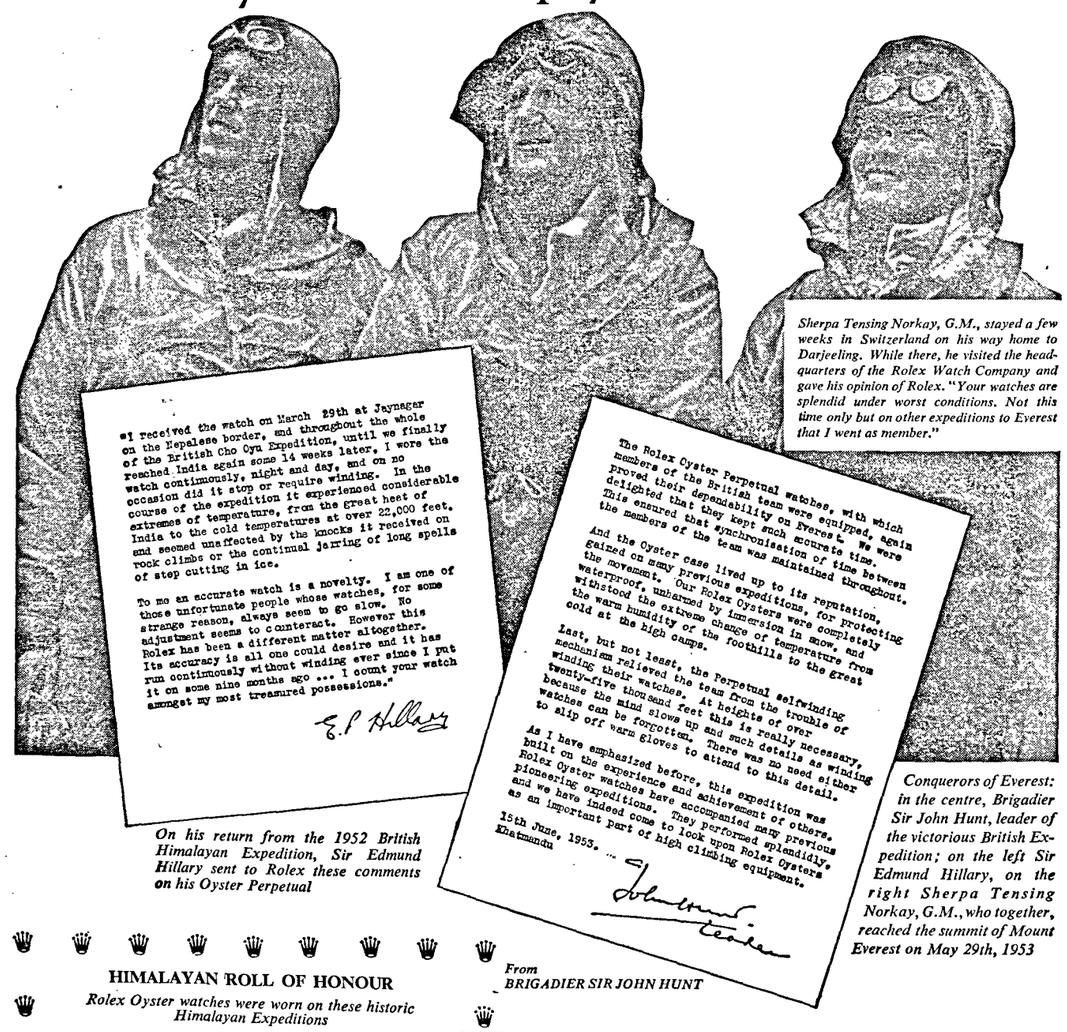


Himalayan climbers pay tribute to Rolex



"I received the watch on March 29th at Jaynagar on the Nepalese border, and throughout the whole of the British Cho Oyu Expedition, until we finally reached India again some 14 weeks later, I wore the watch continuously, night and day, and on no occasion did it stop or require winding. In the course of the expedition it experienced considerable extremes of temperature, from the great heat of India to the cold temperatures at over 22,000 feet, and seemed unaffected by the knocks it received on rock climbs or the continual jarring of long spells of step cutting in ice.

To me an accurate watch is a novelty. I am one of those unfortunate people whose watches, for some strange reason, always seem to go slow. No adjustment seems to counteract. However this Rolex has been a different matter altogether. Its accuracy is all one could desire and it has run continuously without winding ever since I put it on some nine months ago ... I count your watch amongst my most treasured possessions."

E. P. Hillary

On his return from the 1952 British Himalayan Expedition, Sir Edmund Hillary sent to Rolex these comments on his Oyster Perpetual

The Rolex Oyster Perpetual watches, with which members of the British team were equipped, again proved their dependability on Everest. We were delighted that they kept such accurate time. This ensured that synchronisation of time between the members of the team was maintained throughout.

And the Oyster case lived up to its reputation, gained on many previous expeditions, for protecting the movement. Our Rolex Oysters were completely waterproof, unharmed by immersion in snow, and withstood the extreme change of temperature from the warm humidity of the foothills to the great cold at the high camps.

Last, but not least, the Perpetual selfwinding mechanism relieved the team from the trouble of winding their watches. At heights of over twenty-five thousand feet this is really necessary, because the mind slows up and such details as winding watches can be forgotten. There was no need either to slip off warm gloves to attend to this detail.

As I have emphasized before, this expedition was built on the experience and achievement of others. Rolex Oyster watches have accompanied many previous pioneering expeditions. They performed magnificently, and we have indeed come to look upon Rolex Oysters as an important part of high climbing equipment.

15th June, 1953.
Khatmandu

From BRIGADIER SIR JOHN HUNT

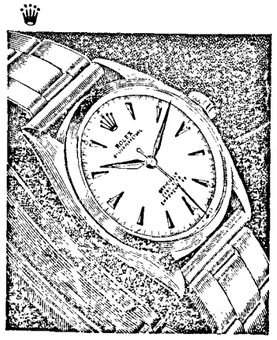
Sherpa Tensing Norkay, G.M., stayed a few weeks in Switzerland on his way home to Darjeeling. While there, he visited the headquarters of the Rolex Watch Company and gave his opinion of Rolex. "Your watches are splendid under worst conditions. Not this time only but on other expeditions to Everest that I went as member."

Conquerors of Everest: in the centre, Brigadier Sir John Hunt, leader of the victorious British Expedition; on the left Sir Edmund Hillary, on the right Sherpa Tensing Norkay, G.M., who together, reached the summit of Mount Everest on May 29th, 1953

HIMALAYAN ROLL OF HONOUR

Rolex Oyster watches were worn on these historic Himalayan Expeditions

1933 British Everest Expedition that reached 28,150 feet
1933 Houston Expedition that flew over Everest for the first time
1934 Expedition to Nanda-Devi—Eric Shipton and W. H. Tilman
1935 British Everest Reconnaissance Expedition led by Eric Shipton
1936 British Everest Expedition led by Hugh Ruttledge
1937 British Reconnaissance Expedition to Shaksgam led by Eric Shipton
1938 British Everest Expedition led by H. W. Tilman
1939 Expedition to Karakoram led by Eric Shipton
1947 Swiss Alpine Club Expedition to Gangotri
1949 Swiss Himalayan Expedition to Garhwal
1952 French Himalayan Expedition to Garhwal
1952 Swiss Alpine Everest Expedition led by Dr. Wyss-Dunant
1952 Swiss Alpine Everest Expedition led by Dr. Chevalley
1952 British Himalayan Expedition led by Eric Shipton
1953 BRITISH EVEREST EXPEDITION LED BY BRIGADIER SIR JOHN HUNT



THE ROLEX OYSTER PERPETUAL that accompanied the victorious British Everest Expedition. Waterproof, self-winding, and a miracle of accuracy, this watch is the highest achievement of the watchmaking industry.

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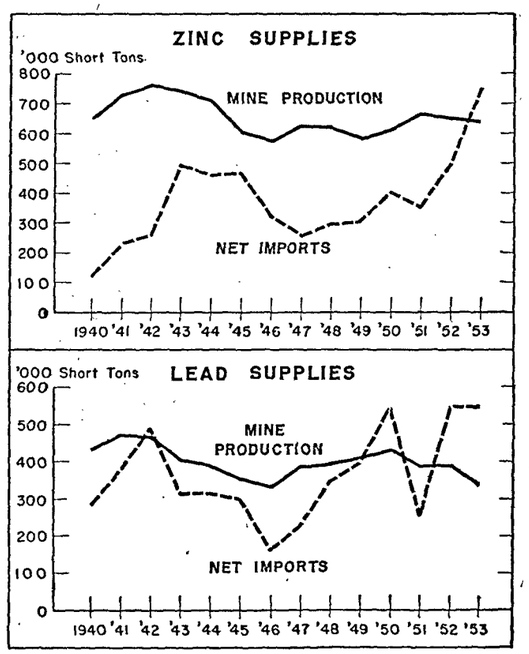
THE ROLEX WATCH COMPANY LIMITED (*H. Wilsdorf, Governing Director*), GENEVA, SWITZERLAND *and* 1 GREEN STREET, MAYFAIR, LONDON, W.1,
and THE AMERICAN ROLEX WATCH CORPORATION, 580 FIFTH AVENUE, NEW YORK

subsidy for the production of the other metals. But as general costs have moved upward, this subsidy has vanished except in the case of ore especially rich in the precious metals.

Of the reality of the depression back in the mountains there is no doubt. The communities grouped around the workings of some of the big mines are entirely dependent on them. When operations shut down, they rapidly become "ghost towns" since there is no other means of subsistence open, save a few opportunities for increased catering to tourists, hunters, fishermen and skiers. The decline in employment between early 1952 and October 1953 was as high as 32 per cent. Many miners have moved "over the hill" and gone to work in the uranium-mining industry which is booming a hundred or so miles away. But despite all the talk of American mobility, large numbers of miners do not want to move; and naturally such migration as there



is only heightens the problems of tradesmen and others in the deserted towns.

Throughout the years since the inauguration of the reciprocal trade policy, tariffs on zinc and lead have slowly moved downward until they are now at levels of 0.6 cents for zinc ores per pound of contained metal and 0.7 cents on the metal itself. For lead they are at 0.75 cents on the ore and approximately 1.06 cents on the metal. Under present law they could be raised by emergency action to 2.55 cents on lead metal, 2.10 cents on zinc metal, and 1.8 cents in each case on the metal content of ores. The industry frankly does not think this is enough, but it is "better than nothing" in the words of Mr Andrew Fletcher, president of St Joseph Lead Company and of the American Institute of Mining and Metallurgical Engineers. The Tariff Commission claims that whether higher tariffs or other import restrictions should be imposed is a question of public policy for Congress to decide. The solution favoured by the mine-operators is a "floating" tariff that would automatically bring American producers a minimum price of about 15 cents a pound for each metal. This would of course protect the American producer at the expense of foreign competitors. In fact Mr Fletcher, previously quoted, expressed dissatisfaction with any solution that did not penalise and cut down what he called "world overproduction."

Clearly the Administration, if it desires to assist the zinc and lead producers, is going to be hard pressed to find a formula which does not run directly counter to its avowed trade policies. The whole issue is bound to receive attention in the coming debates on tariff policies. But it seems unlikely that the present Administration, with its commitments in the field of world trade and its obligation to encourage world production of these two vital nonferrous metals in case of war, will wholly satisfy the demands of the metal producers.

SHORTER NOTES

The appointment of Mrs Eve Bowring, vice-chairman of the Republican party in Nebraska, to the Senate seat recently made vacant by the death of Senator Dwight Griswold restores the Senate political alignment of 47 Republicans, 48 Democrats and 1 Independent, temporarily upset by the loss of the Republican Senator. Mrs Bowring, Nebraska's first woman Senator, regards herself as a "forward-looking Republican" and an Eisenhower supporter; she will not be a candidate for a full term next November.

★

Most of New Jersey's municipalities have voted to legalise within their own borders small-stake gambling in the form of raffles and bingo, a game involving the betting on sequences of numbers, if the game benefits civic, religious or other welfare organisations. Overwhelming approval was given last week in local elections, to minor gambling for charitable causes following the adoption last November of an amendment to the state constitution which permitted such gambling in principle, but left the final decision to local option.

★

Mr Meyer Kestnbaum, a moderate Republican and a friend and supporter of General Eisenhower, has been appointed by the President to succeed Mr Clarence Manion as chairman of the Commission on Inter-Governmental Relations, which is to report on problems involving the federal and state governments. Mr Kestnbaum is also president of a leading clothing manufacturing company, director of the Community Fund of Chicago, and chairman of the businessmen's national Committee for Economic Development; but he should be able to devote more attention to the study of federal-state relations than did Mr Manion, who spent most of his time campaigning for the Bricker Amendment.

The World Overseas

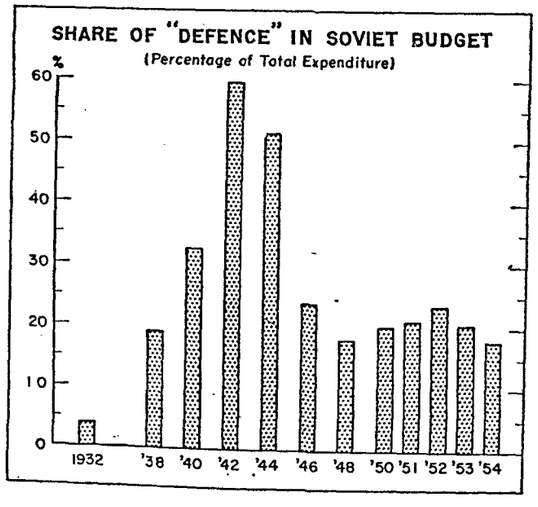
Secrets of the Soviet Budget

ARSENI ZVEREV, the Soviet finance minister, has now presented his second post-Stalin budget, but the financial picture of Russia's "new look" is still far from clear. For the current year revenue is estimated at 572,500 million roubles and revenue at 562,800 million roubles, leaving a reduced surplus of about 10,000 million roubles; there are, however, many gaps in this balance sheet. Indeed, Zverev was even more secretive this time than he had been last autumn. He produced almost no details of last year's actual accounts, thus leaving the puzzle of the unaccounted items unsolved; and unspecified items loom larger in this year's statement. Zverev keeps so many cards hidden that caution is advisable in assessing his game.

Suspicion is naturally most lively in relation to defence. The main feature of budgeting since Stalin's death has been the reduced share of expenditure on defence, that is, on the actual upkeep of the armed forces and their direct supplies. This year admitted expenditure on defence is reduced by a further 10,000 million roubles and its share of total expenditure has fallen to less than 18 per cent. But can one be sure that the cut in Soviet arms spending is genuine, as long as a big part of the budget remains shrouded *in mystery*? It has been argued that atomic and hydrogen bomb plants are controlled by and financed through the "security services," whose accounts are camouflaged in the unspecified parts of the budget. Thus what would be cut in the open may well have been more than offset under cover. This argument was more valid last year, when the unexplained items suddenly doubled, than in the current one, when they are swollen in roughly the same proportion as total expenditure.

A cut in direct Soviet spending on defence is quite possible. It could be justified not only by the needs of the other branches of the economy but by changes in Soviet strategic thinking, not dissimilar to those imposed on the West by the atomic age. The Russians may no longer think that the piling up of conventional weapons or even the maintenance of a swollen army are indispensable. The installation of new armaments plants would, in any case, come under "grants to the national economy," while much atomic research and preparation may well be labelled higher education. All the chief spokesmen in this budgetary debate insisted on the fact that the Red Army is getting the latest atomic and hydrogen weapons, while Malenkov made it plain that Soviet scientists work for defence as well as for peaceful purposes. In the circumstances, a cut in the standing army and in conventional armaments may well have been approved by the Kremlin.

In the long run economic potential is more important than the actual stockpile, and investment in the national economy is the main beneficiary of this apparent cut in direct defence expenditure. This has made possible the stepping up of grants both to agriculture and consumer goods industries, though heavy industry is still at the head of the priority list. The share of social services is scarcely changed at all, while expenditure on administration is undisclosed. The uncertainty is probably the result of the amalgamation and then deconcentration which have followed Stalin's death, though great stress has been put on the need to prune staff and eliminate bureaucratic waste.



On the revenue side, the uncharted territory now accounts for nearly one-third of the total. In the open accounts there has been a further switch from turnover tax—a purchase tax levied primarily on consumer goods—to profits taxes which are deducted from profits of State enterprises. This is a logical sequel of the progressive reduction of prices of consumer goods. The share of direct taxes and state loans has declined still further. But Zverev has failed to reveal from where he will get the other funds for his budget, and many a finance minister must look with envy at a colleague who can withhold so much information from the scrutiny of the deputies and the public.

Linking the turnover tax with the estimated "saving" from price cuts, it is possible to get a rough yardstick of expected consumption. According to these calculations, based on official figures, Soviet consumption rose by about 10 per cent last year but is expected to increase by less than 6 per cent in the current one. In other words, the unprecedented gifts to the consumers after Stalin's death will not be repeated on the same scale; stocks probably cannot be run down much further. True, output of consumer goods is rising, and the plan in this sphere is apparently to be achieved in the current year, twelve months ahead of schedule. Yet in almost all the speeches during the debate it was possible to detect an emphasis on the primary importance of heavy industry slightly more pronounced than in recent months. Basic production continues to advance with great strides. According to Malenkov, in the current year steel production should reach 41.2 million tons, coal extraction 345 million tons and electricity generation about 157,000 million kWh. The Kremlin cannot afford any slowing down of its huge economic machine, and pains have been taken to emphasise that further benefits to the consumer will have to come largely out of increased productivity.

THE SOVIET BUDGET
('000 million roubles)

	1953 Est.	Per cent.	1953 actual	Per cent.	1954 Est.	Per cent.
Revenue:						
Turnover tax	240·4	44·2	...	...	234·4	40·9
Profits tax	80·6	14·8	...	...	92·8	16·2
Direct taxes	46·1	8·5	...	...	45·7	8·0
State loans	16·7	3·1	...	...	16·4	2·9
Other revenue	159·7	29·3	...	...	183·2	32·0
TOTAL	544·3	100·0	539·7	100·0	572·5	100·0
Expenditure:						
Grants to national economy	192·5	36·3	180·6	35·1	216·3	38·4
Social and cultural services	129·8	24·5	128·5	25·0	141·3	25·1
Defence	110·2	20·8	...	...	100·3	17·8
Administration & Justice	14·3	2·7	...	... }	104·9	18·6
Other expenditure	83·7	15·8	...	... }		
TOTAL	530·5	100·0	514·8	100·0	562·8	100·0

India and the Foreign Settlements

FROM OUR BOMBAY CORRESPONDENT

INDIANS usually refer to the French and Portuguese possessions on their coasts as "pimples"—*tiny, but painful.* India has 300 districts; all the "pimples" put together are smaller than one district; and the 320,000 people of the French possessions, the 624,000 of the Portuguese, together equal only a quarter of the population of the city of Bombay. The pimples are also of small value to their present owners. The French have to subsidise Pondicherry, the Portuguese have to pay for most of the troops they keep in Goa. They provide a handful of jobs for Frenchmen and Portuguese, a few Indian subordinates for other French and Portuguese colonies; that is all. Even to India their economic value is limited if not actually negative. Marmagoa, as a port in Indian hands, might relieve Bombay; Goa's iron and manganese ore would provide foreign exchange. But at present these settlements are nests of smugglers and bootleggers. Bombay, Madras and Saurashtra, the states in which they are situated, all have prohibition; the settlements all have cheap drink and no restrictions. India has severe import controls and an absolute ban on gold and diamonds; Pondicherry is a free port, Goa is full of English chocolates, Japanese fountain pens, American stockings, Swiss textiles, French perfumes, and whisky. Pondicherry swarms with Belgian and Dutch diamond merchants, Goa with Gulf Arabs bringing gold. Nobody quite knows what the Indian revenues lose because of the settlements (one semi-official estimate puts gold smuggling alone at £30 million, though this is certainly too high) but it is probably not less than the whole revenue of Assam and Orissa.

Not merely is the Indian government defrauded of its revenues, and crime made easier for its citizens, but in the process a large vested interest in the *status quo* is built up in the pimples. The hooligans who disperse pro-merger processions in Pondicherry belong to smuggling gangs; the businessmen who support Portugal in Goa do so because there they avoid Indian income tax (Goa has no income tax) or make money out of running gold.

Will They Go Quietly?

To Indians there can be no other reason for supporting France or Portugal. The possessions are parts of metropolitan France or Portugal, but their inhabitants are neither French nor Portuguese, and only a tiny fraction understand either language; the vast majority speak Tamil, Malayalam, Gujerati or Konkani, exactly like their Indian neighbours. Goa's superfluous educated go to India, not Portugal, to earn a living. A few squares of Nova Goa are reminiscent of Mediterranean Europe, the bars of Pondicherry have a French nostalgia; that is all. Even in religion, a bare majority in Goa and a vast majority in Pondicherry are Hindus, not Catholics.

To Indians, therefore, Goa and Pondicherry are simply *terrae irredentae;* bits of India that were lost during the period when India itself was under colonial rule and which should now come back to the motherland. The issue, to them, is too obvious even for the niceties of a referendum. If the much more important British left without, so can the French and the Portuguese. The only question is whether they will go graciously like the British, or have to be kicked out.

Hitherto the Indian government has been patient. It permitted French and Portuguese officials and even police to cross its territory; it let the settlements use the rupee as their currency although that greatly facilitates smuggling, it was lax in its control of the frontier. It has only just now insisted on visas and identity cards for French Indians coming to India, it has not put any restrictions on French or Portuguese Indians getting jobs in India or remitting money, and until recently it has permitted essential supplies to go in freely, although a real economic blockade would make it quite impossible for such tiny enclaves as Portuguese Daman (82 square miles, 60,000 people) or French Yanam (5½ square miles, 5,700 people) to function.

But now the government's hand is being forced in two ways: by the popular movement in French India, which took it by surprise, and by the intransigence of Dr Salazar.

The French Indian movement is led by the very men, notably M. Goubert, on whom the French have relied for their support all these years, and through whom they won the last French Indian elections. The other French Indian leaders have been pro-Indian all the time. The Indian public have, therefore, grown impatient. They consider the present upsurge under this leadership final proof of French Indian preferences, and regard the demand for a referendum as proof of French bad faith. The French Indian police, they feel, cannot be trusted not to be heavy handed in the hope of perpetuating their privileged position and their stake in smuggling, and no Indian believes that a referendum could be fair so long as they remain. It is, therefore, only at the cost of giving a valuable talking point to the Communists that Mr Nehru has been able to stand firm against taking over the villages "liberated" by M. Goubert and his friends.

Poisonous Pimples

Dr Salazar's intransigence undermines Mr Nehru's position more seriously still. So long as Portugal will not even consider negotiations, India must be pushed slowly towards more and more active steps, especially since it is a constant Communist and fellow-travelling cry that Goa is being turned into an American base and that the new airport that is being built there is intended one day to carry American hydrogen-bombers. The untruth of these allegations does not prevent their being widely believed.

By thus making Mr Nehru perpetually vulnerable to Communist outcries, the pimples poison India's own blood stream; they also help to poison India's relations with the West. Mr Nehru is constantly reproved for failing to understand the totalitarian menace of Communism; yet the only place where Indians actually live under a police state is Goa, and none of Portugal's Atlantic allies uttered a word of protest when, for example, a Goan surgeon was deported to Lisbon for a nationalist remark made at a private tea party. In India the names of Dupleix and Vasco da Gama arouse the same sort of memories as Cromwell's in the Irish Republic.

Anglo-Germans Confer

FROM OUR SPECIAL CORRESPONDENT

ANGLO-GERMAN gatherings tend to be occasions at which the Germans ask no questions about British or world affairs, but give the English a one-sided battering on German grievances. The conference of the German-English Association at Königswinter last week end was a happy exception, as information was exchanged and the affairs of Asia as well as Germany were discussed. Of the four study groups, two dealt with Asian matters, in connection with the Geneva Conference and the proposed South East Asian defence pact. It was, indeed, one of the best results of the meetings that Germans learnt some of the favourable points about British rule in India and the unpleasant facts of Pandit Nehru's neutrality. The Germans, who were inclined to condemn the French in Indo-China for fighting a "colonial war," were given good reasons for thinking the West must stem the tide of Communism. In economic and technical aid, it was generally agreed that they must play a part; but the question whether they would ever fight for the West in Asia was left discreetly alone.

Königswinter gave hope for a future federal West European parliament, because it showed that divisions of opinion tend to run along party, rather than national, lines. Twenty-five British MPs from both sides of the House and a number of German politicians were in attendance. The Germans may be forgiven if they concluded that Labour has no more Bevins, and that public school intellectuals—speaking rather better German than the Conservatives—are the only spokesmen of the British working man.

Mr Richard Crossman, MP, firing from the hip at Herr von Brentano, Dr Adenauer's representative, put the German demands for reunion much more clearly and more positively than the German socialists. On the other hand, many Germans, notably Dr Tillmans, a Berlin Christian-Democrat member of the *Bundestag*, were as factual, quiet and good-humoured exponents of the case for western integration as the best of British Conservatives. And Herr Abs, West Germany's most able banker, could not have been bettered for wit, charm and national modesty in his short speech on Germany's conflict with Britain in the European Payments Union. Germans, he remarked, show incredible patience as debtors; would it not be a good thing for them to show some of the same patience as creditors?

A Coalition of Armies

After Königswinter there is no longer any excuse for the British Labour Party to think that the German Social-Democrat leaders are against rearmament, *tout court*. Herr Ollenhauer made it plain that the SPD is only against the European Defence Community. The party is "for a coalition and against integration." The SPD has two policies, one for the period before reunion with the Soviet Zone and the other for the period after that distant day. For the first period the party proposes that, instead of the EDC, there should be a coalition of armies, including Germany, Britain and Scandinavia. Whether it would be attached in any way to Nato or form a Third Force no one could find out from Herr Ollenhauer. After German reunion, the SPD has an even more nebulous proposal that Germany should take part in a world-wide security system (of the world against Mars?). Germany would be a member of the United Nations, and its national army would be no danger to the world, it seems, because it would be "under the control of Uno."

The test of all proposals for east-west security systems, whether they come from the German Socialist leaders, from Mr Molotov, Sir Winston Churchill or Mr Crossman, is whether they mean maintaining or breaking the British and West European alliance with America. Before approving or rejecting any of them, the question must be asked—is Nato a temporary expedient to face a danger that no longer exists or a permanent institution? Few of the German members of the Königswinter gathering seemed to grasp this point, though it emerged quite clearly from another proposal put forward by a British Socialist group against the protest of others from London. This suggestion was that, after German reunion with the Soviet Zone, the Russians should be told that, in return for free elections in the European Soviet satellites, Britain and the West European states would clear their territories of American bases. It is hard to say how Mr Bevan and British rank-and-file opponents of German rearmament would like this proposal. It would mean that Britain would exchange its alliance with America for one with a German national army that would be the strongest on the continent except for the Soviet forces—in return for a promise that the Russians made once before to President Roosevelt and the British Prime Minister. In comparison with this idea, Mr Crossman's interim proposal that the Russians should at once be asked to agree to an "Austrian solution" for Germany sounded practical.

Mr Molotov came off well at Königswinter in contrast to Mr Eden. The British and German Socialists effectively based their arguments on a distorted version of what happened at the Berlin conference. Here they are in the company of German nationalists. The field was left clear for opponents of the British and German governments to declare that the western side at Berlin put up maximum conditions on which they did not negotiate because they wanted German rearmament to begin. Mr Molotov, it was implied against all the evidence, would have exchanged abandonment of EDC for free elections, and showed readiness to compromise. Journalists and historians may well ponder sorrowfully on this twisting of recent facts.

Dollars for the Coal-Steel Community

WHEN the Common Assembly of the European Coal and Steel Community meets on May 11th in Strasbourg for its regular annual session, M. Monnet, the president of the High Authority, will be able to report the successful conclusion of his negotiations for an American loan. The $100 million loan to the Community will, according to the agreement signed in Washington on April 23rd by the United States government and the High Authority, run for 25 years, bear interest of 3⅞ per cent, and be repaid in 22 equal instalments beginning with the fourth year.

At a time when foreign assistance, particularly to Europe, is being cut down wherever possible and there is great political pressure to reduce government expenditures, the granting of a loan of these proportions is a testimonial to the negotiating skill of M. Monnet. What is more important, it is also another indication of the widespread Congressional and popular American support for and belief in the idea of European unity. Although the loan which has just been granted required no new Congressional approval, since the money will be found from funds already appropriated, the President, the Senate Foreign Relations Committee and the House Foreign Affairs Committee all went on record last June as favouring a loan to the Community. Their support was clearly based on the fact that, as President Eisenhower wrote at the time, such a loan "would foster European integration in a tangible and useful way." The need to modernise and develop the production of coal, coke and iron ore, and thus to increase coal production and reduce the cost of steel production, is unquestioned. But the communiqué makes clear that the loan is essentially a vote of confidence in the Community of Six rather than a loan to assist production.

A government loan simply to boost coal production from its current levels or to improve the competitive position of European steel would not, presumably, have had priority over various competing claims for the limited foreign assistance funds. Nor would it have attracted much public support. In announcing even this essentially political loan certain reassurances were given to American industry. On the one hand, the United States government stated that it was consulting with certain of the governments that are members of the Coal and Steel Community for the removal of quota restrictions maintained on the import of United States coal; on the other, the High Authority confirmed that nothing in the treaty would preclude the removal of the quotas.

More Investment to Come

The most tantalising part of the communiqué, and potentially the more important, is the information that the United States government and the High Authority are continuing negotiations with a view to finding "new means" by which private capital both in the United States and in Europe can be mobilised for investment in Europe's basic industries. M. Monnet, in outlining his views on the investment needs of the Community to a special session of the Common Assembly in January, emphasised the need for reducing the current dependence of the coal and steel industries on short-term bank loans carrying high-interest rates. M. Monnet, by using the American money to make long-term, low-interest loans, and perhaps to guarantee other loans, may make some impact on the European capital market, but hardly on the scale required. Perhaps the "continuing negotiations" will lead to something more far-reaching. However, regardless of further developments, the pleasant sound of $100 million jingling in his pocket should strengthen M. Monnet's hand in his inevitable tussles with the cartels, and boost the prestige of the Coal and Steel Community at a critical time.

Worries for Kuwait

FROM OUR SPECIAL CORRESPONDENT

WITHIN the last three years, Kuwait's name has become a synonym for coming into a fortune. During the last two of them, its wealth has been converted at breath-taking speed into state services, and Kuwait town has experienced a boom that has almost doubled its population and filled it with strangers, both Moslem and infidel. Now, suddenly, that boom is halted and a pause for breath has been ordained. Some of the Persian Gulf's roaming labour force has left for home with its takings; some is hanging round in hopes of more jobs. This summer, therefore, will be a time of readjustment, and perhaps of some discomfort for anyone who had begun to take boom conditions for granted. All the signs are that they will recur, though never at quite the pace of 1952-53.

The Sheikh of Kuwait is his own master. The British protection which a predecessor first sought in 1897 as a bulwark against pressure by a big neighbour—at the time, Turkey—has never been irksome. There was no interference with Kuwait's internal affairs, and it was therefore to British experts that the Sheikh turned as soon as develop-

ment on a large scale began to grow too complicated for the old-fashioned machinery of personal rule. He installed ministries, all held, naturally, by members of the ruling family, and attached British experts to some of them. These gave him one piece of advice that has subsequently been criticised, but has presented Kuwait with quite as many advantages as drawbacks. They recommended that he should entrust construction of the major public utilities to five first-class British contractors, each working on a cost plus basis and each taking a Kuwaiti partner with whom the profit was equally shared. The advantages of the arrangement over that of hard price tenders open to competition were that it offered a guarantee of high quality in the way of workmanship and materials ; that it caused a boom in Kuwait bazaar because contractors who were not pinned to a price tended to buy their requirements there instead of seeking them in cheaper markets ; and that it limited the influx of foreigners into a town that was, and still is, sadly short of accommodation. The drawbacks were costs that mounted unduly through lack of limitation, the heartburnings the scheme caused among all leading Kuwaitis who were not "Big Five partners," and the bad

name it earned for Britain, which was regarded by all Middle Eastern contractors as exercising a dog-in-the-manger grip upon Kuwait.

The system was abandoned last year, but some of its virtues are apparent now that there are thirty and forty tenders for every job. Execution is fraught with delays, and there are temptations to commission work that is cheap and may be poor. Commissioning on the old basis, Kuwait has acquired thirty-nine first-class schools, many of them æsthetically beautiful, the best state hospital and sanatorium for hundreds of miles in any direction, a sea-water distillation plant that provides the first local sweet water in its history, a 30,000 kw power station the first unit of which should open in August, and roads in and just outside the town which endow it with traffic blocks and a rush hour.

Kuwait state publishes no accounts, but it is clear that in both 1952 and 1953 public expenditure was greater than had been estimated. Ministries had vied with one another not only in budgeting for, but in spending their new wealth. When, early this year, one estimate tendered for a deep water port greatly exceeded expectations (it also exceeded the estimates of lesser-known and more optimistic contractors) the Sheikh and his Minister of Development came to the conclusion that too much was being spent. They therefore drew in their horns and summarily called off all but the most urgent jobs in hand. In a state with Kuwait's original social pattern, such an edict would have been accepted without question ; time will show whether it is prudent to turn workers on and off like a tap once they include some men with twentieth-century standards.

Twenty-five miles to the south of the town, the present oilfields—source of all the wealth—seem primly remote from the hurly burly: workers go home only at weekends, if then. When next the oil company breaks new ground, it is said that it will do so to the north of Kuwait Bay, in the area adjoining Iraq. Just to the far side of that frontier, Iraq's Basra Petroleum Company is concentrating its efforts on some deep wells from which it is getting oil of excellent quality ; the same may be available on the Kuwaiti side of the line. Once the Kuwait Oil Company is operating both to north and south of Kuwait town, its life is likely to become more integrated with that of the townsman. Such a development might shake the company's even tenor but would lend a much needed element of stability to the town's ups-a-daisy working life.

A Powerful Neighbour

The newest source of oil that is actually in production is in the Neutral Zone to the south of the territory—an area originally delineated by treaty in 1922, and in which, as the outcome of that old agreement, the Sheikh of Kuwait shares an " undivided half interest " with the King of Saudi Arabia both as to sovereignty and as to oil. The Saudi share of the zone used to be part of the concession of the Arabian American Oil Company, but was exchanged by it for some undersea rights by a deal done with King Ibn Saud in 1948. Subsequently, the King sold his half share of the rights to the Pacific Western Oil Company. The concessionnaire in the Kuwaiti share of the Neutral Zone is the American Independent Oil Company. The latter, after drilling five dry holes, struck oil at Wafra in March, 1953—a field which is at present yielding about 10,000 barrels per day, and from which the oil is exported by means of a small pipe to a point in Kuwait proper a few miles south of the busy K.O.C. jetty at Mina al Ahmadi. The two oil companies also share an " undivided half interest" in the zone, and half of the oil so exported therefore belongs to Pacific Western.

Last month, when King Saud visited Kuwait on his way home from his Arab tour, he visited the Neutral Zone and expressed the desire that Pacific Western—his protegé—should have a pipe of its own. This is due to reach the sea at Ras al Zor in the Neutral Zone, not far from the Kuwait border. In a zone that is unrelieved desert, and in which under 300 workers are at present employed, political complications have been dormant up to date. But they may well arise if production expands, and it becomes necessary to decide which ruler is going to police, tax and otherwise take responsibility for which area. Not for the first time, the Kuwaitis may feel the weight of a more powerful neighbour.

Meantime, their preoccupations are elsewhere. When are they to resume their programme of social advancement ? Of outstanding items on their agenda, the most important is a channel for sweet water (of which they now have none that is not artificially and expensively distilled) to be driven

to Kuwait from the Shatt-al-Arab. Negotiations with Iraq on this topic have been satisfactory and prospecting is already under way. Other developments that need attention are housing and sewage ; there is plenty to do, and there will be the money with which to do it, if they get their second wind after the heat of their scorching summer is over.

Peru Shortens Sail

ONE of the world's strangest *tableaux vivants* relaxed last month from the frozen posture it had maintained for over five years. The famous case of Señor Haya de la Torre, which had repeatedly perplexed the International Court, was solved—at least as regards its legal aspects. Since January, 1949, Sr Haya, the leader of Peru's outlawed left-wing *Aprista* party, had been cooped up in the Colombian embassy in Lima, where he had sought sanctuary much as pursued men fled to church altars in the Middle Ages. The government of General Odria respected the embassy's diplomatic immunity, but ringed it with troops and searchlights to prevent the escape of its arch-enemy ; and only after sixty-three months of wrangling has Sr Haya been allowed to go into exile in Mexico.

Does President Odria's action reflect his increased confidence, or his realisation of the need to end a deadlock that was harming Peru's international relations ? Peru has undoubtedly good reason to end its long quarrel with Colombia. General Perón's long arm has been reaching northwards from Argentina in recent months; it has embraced Ecuador and touched Colombia, and Peru, like Brazil, has seen the danger and looked around for means of checking it. But in letting Sr Haya go, President Odria must be aware of the new risks he is running. The big landowners and big businessmen of Peru, who are implacably opposed to the *Aprista* policies of social reform, have more than once threatened to withdraw their support from the government if it lets Sr Haya escape. President Odria's introduction of a fairly large social security system and other social legislation has angered the diehard industrialists in the coastal cities; and it is reported that some of them, together with *nouveaux riches* who have prospered under the present regime but resent the airs of the older aristocracy, see a possible champion in General Zenon Noriega, the President's chief minister, who is not without supporters in the army itself.

Divided Exiles

Moreover, now that Sr Haya is in a better position to direct his own party from abroad, he may heal some of the rifts among the *Apristas*. They have been indulging in a complex faction fight. Of those in exile, some have flirted with Perón, some with the Communists. The party members inside Peru have also split ; the extremists, whose abortive *putsch* in late 1948 precipitated General Odria's seizure of power, still plan revolution and the liquidation of the old ruling class, while more moderate *Apristas* have concentrated on trade union work and tried not only to earn the government's toleration but also to make the unions more independent of their own party, with an eye to the long-term future. Again, while some *Apristas* have reverted to Sr Haya's early hostility to the United States, others hold to the policy of " inter-Americanism without imperialism " which their leader adopted during the war, and declare themselves wholly on the side of the West in the cold war.

Rifts on the right, a new unity among the *Apristas*, and, moreover, the contagion of the recent social upheavals in Bolivia, where the Indians have been given land and a new status, could together present the Odria government with serious problems. Yet the president seems quietly confident. He has shown himself more than a fair weather pilot. The booming prosperity which Peru enjoyed two years ago has now faded, and the ambitious mood of those days, which led the government to embark on heavy expenditure for public works and long-term development, has faded with it. Both the demand for and the prices of Peru's main exports have fallen considerably from their " Korea " peak, and output of petroleum has failed to live up to the exaggerated hopes of 1950. Heavy state spending meanwhile led to currency inflation and a sharp increase in the cost of living. In 1953 Peru's external trade deficit grew to $72 million, against $50 million in 1952 ; and although the inflow of foreign capital filled much of the gap, the Central Bank's reserves fell from $56 to $53 million—enough to cover only two months' imports. The sol, which had held steady at an exchange rate of about 15 to the US dollar from 1949 to 1952, fell to 22 in January of this year.

Holding the Trade Door Open

The government has, however, shown few signs of alarm. Indeed, as the trade gap widened some observers have grown anxious about its dogged pursuit of free trade and free exchanges. Last autumn the Finance Minister announced that this basic policy would not be abandoned ; but at the same time some corrective measures were applied. Public works were curtailed, and credit tightened ; but the door was still held firmly open to foreign trade, the only restriction imposed being a temporary reduction in the importing of cars, distributors of which were already overstocked.

In a frank and exhaustive economic report to the nation which he broadcast at the end of February, President Odria publicly recognised the need for a big reduction in governmental spending and for a firm limitation of credit and currency circulation. He declared his main purpose to be " to re-establish normality in our foreign exchange market and confidence in our currency." He added that the $30 million fund created in February, with American and International Monetary Fund help, to stabilise the sol, would not be used to maintain an artificial rate of exchange.

By March the sol had regained a value of 19 to the dollar, or 53 to the pound. Most businessmen now feel that the president will be as good as his word ; and, apart from those with a vested interest in the former swollen public works programme, they welcome a degree of retrenchment that could ease the trade problem by restoring the sol to a steady rate. If the government shortens sail on the lines President Odria has indicated, good grounds for confidence as to the economic prospect will exist. The cotton and sugar crop position is healthy ; the public and private money spent on new irrigation projects during the boom years is now bearing fruit ; the oil fields, although offering no spectacular possibilities, still hold out hopes that within a few years Peru could be exporting well over five million tons of oil annually. The

diversity of the country's resources—in addition to its crops, it exports lead, copper and zinc in quantity, possesses rich iron ore deposits and is a major source of vanadium and bismuth—gives Peru an advantage over those of its neighbours who depend on one main export commodity. These natural endowments, together with Peru's present reputation for paying its bills, and the absence of the restrictions on trade and exchange that are so maddening in some Latin American countries, make it a market well worth the closer attention of British and other traders.

Journal of Geneva

APRIL 26th. All went smoothly on this, the first day of the Geneva conference. In the morning Mr Eden visited Mr Molotov and obtained his agreement to a proposal that the chair should be occupied in turn by Siam, Britain and the Soviet Union. Accordingly, when the conference opened in the afternoon, the Siamese foreign minister, Prince Wan Narathup, presided. Prince Wan made some announcements on procedure, one of them being that observers from governments not taking part in the conference would be excluded (Eastern Germany is one of the countries that have sent such observers). This first formal session lasted only half an hour.

The four sponsoring powers were to meet later in the day to discuss which countries should be invited to Geneva for the talks on Indo-China. At the last minute, however, Mr Molotov held back, presumably because a meeting of the four would prejudice China's claim to rank with them.

M. Bidault issued an appeal to the Vietminh to allow the evacuation of wounded from Dien Bien Phu, recalling that the Franco-Vietnamese forces had previously granted a short cease-fire to enable the Communists to remove their own casualties.

April 27th. In the morning, M. Bidault saw Mr Molotov and proposed that the three Associated States of Indo-China, Vietnam, Laos and Cambodia, be invited to Geneva. Mr Molotov said that the Vietminh must be represented; he also raised the question of inviting to the Indo-China talks four or five other nations such as India, Burma, Siam, Indonesia and Australia.

Mr Dulles then called on Mr Molotov and discussed Mr Eisenhower's proposals for an international atomic pool.

Mr Molotov took the chair at the meeting of the full conference. The South Korean foreign minister, Pyun Yung Tai, spoke first, and showed a calm mood that surprised many delegates. He argued that no new elections in South Korea were needed, but that free elections should be held in the North. It would not be right for the United Nations, which had sent troops to Korea to resist aggression, to withdraw them at the same time as the Chinese; that would be like "a burglar dropping his weapon on condition that the policeman is disarmed simultaneously." He appealed to China to resume its traditionally peaceful attitude to Korea.

The North Korean foreign minister, General Nam Il, presented a set of written proposals, which may be summarised as calling for:

1. All-Korea elections, for a new assembly which should form a single government, to be supervised by a commission jointly appointed by the existing assemblies of South and North. The commission should ensure that the elections were democratic and free of foreign influence or terrorism, and should secure freedom of assembly and of the press.

2. The commission should also take immediate steps to link North and South Korea in such matters as trade, finance, and freedom of movement.

3. All foreign troops to be withdrawn from Korea within six months.

4. "The need shall be recognised to ensure the peaceful development of Korea on the part of the appropriate states most interested in the preservation of peace in the Far East and thus to create conditions facilitating the early solution of the task of Korea's peaceful unification. . . ."

Nam Il did not enlarge on this last cryptic point. The only other speaker at the conference was Dr Zuleta Angel, the Colombian foreign minister, who argued that only UN supervision could ensure genuinely free elections. A Chinese spokesman told a press conference in the evening that this was unreasonable because the United Nations had been a belligerent.

April 28th. M. Bidault, Mr Eden and Mr Dulles met in the morning to discuss invitations to the Indo-China talks, and M. Bidault then saw Mr Molotov on the same question. When M. Bidault asked Mr Molotov about the evacuation of wounded from Dien Bien Phu, Mr Molotov said he could not intervene, and suggested that Vietminh representatives should come to Geneva to discuss the matter.

Mr Eden presided when the conference met. Mr Dulles spoke first. He rejected Nam Il's proposals, particularly in their equating of North Korea, which held only a quarter of the Koreans, with the South. Nam Il had also sought to exclude the United Nations from supervising elections. America did not want to keep troops in Korea indefinitely, but it had withdrawn them too soon once before and seen the consequences. The UN forces had to withdraw to a great distance, the Chinese only across the frontier. Not only Korea, but the authority of Uno was at stake. The UN efforts to unify Korea had been blocked by the Communists since 1947. No new plan for Korea was needed; a solution already existed in the UN resolution of October, 1950, which created a commission to observe free elections in the North. The commission should now be allowed to proceed with its work, and this meant the withdrawal of the Chinese army.

Chou En-lai on Germany

Chou En-lai, the Chinese foreign minister, who spoke next, raised several issues unconnected with Korea. The rearming of Western Germany, he said, must be prevented, weapons of mass destruction prohibited, and European security organised on the lines of Mr Molotov's proposals at Berlin. China could not tolerate the "occupation" of Formosa by the United States. Japanese "militarism" must be checked. All foreign troops and bases must be withdrawn from Asia, which wanted peace and freedom; but the United States was creating, in the Pacific pact, an aggressive bloc to spread war over and enslave all Asia. All Asian countries should safeguard peace by assuming mutual obligations towards each other.

As to Korea, China did not admit that the question of prisoners of war had been solved; the conference should settle this problem. Chou supported Nam Il's proposals, and rejected all that Mr Dulles had just said.

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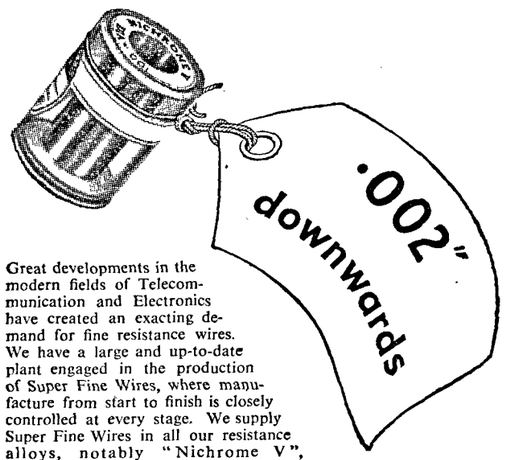

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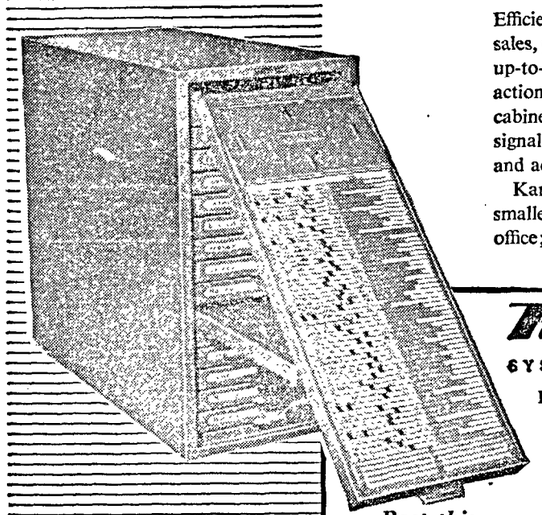

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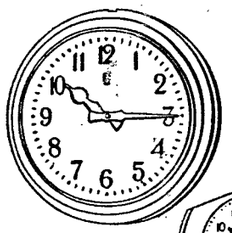

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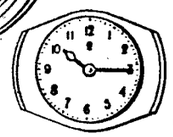

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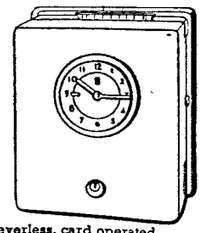

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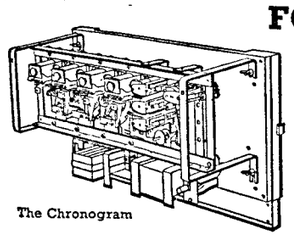

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THE BUSINESS WORLD

Profits from the Liners

DEMAND for British shipping, which fell precipitately during 1952 at the end of the Korean boom, showed no recovery last year, while shipowners gained little respite from the upward trend of operating costs. Some fall in shipping profits, therefore, was inevitable; and the latest batch of results from the leading liner companies show that the decline was general, if not quite universal, affecting this more stable end of the shipping market as well as tankers and tramps. The big liner companies have still been able to earn a living, but the decline in their earnings has focused new attention upon their operating economies and their particular problems of replacing ageing tonnage.

Liners total about 8 million tons gross and make up half the tonnage of the British merchant fleet; they run on regular schedules, concentrating on regular business, and spreading their risks between passengers and freight. Hence they are less vulnerable to sharp fluctuations in shipping business than tramps and those tankers employed on single voyage charters—though much more vulnerable than the tankers and ore-carriers that may be chartered for seven to ten years' work sometimes even before the promoter raises the money to build. Through their different conferences, the liner companies can hold their freight rates much steadier than the rates settled for tramp shipping on the Baltic. Since the war they have been augmenting their tonnage and sailings by taking a large number of tramps on time charter, and some of the charters fixed in 1951 and 1952, before the collapse in rates, involved some of the companies in extremely unprofitable contracts; but most of these expensive charters have probably been worked off now.

Liners have, therefore, come through the last two years of declining activity better than the tramps. Against the doleful curve of the tramp freight index, the conference freight rates have been relatively firm. In certain trades there has been distinct rate cutting, particularly by foreign shipowners, and a number of the conferences have been compelled to concede lower rates for shippers, for example in the West African and Australian trades. Part cargoes, rather than full holds, are becoming more frequent in most trades; but this lower volume of trade has at least reduced congestion and improved turn-round in port.

Such indications as exist of the trend of passenger business on British liners are not altogether reassuring. Last year the number of people travelling to and from Britain rose by 5 per cent, to about 7½ million, but all the extra travellers were carried by air. The airlines carried 20 per cent more passengers than in 1952, while fewer people came to or from this country by sea than in 1952 or 1951. True, 70 per cent of all passengers still travelled by sea, and the total of 5¼ million seagoing passengers was about 20 per cent higher than in 1947;

SHIPPING DIVIDENDS AND YIELDS

Company	Year end	Div. Per Cent.	Times covered by earnings	Price	Yield
					£ s. d.
Cunard ord. £1.....	Dec. 31	16	4·3	39/9	8 6 8
P & O defd. £1.....	Sept. 30	22	4·9	79/–	5 11 5
Union-Castle £1.....	Dec. 31	7½	4·7	27/9	5 11 5
Royal Mail £1	Dec. 31	10	1·9	31/3	6 12 7
Liner Holdings £1.....	Dec. 31	9*	6·2	29/4½	6 2 7
Orient (Steam Nav.) £1	Sept. 30	4†	·9	18/6	7 17 3
John & I. Jacobs 4s....	Dec. 31	22½‡	3·1	19/4½	4 12 11
Currie Line £1.....	Dec. 31	10	·5	18/3	10 19 2
United Molasses 10s...	Dec. 31	21·97§	1·7	35/9	6 2 11
Coast Lines £1.....	Dec. 31	7½	6·9	20/6	7 6 4
Silver Line 10s.	Dec. 31	10*	3·1	20/-	5 2 7

* 4% interim on old capital, 7% final on doubled capital. † Free of tax. ‡ Excluding 25% tax free from capital reserves. § Excluding special cash distribution of 4% free of tax, from capital reserve. ¶ Plus 10 per cent not subject to tax from reserves.

the liner companies believe that air travel has created a growing demand for international travel, from which they have gained some benefit. But the number travelling to and from Britain by air last year was two and a half times the number in 1947, and the share of the airlines in travel to and from these shores had grown from 18 per cent to 30 per cent in the seven years. Not all of these sea passengers sail in British ships, and those that do account for only part of the traffic of the British liner companies. But of all travellers between Britain and countries outside Europe, about 80 per cent (the proportion has dropped slightly) went in ships under Commonwealth flags, and the numbers shown for these ships, too, were lower in 1953 than in the two previous years.

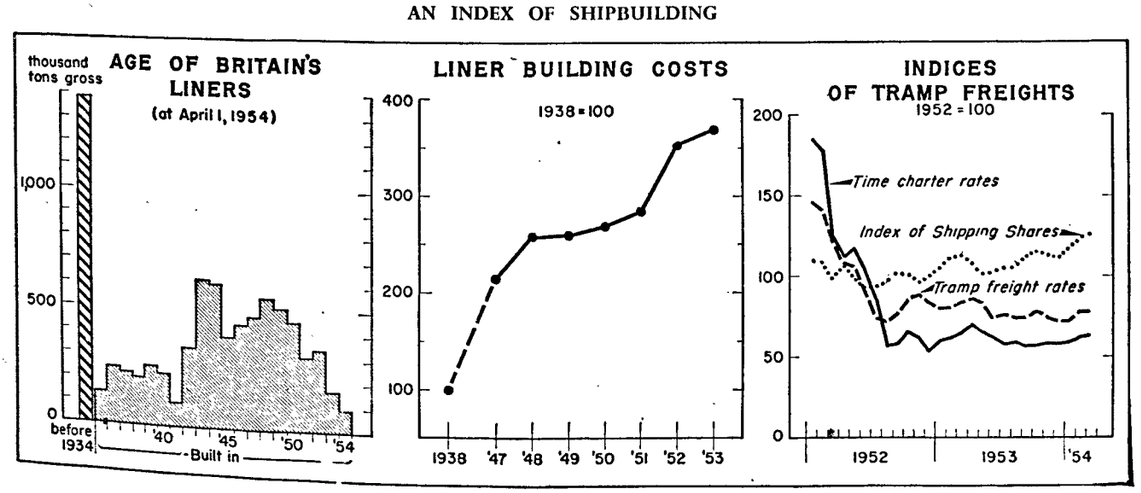
Some elements in shipping costs moderated last year; after a rise in oil bunker charges last summer, there came several reductions in fuel oil prices, though coal bunkering charges rose. The cost of delays in port was reduced; turn-round has improved at most ports. General port charges continued to increase almost everywhere, though a notable exception was a reduction in transit charges through the Suez Canal. Seamen's wages are still rising; the last increase of 7 per cent took effect at the end of January. Repairs and surveys show no signs of costing less; certain British owners have been using shiprepairers abroad, less to obtain lower rates than to get the work done more quickly. As for capital charges, British shipyards are still not prepared to quote fixed prices, though some foreign yards will (at high levels); and the weight of capital charges upon new ships has sharply reduced the advantages to be gained from greater efficiency.

Thus in 1953 shipowners had to work hard for their money. Commodity prices were falling; governments, particularly the British government, were climbing out of bulk trading, leaving warehouses well stocked and temporarily reducing the demand for shipping. The general trend of shipping profits in 1953 was bound to be downwards, though it is broken by occasional exceptions like Orient Steam Navigation, whose important additions to the fleet have swelled last year's earnings. Compared with the exceptional figures of 1952, some sharp falls have been announced. These include a drop in gross profits from £6.4 million to £4.0 million (36 per cent) for United Molasses, and of about 13 per cent to £700,000 for John I. Jacobs, although that company has chartered some of its vessels several years ahead at remunerative rates.

Among the liner companies, Royal Mail shows profits before tax for the calendar year about halved at £1.0 million, compared with £2.1 million; Union Castle showed a modest increase of about 8 per cent, at £2.4 million, thanks to a lower depreciation charge; Cunard reports a fall of around 25 per cent to £6.1 million in its operating surplus; and P and O a fall of about 39 per cent to £8.5 million; Liner Holdings, with additional tonnage, is among the select few to show an increase in gross profits, by 19 per cent to £4.8 million. An example of the severe decline in tramp earnings is revealed in the fall in profits, after tax, of Silver Line, from £586,000 to £224,000.

Such declines in earnings ought not to rattle the serious investor, nor does it appear that they have done so. The Actuaries' index of shipping shares has risen while freights have been falling and the slight decline in shipping shares in the last few days appears not out of proportion to the general reaction in share markets. The investor in the big liner companies and in some of the smaller companies is receiving a dividend that is well covered—possibly too well covered—even by today's reduced earnings. Many shares have a massive backing of tangible assets, since fleets usually still stand in balance sheets well below their current values and leading shipping companies have been allowed to hold hidden reserves. Shipowning is not so desperate that it has become unprofitable for competent owners with modern fleets.

AN INDEX OF SHIPBUILDING



Although a considerable tonnage of liners has been built for British owners since the war, it would be an exaggeration to claim that the country's liner fleet as a whole is reasonably modern. The chart shows that nearly 1.4 million tons gross, or about a sixth of the total, consists of ships that are more than 20 years old. But shipowners face the common postwar problem of replacement at inflated prices more acutely than most industries. An index of shipbuilding prices compiled by the Liverpool Steam Ship Owners' Association put 1953 prices for building a cargo liner at about four times the 1938 price; and the signs of more stable building costs have not yet convinced even the shipbuilders. Last year there were some cancellations of orders on the shipyards' books, and in the first three months of this year new orders exceeded cancellations by only 40,000 tons. New liners are still being delivered, and the two years' orders still outstanding include a considerable amount of tonnage for the British companies; but Mr Butler's new investment allowance would have to stimulate a quite unlikely burst of new orders before the speed of replacing the fleet caught up with the rate of obsolescence.

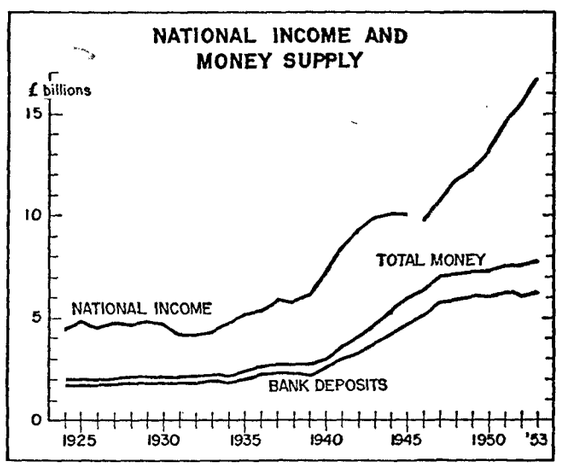
The balancing charge imposed on the proceeds of ship sales for more than their written down values, the Treasury rule that ties down the proceeds of a British ship sold to a foreign flag to the specific purpose of building another ship, together with the determination of company managements not to be bought out, has prevented any large-scale changeover in the management of fleets. The break-up value of shipping shares is generally much ahead of the market price, and by the same token the basic competitive power of the British shipping industry is probably high. In an industry which fluctuates as wildly as does shipping dividends are likely to remain conservative.

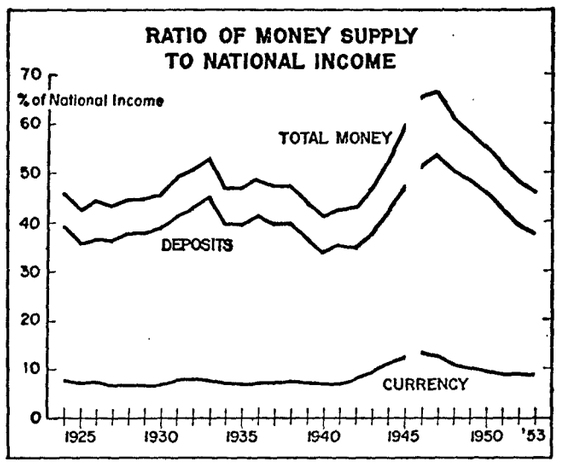
The easy money phase for the companies and for their shareholders is probably over, but not all the omens for the industry are unfavourable. Freights are reasonably steady at the present low level, as are the prices of the commodities which the ships carry; when war clouds darken the demand for shipping is high. If the present decline in shipping earnings goes little further the industry will have passed through one of the shallowest of its many depressions and will have come through with its reserves almost untouched; but years of careful management will be needed before the expensive ships recently built have been written down out of earnings to figures at which their owners can be sure of earning a reasonable return.

Habits in Money

AROUND the holiday seasons of the year, when the purse-strings of the public are suddenly loosened and then drawn tighter to make up for its lighthearted spendings, tradesmen and many other people are conscious of wide fluctuations in the public's holdings of currency. But these are essentially seasonal and short-term fluctuations. Over longer periods, public habits in the use of currency—and also of money in its wider sense, which includes bank balances—are extraordinarily consistent. Under stable economic conditions there is a relatively stable relationship between a community's income and its holdings of money. Variations in the ratio of money to income are, indeed, normally a sign of economic instability; and, inevitably, there have been abnormally wide variations during the past fifteen years of war and postwar inflation. But recently the ratio seems to have been settling down again.

The amount of money that a community elects to





hold at a given level of income depends on two main factors: the policy of its monetary authorities; and the money-holding habits of its individuals. Individuals' habits are not wholly independent of monetary ease or stringency imposed by the authorities; a dearer money policy (such as that introduced in March, 1952) will make borrowing more expensive and lending more remunerative, and so make people economise in the amount of money they hold, while an easy money policy will do the opposite. In theory, indeed, if the policy is sufficiently strong and persistent, the authorities can induce the public to hold almost any given volume of money; but in practice the influence of monetary policy is rarely so dominant as this. Such interactions apart, the public's money habits are essentially a product of the nature of the economy, of its economic and financial institutions and its historical and social customs.

The volume of money, and especially the volume of currency, is no longer taken, as it once was, as the decisive yardstick of inflation or deflation. Both the cause and measure of inflation or deflation are nowadays sought in the relations between consumption, production and investment, as shown in the all-embracing national income accounting. The changes in the money supply and in money-holding habits that accompany changes in income now tend to be regarded as reflections of changes in the underlying real factors, rather than as primary influences themselves.

But, whatever the precise causal relationship, phases of marked inflation or deflation do show a clear pattern of change in public habits in money-holding. The same pattern of change is, indeed, discernible in communities whose money habits and levels of income differ quite widely. The accompanying table and charts trace the composition of the money supply and its relationship to the national income over the past three decades in Britain. But the pattern displayed is not just a reflection of the financial idiosyncrasies of the British public; especially for the period since 1939, it is broadly typical of the trend in most western countries.

Several broad features of the pattern stand out strikingly. First, in the years before the war there is a notable stability in the ratio of money supply—and a still greater stability in the ratio of public holdings of currency—to the national income. The ratios dip sharply in the early phase of the war, and then, led by the currency ratio, rise steeply, reaching wholly abnormal levels by the early postwar years. The ratio of currency to income, it will be seen, was almost doubled in the period 1940-46. Then, in the latest period, these changes are neatly reversed, so that by 1953 the currency pattern had been almost restored to that of 1938, whilst the ratio of deposits to income was actually substantially lower than it was before the war.

The true trend, moreover, is probably somewhat smoother than the charts show, since they have perforce been based upon statistics that do not present continuous series. The deposits series is broken in 1936, when the admission of the District Bank raised the number of clearing banks from ten to eleven and contributed to the rise in the ratios for that year. More serious are the distortions caused by the use of differing sets of national income statistics to obtain any lengthy run. This explains part of the fall shown in the ratios in 1934; and even after 1938, when official estimates take up the story, there are similar distortions, since these figures have been subjected to differing degrees of official revision. The sharp increase in the ratios in 1946 is probably partly due to changes of this kind. Fine conclusions from such a correlation would be unwise, even for the period from 1946, when the series ostensibly become fully continuous.

Yet some broad tendencies in money habits are clearly deducible. In periods free from strong inflation (including suppressed

MONEY AND NATIONAL INCOME

	Gross National Product at Market Price* A	Clearing Bank Deposits † Average of Months B	Ratio of Deposits to National Income B/A x 100	Estimated Net Currency Circulation‡ C	Ratio of Currency to National Income C/A x 100	Total Money Supply B + C	Ratio of Total Money to National Income (B+C)/A x 100
	£ mn.	£ mn.		£ mn.		£ mn.	
1924 ..	4,376	1,667	38·1	346	7·9	2,013	46·0
1925 ..	4,710	1,662	35·4	338	7·2	2,000	42·5
1926 ..	4,526	1,665	36·8	334	7·4	1,999	44·2
1927 ..	4,719	1,713	36·4	331	7·0	2,044	43·4
1928 ..	4,710	1,766	37·5	330	7·0	2,096	44·5
1929 ..	4,765	1,800	37·8	328	6·9	2,128	44·7
1930 ..	4,698	1,801	38·4	326	6·9	2,127	45·3
1931 ..	4,264	1,760	41·3	329	7·7	2,089	49·0
1932 ..	4,210	1,791	42·6	336	8·0	2,127	50·6
1933 ..	4,334	1,953	45·1	341	7·8	2,294	52·9
1934 ..	4,755	1,880	39·5	348	7·3	2,228	46·8
1935 ..	5,052	1,999	39·6	362	7·2	2,361	46·8
1936 ..	5,380	2,216	41·2	394	7·3	2,610	48·5
1937 ..	5,734	2,287	39·9	440	7·7	2,727	47·6
1938 ..	5,717	2,277	39·8	446	7·8	2,723	47·6
1939 ..	6,178	2,248	36·4	459	7·4	2,707	43·8
1940 ..	7,302	2,506	34·2	525	7·2	3,031	41·5
1941 ..	8,443	2,970	35·2	608	7·2	3,578	42·4
1942 ..	9,270	3,275	35·3	769	8·3	4,044	43·6
1943 ..	9,802	3,677	37·5	933	9·5	4,610	47·0
1944 ..	10,023	4,153	41·4	1,105	11·0	5,258	52·5
1945 ..	10,062	4,692	46·6	1,262	12·6	5,954	59·2
1946 ..	9,826	5,097	51·7	1,340	13·6	6,437	65·5
1947 ..	10,564	5,650	53·5	1,361	12·9	7,011	66·4
1948 ..	11,667	5,913	50·6	1,239	10·6	7,152	61·3
1949 ..	12,372	5,974	48·3	1,248	10·1	7,222	58·4
1950 ..	13,101	6,014	46·0	1,255	9·6	7,269	55·5
1951 ..	14,472	6,162	42·6	1,302	9·0	7,464	51·5
1952 ..	15,515	6,083	39·0	1,382	8·9	7,465	48·1
1953 ..	16,730§	6,257	37·4	1,471	8·8	7,728	46·2

* i.e., not excluding provision for depreciation or effect of taxes and subsidies. 1924–37 figures Mr. Colin Clark's estimates; 1924–33 from his *National Income and Outlay*; 1934–37 from an article in the Economic Journal of September, 1938. 1938–52 figures official estimates; 1939–45 estimates incompletely revised.
† District Bank admitted to the clearing in 1936; other changes of relatively minor significance.
‡ Average estimated circulation with public—i.e., total average circulation minus average bank holdings at nearest date.
§ Preliminary estimate.

inflation), the public's holdings of currency keep to a remarkably stable proportion of its income—at around 8 per cent, though with a slight tendency to rise. Its holdings of bank deposits at such times also keep pretty closely in step with income, but still not sufficiently to prevent the ratio of total money to income from falling when income is rising and from rising when income is falling (which it seems to have done only in the early thirties and in 1938). This tendency, admittedly, did not show itself in 1933 and 1936, but the average for the first of these years felt the impact of cheap money, and the second was affected by tidal movements of "hot" money. The pattern that seems to have been normal before the war can be discerned again in the later postwar years. In 1952, however, the average level of deposits actually fell, although national income rose sharply; but this non-conformity to the rule was quite clearly attributable to the new monetary policy at home and the general climate of disinflation in world markets. These influences were probably more significant than any change in the public's money habits as such.

The most marked feature of this return to the prewar pattern has been the decline in the importance of currency in the money supply. The reasons are readily apparent. The steep rise in the currency ratio after 1941 may have been largely due, at first, to the growing number of troops concentrated in Britain, but the later rise to the peak in 1946 was certainly caused principally by the growth of black markets and tax evasion in the fertile soil of strong but largely suppressed inflation. In 1947 the fear of currency measures to catch the tax evaders and, thereafter, the shrinkage of the black markets, and also of the pressure of inflation have cut down these special demands for currency. But one important influence set in motion by the war still remains—the redistribution of the national income in favour of the wage earners. Thus it is not surprising that the proportion of currency in total money, although falling from about 21 per cent in 1945 and 1946 to 17½ per cent in 1952, and around 19 per cent in 1953, is still well above its prewar level of 15 to 16 per cent.

The long-term tendency for the importance of currency to increase has, however, been very much less marked in Britain than in other western countries. In both Western Europe and the United States the shift has gone much further—not only since 1938, but throughout the thirties, too. This trend has left Britain among the countries with the highest ratio of deposits to currency, whereas in 1929 the ratio in countries such as Switzerland, Sweden, Denmark and the United States was two or three times as high as Britain's. The range between the absolute levels of this ratio in the several countries is still, however, extraordinarily large. Yet here, as in the pattern of money-to-income ratios, there is evidence of a common reaction in money habits to wider economic changes.

Business Notes

Flight to Shelter

SUDDENLY, almost as a flight of starlings takes the air and wheels round, investors took flight on Monday and remained nervous until Thursday, when some buying was accompanied by forecasts of renewed strength in sterling. The heavy buying which went on almost without a pause for months has dried up; instead there has been selling, not heavy or conceived in panic, but sufficient to depress prices appreciably each day through the range of gilt-edged and industrial stocks; those genuine buyers who could wait, did so and their prudence reaped its return. Such movements do not necessarily mark a change from a "bull" market to a "bear" market; there have been few reactions since the rise started and share markets were in all probability overbought. Stock jobbers knew that fairly large amounts of stock might come their way if they did not widen their prices. The reaction should make markets healthier when the selling bout is ended. In the meantime it can hardly fail to postpone some new capital plans and may be inconvenient in particular to Birmingham City Council which is reported to be planning to launch a new loan shortly.

The movement had a counterpart—a brisk rise in commodity prices in which wheat, rubber and the metals as well as gold took part though the advance was not fully held. The two movements, a fall on the Stock Exchange from which commodity shares are largely exempt, and a rise in commodity markets is associated usually with troubles or rumours of wars. This movement was started by Mr Eden's weekend return to London and the opening of the Geneva conference. Some of the more speculative operators may have suddenly made up their

minds that Indo-China was a more serious business than they had supposed. It has to be remembered too that there is now more foreign money employed in London and possibly employed with more volatile tactics than have

	Jan. 1, 1954	Feb. 1, 1954	Mar. 1, 1954	April 1, 1954	April 22, 1954	April 30, 1954
	NET PRICES					
2½% Exch., Feb., 1955	100	100 1/16	100 1/16	100 1/16	100 1/16	100 1/16
3% Savings, 65/75	87⅞	88⅛	88⅛	89	89⅛	88⅛
3½% War Loan	84⅜	83 13/16	84 1/16	86	87⅛	86 1/16
2½% Consols	64 1/16	63 15/16	64 1/16	64 11/16	67	65 1/16
	GROSS PRICES					
Anglo-Iranian £1	8 7/16	9 1/16	9⅛	11⅛	11 3/16	11⅛
Courtaulds £1	52/-*	53/-	26/3	28/-	28/3	28/1½
Dunlop 10s.	57/6a	20/6	19/6	20/-	23/-	22/3
Imperial Chemical £1	54/-	54/9	56/9	58/-	60/3	59/9
Imperial Tobacco £1	57/6	56/6	53/-	52/-	53/7½	51/1½
Marks & Spencer "A" 5s.	74/3	79/-	84/-	90/6	91/3	89/1½
Financial Times:						
Ordinary	**131·1**	**135·5**	**136·0**	**139·8**	**146·9**	**144·5**
Fixed Interest	**111·84**	**111·94**	**112·09**	**112·64**	**113·52**	**113·39**

* Ex dividend. (a) £1 shares. (b) Ex. 100% share bonus.

	March 31	April 23	April 26	April 30
Rubber, July-Sept., per lb.	17½d.	18⅜d.	19½d.	19⅜d.
Tin, three months, per ton	£707	£743½	£753½	£726½
Copper, three months, per ton	£228½	£233⅜	£237	£235½
Lead, three months, per ton	£90	£90½	£92½	£91⅜
Gold fixings, per fine oz.	248s. 5½d.	248s. 9d.	248s. 10½d.	249s.

recently been seen. Still the explanation is barely adequate. Indo-China has been a serious factor for months. Investors never worried about it when they had their buying boots on. But when the market is overbought any news is bad news.

Accounting Deluge

THIS is the time of the year when the flood of company reports and dividend announcements is at its height. The simple explanation of this deluge is that more British companies choose to end their financial years on December 31st than on any other date and it takes about four months to prepare a big company's accounts for publication. Many of the minnows of British industry swim along in the flood but this is the particular time when the leviathans exhibit their prowess and strength. The sophisticated investor reaches for his slide-rule and the unsophisticated investor adds up his dividend cheques.

Many of these cheques are higher than they were a year ago. The reports of seven companies are discussed in detail on pages 402, 403 and 404 of this issue. Five of these companies—Unilever, Imperial Chemical, Hudson's Bay, Brush and Monsanto Chemicals—have announced higher equity dividends. The remaining two—the Shell-Royal Dutch group, and Vickers—have been content to leave their dividends unchanged.

But several of these industrial giants some time ago either gave investors a clear hint what the dividend would be or provided enough material for an accurate guess. Bigger dividends and higher profits were discounted in the market long before the event. Hence, the publication of these reports had only a marginal effect on stock market prices this week. Where adjustment to prices was needed it was generally because investors had erred on the side of optimism.

New York and London Money Rates

THE easing of money rates in the United States has proceeded a step further in the past week. Three more Federal Reserve Banks have followed those of Chicago, New York and San Francisco in reducing their official rediscount rates from 1¾ to 1½ per cent; and, more significant still, the New York rate for American Treasury bills has dropped to its lowest for more than six years. At the weekly tender immediately following the reduction of the New York rediscount rate the average allotment rate for Treasury bills fell only slightly, from 1.066 to 1.027 per cent; and, since the official rate had been ineffective for so long, it had been thought in London that any substantial drop in New York market rates was rather unlikely. At last Monday's tender in New York, however, the average Treasury bill rate dropped by nearly ¼ per cent, to 0.886 per cent. In view of the increasing part that foreign funds have played in the London market in recent months, this movement inevitably raises the question whether further pressure will be put upon London rates.

Ever since the turn of the year the discount houses have been encountering recurrent spasms of strong competition at the tenders for British Treasury bills, and a fortnight ago they sought to sustain their own intake of bills by raising their bids—with the result that the average allotment rate dropped from 42s. 3d. per cent to 41s. 7d. per cent (still, however, a slightly higher rate than obtained during February and early March). At last week's tender the average rate was virtually unchanged, but total applications dropped only fractionally below the peak of £417 million reached on the eve of the Easter holiday; and since then there has been the easing of New York rates. This week's tender, due just after this issue of *The Economist* went to press, is therefore of particular interest. The New York rate is now well under half the level ruling in London; the differential last week, as measured by the average allotment rates at the respective tenders, was nearly 1.2 per cent. This margin does not, however, offer the strong attraction to mobile banking funds that it might appear to do. Despite the prevalent confidence in sterling, foreign banks would not switch balances without covering their exchange risk, and in present conditions the cost of obtaining this cover offsets most of the interest margin.

Inspector for the Savoy

RIGHTLY the President of the Board of Trade has at last decided to appoint an inspector to examine the Savoy Hotel affair. Acute feelings and important principles were raised last November when the Savoy board, fighting to avoid loss of control to Mr Harold Samuel and Mr Charles Clore, snatched away the freehold of the Berkeley Hotel and transferred it to Worcester Buildings (London) with provisions which would have prevented any shareholders holding a majority of Savoy Hotel shares from exercising any control over the Berkeley. It is precisely that operation which Mr Milner Holland, QC,

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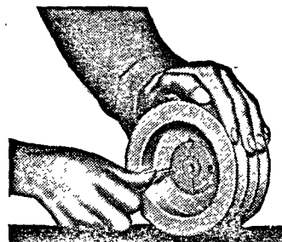
P15



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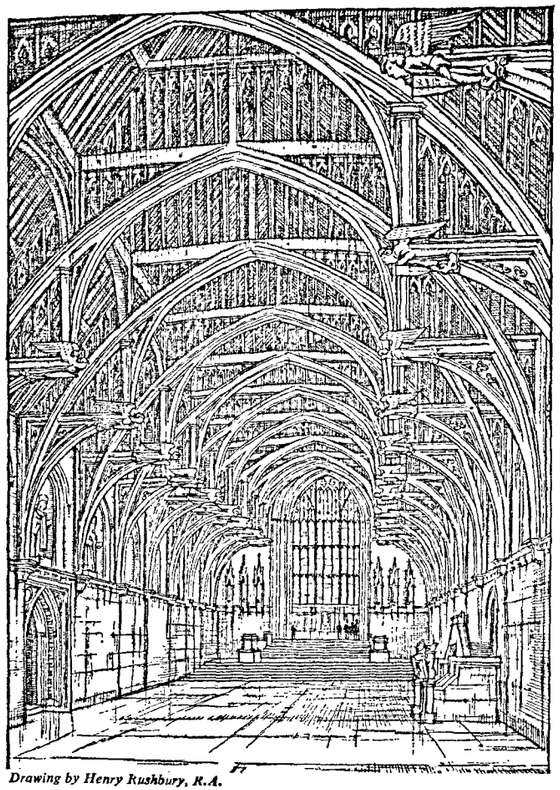

Drawing by Henry Rushbury, R.A.

Steel makes history

THE INCOMPARABLE hammer beam roof of Westminster Hall has endured for more than five hundred years: but only just.

This century saw part of the roof on the point of collapse. Death-watch beetles had reduced thick beam ends to thin and brittle shells. Holes gaped in the main collar beams.

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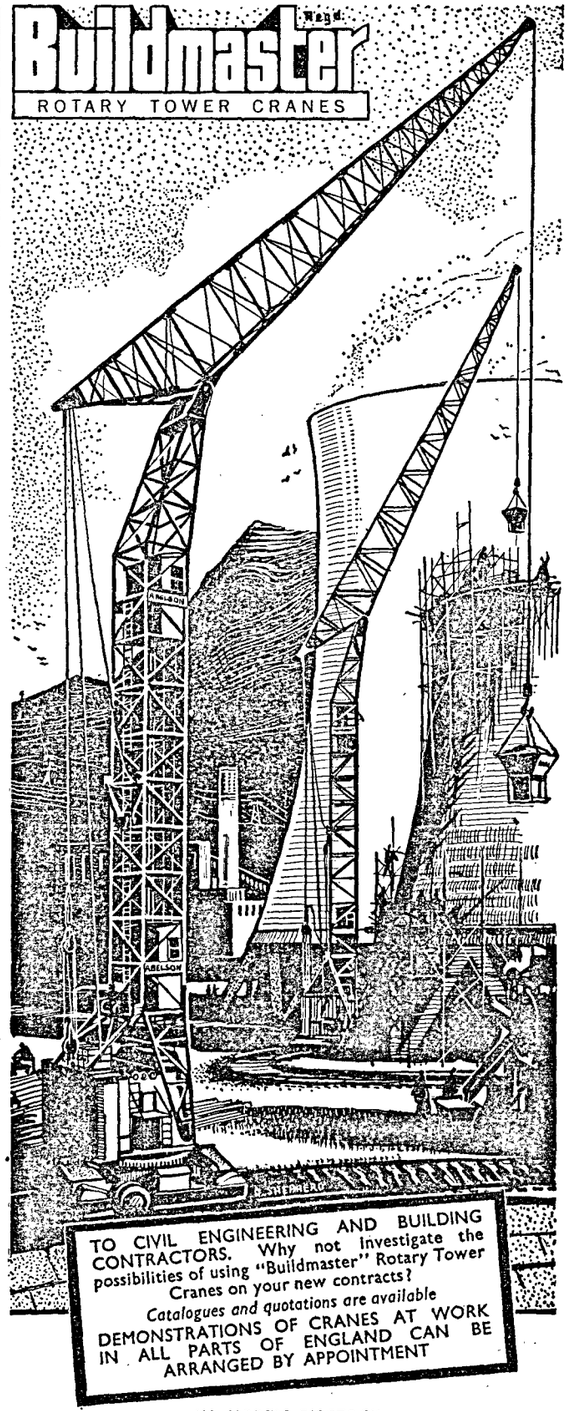

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has now been instructed to investigate. His terms of reference are:

> To investigate the affairs of the Savoy Hotel Limited and the Berkeley Hotel Company, with special reference to the formation of Worcester Buildings Company (London) and the transfer to that company of the freehold of the Berkeley Hotel.

It could be argued that that is now all past history. Mr Samuel who asked for the inquiry was in fact bought out at his own high price. Worcester Buildings (London) has been wound up. Is it necessary to wash dirty linen in public at this stage? The reaction of the Savoy directors in publicly welcoming the investigation lends no support to that view. Indeed, having themselves asked for the inquiry which revealed Mr Samuel and Mr Clore as buyers of Savoy shares, Mr Wontner and his colleagues on the Savoy board could hardly decline to recognise that sauce for the goose is sauce for the gander. But the major principle arises—whether directors in defence of a company that they are appointed by shareholders to run can be allowed to alienate property that belongs not to the directors but in the last resort to the shareholders.

The public may also hope that Mr Holland's report will throw light on a further matter raised by the Savoy affair. The source of the finance with which Mr Samuel's dominating holding was bought out has never been more exactly described than "the directors and their friends." If it is reasonable to assume that the inspector will have to identify these wealthy friends for his own information, is it not equally reasonable that Savoy shareholders and the investing public should know who the true owners of the Savoy equity now are? If, as Mr Wontner pleaded, the Savoy is a national institution, is its control not a matter of public interest?

A wider point will also be in the minds of intelligent shareholders. How far is it justifiable to shuffle voting rights for the purpose of maintaining control in a business? The Worcester Buildings plan was an extreme proposal for depriving an equity of its voting power. But the principle of underweighting the voting rights in the part of a family business that has to be sold to the public to cover death duties is common enough. Similarly, the non-voting equity share has been adopted by many companies of high status, sometimes for cash issues but more frequently for bonus issues. One result is to make it easier for entrenched managements to maintain control of companies and to disenfranchise owners of part of the equity. It is time to consider how far the process ought to go.

What Price Steel?

FEW ventures are less rewarding than attempts to compare steel prices throughout the world, as the statisticians of the European Coal-Steel Community and the British Iron and Steel Federation were reminded last week. The Federation has regularly published for some years past a comparison of home trade prices for steel in the United States, a number of European countries, and in Britain, and its latest revision appeared in its annual report. This happened to be published within a day or two of the second report of the High Authority upon operations in the common market for coal and steel, which also essayed a steel price comparison. Almost inevitably, the two, where they appeared to be talking about similar products, did not agree.

There are several good reasons for these discrepancies. Most of the prices quoted for European steel in the report from Schumania were for Bessemer qualities, comparing these steels direct with the open-hearth steel produced in Britain and America. For bars and many light-rolled steel products, that comparison is fair, despite the fact that Continental steelmakers would charge more for open-hearth steel—simply because the consumer of these products does not care about the difference in quality. But most British consumers, at any rate, are prepared to pay an extra charge for open-hearth qualities in structural steel products, plates, joists and angles, sheet and strip; and the British comparison always counts in the charges that would be added on the Continent for open-hearth quality in these products. The British comparison, again, is of the prices the consumer would pay—which include excess charges for typical amounts and sizes, plus production and turnover taxes where these are charged on the Continent; the Schumanian comparison is of "basis prices"—which incidentally involved some disputable estimates of the transport element contained in certain British prices, which are delivered prices.

The discrepancies, however, may not have been without value if they set both organisations seeking a more satisfactory basis—and conceivably an agreed one?—for these international comparisons. Both approaches have their merits; the British table shows the steel consumer what he has to pay here and what he would have to pay in other countries, while the European comparison is seeking to establish some genuine comparison of works costs—or at least of works prices—in steel production. These objects might usefully be combined.

Repayment of Standstill Debts?

THE West German authorities are known to be considering a further important relaxation in their restrictions on debt transfers; this could have a significant influence on the Anglo-German financial negotiations now in progress. The measure contemplated is the release of a further large block of the standstill debts. These are the short-term debts owed to British, American and Swiss banks that have been outstanding and frozen ever since the standstill arrangement of September, 1931. The London Debts Agreement of 1952, which covered all German contractual debts, provided for meagre treatment of the standstill creditors. Repayments of their frozen debts were limited to 15 per cent of the principal; they were also made conditional upon the granting of new credit lines available for drawings for the financing of new business up to an equivalent amount. The object of this "re-commercialisation" was to ensure that Germany would lose by the unfreezing of only such foreign exchange as it no longer required. Over the past year, Germany has not in fact been short of sterling, nor has it experienced any internal shortage of liquid funds, so that demand for new sterling credit has been small. The major part of the portion of the old

standstill credits that have been repaid has not therefore been "re-commercialised." It is now suggested that the German authorities are about to release an additional 50 per cent of the outstanding standstill credits for repayment —again subject to the principle of "re-commercialisation."

This step could clearly have an important effect on the course of the present negotiations on the possibility of funding the portion of Britain's debts to the European Payments Union that is attributable to Germany. These negotiations have been running into heavy weather, and there seems little prospect that agreement will be reached before the meeting of the Ministerial Council of the OEEC next week. The optimists now hope that the release of the standstill credits will facilitate agreement by making Germany less exacting in its demands and Britain less concerned at the danger of a continuation of the large surplus in German payments with Europe.

It is, however, likely that the net transfer of credits will fall considerably short of the gross amount of standstill credits that are released. The German right of re-commercialisation has a highly restrictive effect on the number of creditors' applications for transfer. Moreover, it has for some time been possible for creditors to liquidate their debts at very little cost through the blocked mark route. Now that all blocked marks originating before March 31st of this year have been freed, the discount on the blocked mark has dwindled to under 5 per cent.

Engineering Exports Rise

BRITISH trade figures for the first quarter of 1954 turned out well thanks to the high March export figures of £246.4 million. Engineering products have led the advance and now stand well above the 1952 level. Textiles have made a rather less impressive advance. The engineering group which includes several relatively new and thriving trades—aircraft, television and radar among others—is filling an increasing proportion of the British export total.

UNITED KINGDOM EXPORTS

	1952	1953		1954
	Year	1st Qtr.	2nd Qtr.	2nd Half	1st Qtr.
	£ million—monthly averages				
Food, beverages and tobacco	13	12	11	13	13
Basic materials	7	8	8	8	9
Mineral fuels and lubricants	10	13	11	13	13
Manufactured goods :—					
Metals	26	28	28	29	28
Engineering products	83	79	82	81	87
Textiles, not incl. clothing	28	26	26	29	29
Other manufactures	41	36	37	40	39
Total United Kingdom exports	215	208	210	221	224

A modest further improvement in the British terms of trade in March is both unexpected and welcome, but it has not necessarily come to stay; prices of British exports held steady, while prices of imports declined, although it has recently appeared that the long period of improving terms of trade had given place to one of stability. The latest improvement springs mainly from a reduction in the prices of basic materials. British manufactured exports have also fallen in price, but other British exports remained steady.

	Import Prices	Export Prices	Terms of Trade*
	(1953=100)		
1953, March	102	101	101
" April	102	100	102
" May	100	100	100
" June	99	99	100
" July	100	100	100
" August	99	100	99
" September	98	100	98
" October	99	100	99
" November	98	99	99
" December	98	99	99
1954, January	98	99	99
" February	97	99	98
" March	96	99	97

* A decline represents an improvement.

Significantly in the terms of trade calculation basic material prices fell while in the Board of Trade's wholesale price index, also for March, they rose a point. The difference is one of timing. The wholesale price index is based on current prices; the terms of trade on declared values of goods which may have been bought some time earlier. The present improvement in the terms of trade owes much to falls in wool and rubber and both those commodities have since risen.

Mexico's Devaluation

THE business community in Mexico was taken by surprise over the Easter week-end by a devaluation of the peso from 8.65 to 12.50 pesos to the US dollar; and, to judge from cabled reports, it has not discovered even now precisely why the Government was impelled to so drastic a step. The devaluation is equivalent to a cut of about 31 per cent in the dollar value of the peso that had been maintained since mid-1949, and gives a new parity with sterling (at $2.80) of 35 pesos to the £. The Mexican economy, it appears, has been facing a combination of pressures stemming from a domestic inflation—a rise in the visible external deficit, a flight of capital, and an accumulation of domestic liquid funds that seemed likely to give further impetus to the rise in imports. Against this background, it might have been thought that the need for corrective measures would have been self-evident; and, since the devaluation, the Government has disclosed that the external strains had been mounting fast. At end-1953, the reserves of the Bank of Mexico, at $242 million, were some $50 million below their level of the previous spring; during January and February they dropped, on balance, by only a further $5 million, but thereafter the outflow gathered speed, reaching $14 million in March and a further $21 million in the first fortnight of April—so that on the eve of devaluation they were down to $201 million.

To judge from the pace at which prices of imported goods are reported to be rising, the objective of checking

imports of non-essentials should be achieved, but in view of the pressure upon domestic costs it is much more questionable whether any stimulus at all will be imparted to exports. The Government is, indeed, planning to cut down the "windfall" for exporters by raising the export taxes so as to absorb three-quarters of the exchange advantage; it seems likely that the rise in domestic prices will wipe out the remainder. And, unless a policy of disinflation can be launched, the cut in imports will intensify the pre-emption of supplies by the home market. This scarcely seems a propitious atmosphere either for the big investment programme that the Government is reported to be planning or for the entry of foreign capital that the devaluation is officially expected to encourage.

Innovations and Exports

THE Board of Trade's estimate this week that some £288 million was earned last year by the exports of new British industries involves a fairly broad interpretation of the word "new." The Board took three categories:

1. New goods that were not produced in Britain on a commercial scale or exported before the war.

2. "Virtually New" goods of which exports were less than £10,000 in 1938 and more than £400,000 in 1953.

3. "Greatly Expanded Exports" of which the value in 1953 was more than £3 million and 20 times the corresponding value in 1938.

This, of course, brings in refined petroleum; and the Board has added aircraft in for luck, though this does not quite suit even its third definition. Together these two industries accounted for nearly half of the export value that the Board could boast. But the total value is not of much significance, and there is not much reason to cavil at the demarcation; what bears study are the details in its tables.

The Board is entitled to take its figures as reflecting

> the adaptability of many of our important industries to the rapid changes that have occurred in world demand for manufactured goods, and the advanced position that has been reached by British industry in many spheres of scientific and technical development.

Of most of the products and the industries mentioned here, that praise rings true. But it is also true that a fairly large proportion of the real innovations in this list are the result of research or development during the war, and an equally significant proportion are the work of industries that have been established or greatly expanded in Britain since the war largely because America's former customers were short of dollars. In many of the latter, much of the impetus has come from the subsidiaries in this country of the original American manufacturers. Indeed, the innovations on this list that can genuinely be traced to the privately financed scientific and technical progress of British industry are disquieteningly few—though the list is far from exhaustive, and may paint the technological picture slightly greyer than it is.

NEW EXPORTS—
(£ '000)

Commodity	1948	1951	1953
Radar and navigational equipment, etc.	2,265	5,337	10,071
Television equipment and tubes	55	186	842
Industrial radio-frequency equipment*	64	168	174
Tape recorders	...	...	312
Recording tapes	...	...	104
Floor Polishers	...	1,126	706
Electric hair clippers and dry shavers	121	478	518
Combine harvesters	...	2,147	3,196
Fork-lift trucks	...	1,384	1,622
Diesel locomotives§	...	1,274	870
Nylon :—			
Women's stockings	...	6,767	4,303
Other knitted goods	...	1,216	2,356
Drugs :—			
Penicillin	2,048	6,779	4,455
Other anti-biotics	...	...	3,253
Sulphonamides	...	2,797	2,546
Anti-histamines and anti-paludics	...	1,169	1,136
Synthetic detergents	...	1,453	2,597
Prefabricated buildings	...	5,456	3,815
Permanent-waving kits	64	180	161

—AND NEARLY NEW

Commodity	1938	1948	1951	1953
VIRTUALLY NEW EXPORTS :—				
Tracklaying tractors	1	504	2,931	3,315
Oil-drilling machinery	...	...	1,784	2,547
Oil refining machinery	...	...	942	2,258
Air-conditioning machines, self-contained	10*	345	738	1,797
Mechanical lighters	7	467	806	745
Cash registers	2	276	743	575
Alarm clocks	1	265	314	473
Fluorescent tubular lamps	...	...	634	438
Dictating machines	1*	31	385	435
Hearing aids	...	...	217	169
Foam rubber upholstery	...	332	978	817
"GREATLY EXPANDED" EXPORTS:				
Domestic refrigerators	42*	1,659	7,197	5,991
Agricultural tractors†	513	18,930	41,132	37,170
Laundering machinery‡	149	1,538	8,359	5,697
Accounting machinery	104	427	2,947	3,584
Earth-moving equipment	681	5,014	9,838	16,147
Plastic materials	377	4,703	16,322	16,113
Platinum/Palladium, etc.	316	2,812	8,404	11,253
Refined petroleum	2,854	5,342	30,133	71,118
Aircraft	5,400	41,600	44,000	64,600

* 1939 figure. † Other than tracklaying. ‡ Excluding hand-operated domestic machinery; for 1951 and 1953, figures also exclude other types of hand-operated machinery. § Excluding locomotives with mechanical transmission of under 200 b.h.p.

Marking Time on the Comet

THE de Havilland Aircraft Company's decision to suspend all production work on the Comet is clearly the only one under the circumstances. How much of its present technical lead the company will lose as a result will be conditioned by how long the suspension continues and by the nature of the modifications that the designers may eventually decide to make. Until some positive cause can be attributed to the two recent tragedies, it is possible that other designers of big jet aircraft may also feel some apprehension; for whatever decisions are eventually made about the Comet may have repercussions on other designs.

The delay will not affect experimental work, so that the completion of the prototype Comet III should proceed on schedule, with the first flight taking place towards the late summer. There is plenty of other work at de Havilland factories for the men affected, and had de Havilland alone been involved it is unlikely that any issue would have occurred over the decision to hold up production work

pending investigations on the wreckage of the Comet that has been salvaged off Elba (not all of which is yet in this country). But Short Brothers and Harland, which are building Comets on de Havilland's behalf in Belfast, have no alternative work for men employed on Comet lines, and numbers will have to be dismissed almost immediately. The company has contracts to build its own anti-submarine Seamew and the Bristol Britannia airliner as well as the Comets and Canberra bombers already in production, but neither new line is yet complete.

Storing the Sugar

ON the eve of the International Sugar Council meeting next week in London comes a revealing disclosure of the present ample supplies. A small overflow from the purchase of one million tons which the British Government made from Cuba last year to make derationing safe is having to be stored temporarily on the Continent. It is being held in barges at Rotterdam and Antwerp on the understanding that it will eventually be shipped to the United Kingdom. Cuba has been quick with these shipments. Only 115,000 tons now remains to be shipped, and warehouses are bulging. By cutting its world free quota to 750,000 tons Cuba has so far been able to keep the world price steady at around 3.38 cents per lb. But the International Sugar Agreement will be subjected to a severe test. The Council's powers to cut the effective quotas of the exporting members at next week's meeting are limited to a further 5 per cent, making 20 per cent in all. The Cuban delegation, it is believed, wishes that the powers of curtailment were greater.

Dearer Paraffin

THE oil companies have taken the unusual step, for the time of year, of increasing the price of paraffin by ½d. a gallon, bringing the wholesale price of the cheaper grades up to 1s. 4d. a gallon. This unexpected increase appears to be due to an unexplained rise in Gulf prices; summer is the time when a positive glut of heating oils of this kind is likely to develop in the United States and is not usually chosen as the season for a price increase. Stocks of petrol, fuel oil and distillates have been embarassingly high throughout the winter and are only now beginning to run down to more normal proportions. The last change in British paraffin prices, a reduction of ¾d. a gallon, took place almost exactly twelve months ago, when the lifting of price control on petroleum products was followed by a general reduction in retail prices.

The published figures for both production and consumption of paraffin in Britain give a totally unreal picture of the market, because they ignore the demand for paraffin as a constituent of aviation turbine fuels. Figures concerning paraffin used in this way, like those concerning high octane aviation petrol, are not published for security reasons. Kerosene is the natural fuel for jets, but because of the limited quantity contained in any given quantity of crude (the oil industry has not yet devised a process comparable to cat cracking that will raise the yield of kerosene) service aircraft operate on a blend of kerosene and low-grade petrol known as "wide-cut" fuels. Civil gas turbine aircraft run on pure kerosene, because of the wider safety factor it provides. This must have introduced a new element of inelasticity into the kerosene market both here and in the United States.

The "Pru" Grows Again

THE very size of the Prudential Assurance draws the public eye to its accounts. In 1953 most limbs of the giant grew further—except the relatively unimportant marine account where, in line with general experience, premium income declined. Ordinary new life business (including group life insurance increases) rose by £8.2 million, or 6.9 per cent, to £127.3 million. The rate of growth was higher abroad than at home and a little higher than the indicated trend for all offices. In the industrial life branch, however, new sums assured were slightly down at £78.1 million compared with £78.4 million, whereas in industrial assurance as a whole there was an increase in new business of about 2½ per cent compared with 1952. Non life business brought in a premium income of £11.9 million on which the Prudential earned underwriting profits of £749,000 compared with £645,000 on £11.0 million in 1952. Even the unrewarding motor accounts, with a premium income of £3.5 million, made a small profit in 1953. Rather better overseas results from that class of business were general last year, and the Prudential presumably shared in them.

Once again the Prudential's total assets have increased; the rise last year was £44.6 million to £709.4 million. Although the new money went mainly into British Government securities (£14.9 million), British funds accounted for a smaller proportion of the total assets than in 1952 (42.3 per cent compared with 42.9 per cent). The Prudential is one of the offices which has steadily increased its stake in industrial equities. In the quinquennium 1949-53 ordinary shareholdings rose from £52.3 million to £83.4 million and equities, which accounted for 9.9 per cent of total assets in 1949, had risen to 11.8 per cent last year. The proportion is close to the average for all offices.

The Film Industry Takes Heart

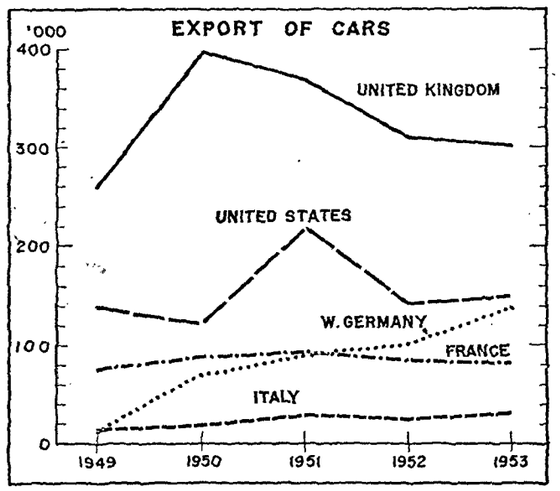
THE Government had a little more good news for the cinema industry this week, when its statistics of admissions showed that in the last quarter of 1953 rather more people went to the cinema than in the last three months of 1952. This slight increase, combined with the slower rate of decline in admissions during summer and autumn 1953, emboldened the Board of Trade to observe that "this seems to herald a pause in the downward trend of cinema attendances of the last few years." The exhibitors took special encouragement from the fact that in Southern England, where television ownership is highest and of the

longest standing, admissions rose slightly more. For the year as a whole, box-office takings were £108.8 million, compared with £109.9 million in 1952; after paying Entertainments Duty and the levy to British producers, net takings were practically unchanged, and exhibitors as a whole obtained £44.6 million after paying for film hire, about £150,000 less than the year before.

How far this steadying of cinema business reflected a flush of popular films, a somewhat maturer public attitude towards television, or merely the greater amount of money in people's pockets, remains unknown. It may contribute towards warming the exhibitors' hearts towards the new wide-screen techniques, since some of the films made by these systems have proved magnificent box-office wherever they have been shown; whether it will persuade them to instal the expensive "stereophonic sound" systems that some of the American producers would like to make obligatory is less certain. The film industry's attitude towards television remains apprehensive, however; only when commercial television looms on the scene in a year or two, they feel, will they be able to gauge the full strength of this potent competitor for the public gaze.

Buoyant Car Exports

THE motor industry was producing cars at the rate of 14,700 a week during March, the highest level it has ever reached. This brought output during the first quarter of the year up to 183,000 cars, nearly a third more than the numbers produced during the same period last year when



the last remnants of steel licensing were being removed. Exports of cars also rose sharply, the total number shipped during the quarter being 84,000 compared with 67,000 in the first quarter of 1954. The relaxation of import controls in Australia and New Zealand had much to do with this. Shipments to Australia went up from 9,456 to 17,241 and to New Zealand from 4,053 to 7,804.

A stimulus of this kind was badly needed. The chart shows that, while the British industry is far and away the biggest exporter of cars, its foreign sales have been contracting steadily while those of some other exporting countries, Western Germany in particular, have been rising. West German exports, at 137,889 cars last year to the British industry's 302,223, are still less than half the British total, but the progress that has been made since 1949, when fewer than 14,000 cars were sent out of Germany, is nevertheless formidable, and the German cars seem to have elbowed out the French and Italian models as serious competitors of the British medium-priced, medium-powered export car. Volkswagen salesmen are ranging far afield and individual British manufacturers will need the support of a high rate of output and sales, to which the home market can make only a partial contribution, if they are to meet this competition.

Road Haulage and the "C" Licence

ALTHOUGH the numbers and sizes of the goods vehicles that operate on British roads are regularly measured in official statistics, and some details of the operations of the road fleet owned by the Transport Commission are also published, any statistical estimates concerning the activity of the million or so vans and lorries concerned has until now been extremely sketchy. In late 1952, however, the Ministry of Transport conducted a sample inquiry among road haulage operators of all types of licence and vehicle; and this week the results were presented in a paper read to the Royal Statistical Society.* Road Haulage Executive vehicles appear to have been used far more intensively than privately owned vehicles; they ran on the average longer though less frequent journeys with more varied loads, and were filled much nearer to vehicle capacity. The vehicles owned by the former Railway Executive, on the other hand, were engaged in highly specialised local collection and delivery services, involving large tonnages, very short hauls, and many trips. Altogether nationalised lorries accounted for about 8 per cent of the vehicle miles, nearly 10 per cent of the tonnage carried, and about 22 per cent of the ton mileage of all road goods vehicles.

DOMESTIC FREIGHT TRANSPORT, 1952
(Estimates)

	Million tons carried	Million ton miles of work
Road	900	19,000
Rail	300	22,000
Inland Waterways	10	—
Coastal Shipping	40	10,000
	1,250	51,000

The paper affords some information on the operations

* "The Outlines of the Road Goods Transport Industry," by K. F. Glover and D. N. Miller.

of vehicles in the large "C" licence fleet that has grown so rapidly since the war, in which traders transport their own merchandise; these licences today account for five out of every six lorries on the road. The type of work often regarded as typical of "C" licence operations, local delivery services, did not in fact add up to a large volume of traffic in terms of ton miles, although a third or more of "C" lorries, including many of the heavier ones, were engaged upon it. Many firms appeared to use their "C" trucks on quite long hauls; in fact more than a half of the traffic carried on hauls of more than 40 miles travelled in "C" vehicles. Altogether "C" licence work was responsible for the major part of all road haulage work; it accounted for over 75 per cent of the vehicle miles, 54 per cent of the ton miles, and just under 60 per cent of the tonnage. The findings of this inquiry are interesting, though some of the figures thrown up need to be treated with caution. It would appear that the road fleet carried about 900 million tons of freight in 1952, or about three times as much as went by rail. But the railways carried their loads on the average more than three times as far; so in terms of ton mileage road and rail were almost equally important as carriers of freight.

Strong Demand for Nickel

INDUSTRIALISTS in many fields have found to their cost that when government controls were withdrawn shortages and the sellers' market also suddenly vanish. That happens for two reasons: governments do not usually withdraw controls until they are satisfied that the period of shortage is over, and consumers adopt a different stock-holding policy in a free market. But there is an exception to this type of experience—International Nickel Company of Canada. Throughout the speech of Mr John F. Thompson, the chairman, runs the theme that though the controls on nickel were withdrawn last year in the company's chief markets, the United States, Canada and the United Kingdom, a large unsatisfied demand for nickel remains. When supplies become more freely available he expects larger outlets, in particular for special irons in the foundry industry and for better quality electro-plating.

Why then did International Nickel show a slightly lower profit in 1953? Deliveries were a record and the price was slightly higher. Mr Thompson provides the answer. It was due to a time lag. The company's financial results are the result of a race between technical improvements and rising costs, particularly wages and taxes. The development of cost saving processes takes time, and in a period of inflation rising costs tend to gain a lead.

SHORTER NOTES

In about a month's time Stewart and Lloyds will begin shipments to Karachi under the contract for 350 miles of 16-inch seamless steel pipe for the Sui Gas transmission line that the company obtained this week against strong foreign competition. The order involves a tonnage of over 40,000 tons and exceeds £2 million in value; it is one of the largest individual orders for steel pipe ever obtained in Britain.

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The Committee of Lloyd's has issued a statement about the operations of some Lloyd's underwriters whose business has been conducted under the agency of Mr A. E. M. Wilcox. The Committee point out that "the syndicates of which the said underwriters are members have ceased to underwrite and the winding up of their underwriting accounts is proceeding in accordance with the practice obtaining at Lloyd's. All the underwriting liabilities of the underwriters will be paid in full and the holders of policies subscribed by such underwriters are therefore in no way prejudiced by the decision to discontinue underwriting in the syndicates in question."

Company Notes

UNILEVER. The directors of Unilever Ltd, and Unilever NV have given shareholders their first short glimpse of the 1953 results of a trading empire. This empire, built on the needs of the housewife, embraces over 300 companies, trading across the world. Last year added to the stature of this giant. The value of the sales of the two "partners," Unilever Ltd and Unilever NV, advanced from £1,227 million to £1,310 million. This figure is the largest yet achieved and it has doubled since 1948. The combined profits of the British and Dutch companies jumped from £38.9 million to £61.6 million. The directors permit themselves a masterpiece of understatement: "trading conditions in general have been favourable and results satisfactory."

Profits are shown after charging £15.2 million for depreciation; in 1952 depreciation absorbed £11.5 million and a further £5.3 million was appropriated to fixed asset replacement reserves. The dropping of the replacement reserve appropriation and the sudden increase in the depreciation provision suggests that the Unilever group has revalued its fixed assets. Already, four of its subsidiaries have announced just such a revaluation. It is a matter for congratulation that Unilever, which played the role of pioneer in pointing out that historical cost depreciation was wholly inadequate in times of inflation and must be supported by specific appropriations to reserves if the earning power of the assets was to be maintained, seems to have decided on a realistic contemporary valuation of its assets.

Taxation has absorbed nearly £33.9 million, compared with £22.2 million, but the combined net profits of the diarchy have risen from £21.1 million to £25.8 million. These figures understate the real improvement, for in 1952 net profits included nearly £1.9 million withdrawn from stock reserves and another £4.9 million relating to exceptional items and non-recurring credits. In 1953 there was, apparently, no need to make any changes in stock reserves and "exceptional items" were of minor importance. The combined profit of £25.8 million is made up of a profit of £16.9 million from Unilever Ltd and a profit of £8.9 million from Unilever NV. From these profits the two companies will pay the ordinary dividends that the directors forecast last November when the interim dividends were increased. The full year's ordinary dividend of Unilever Ltd has been raised from 13½ to 15¾ per cent and that of Unilever NV from 12 to 14 per cent. As the dividend rates have been known for nearly six months, it is not surprising that the price of the £1 ordinary stock units of Unilever Ltd remained unchanged at 68s. 3d. immediately after the preliminary statement had been published. Since then in the general decline in the markets they have fallen to 65s. 9d., to offer a yield of 4.8 per cent.

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SHELL-ROYAL DUTCH. Unlike the Unilever shareholders, equity shareholders in Shell and Royal Dutch did not know in advance what dividends their companies would declare. But, after the announcement of the one for five share bonuses, they could make a shrewd guess that the rates would be left unchanged (at 15 per cent, tax free, for Shell and 16 per cent for Royal Dutch). That happened, and the few optimists who expected a little more were disappointed. Shell £1 ordinary stock units therefore fell 2s. 6d. to 5$\frac{19}{32}$ and the Royal Dutch fl. 100 units by 17s. 6d. to £43 after the announcement.

The Shell-Royal Dutch preliminary report also roughs out the achievements of a giant. The group controls about one tenth of world oil production. Last year the gross sales proceeds and other income of the Shell-Royal Dutch group increased by just under 5 per cent, from £1,616 million to £1,700 million. About £348 million, compared with £303 million in 1952, was paid out in sales taxes, excise duties and similar levies, but the group's net income rose by just under 4 per cent, from £125 million to £130 million. The increase in net earnings seems to have been limited to a mere £5 million because of the decline in tanker freight rates (which on the average were 40 per cent lower than those ruling in 1952). As the group's method of allocating costs and charging prices has the effect of turning its tanker fleet into a operating subsidiary, the reduction in these rates reduces the profits of the parent company. Fortunately, the adverse effect of these reductions was "offset to a great extent" by "the increase in mid-1953 of world prices for crude oil and products and higher earnings by the Shell Oil Company in the United States."

Again the greater part of the group's net income has been ploughed back into the business and the dividends paid out to Royal Dutch and "Shell" Transport and Trading (in the 60/40 ratio) total only £22.2 million—almost exactly the same distribution as was made in 1952. Ploughed back profits support the group's immense capital development programme. Last year about £220 million, compared with £188 million in 1952, was spent on capital account. Although this represents the largest capital expenditure programme in the history of the group, total resources held in cash and securities were increased by £54 million to £315 million.

Such an immense backing of assets and earnings will encourage shareholders to expect the present dividend rates to be maintained on the equity capitals as increased by the share bonuses. On that assumption and if the current price of the Shell £1 units of 5$\frac{15}{16}$ and of the Royal Dutch fl. 100 units of 42½ are adjusted accordingly, the yields would be 5¾ per cent and 4¼ per cent respectively.

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IMPERIAL CHEMICAL INDUSTRIES. When the £30 million issue of an unsecured loan stock was announced by ICI in March, shareholders were told that the ordinary dividend would be raised from 13 to 15 per cent and that profits in 1953 exceeded those earned in 1952. The preliminary report confirms the forecast of a higher dividend and it shows that the directors in talking of profits have almost as great a gift for understatement as the Unilever board. Profits before depreciation and taxation jumped last year by nearly 22 per cent, from £39.8 million to £48.5 million. This is the measure of recovery from 1952 when ICI's profits (though not the value of its sales) were reduced by the recession in the textile, plastics and paper trades and by the steep decline in raw material prices. The group is now sharing in the revival of these industries.

ICI cannot fail to benefit also from more stable prices; it is a sign of confidence that the directors have decided to write back £2.5 million from stock reserves, compared with appropriations to these reserves of £700,000 in 1952 and £7 million in 1951. This transfer and the increase of about £3.8 million in net profits has enabled the board to increase the appropriations to general and fixed asset reserves as well as to pay out a bigger dividend. The group has a formidable capital development programme in front of it, and though nearly half of the expected cost of £70 million in the next three years will be met from the proceeds of the recent loan stock issue, this programme may oblige the directors to hold a curbing rein on equity dividends.

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Gross profit	39,755,729	48,519,162
Depreciation	10,138,595	11,551,012
Taxation	13,816,787	17,209,526
Net profit	*16,077,918*	*18,867,003*
Ordinary dividends	4,963,244	5,828,721
Ordinary dividends (per cent)	13	15
Retained by subsidiaries	1,578,962	1,262,935
Stock replacement reserves	700,000	*Dr.2,500,000**
General reserves	2,000,000	6,500,000
Asset replacement reserves	5,000,000	7,000,000
Added to carry forward	*Dr.49,144*	*Dr.151,643*

£1 ordinary stock at 59s. 6d. yields £5 1s. per cent.

*This sum has been released from stock replacement reserves of £11,700,000, reducing them to £9,200,000.

VICKERS. The repetition of the Vickers dividend at 15 per cent and the loss the company made in selling part of its holding of 3½ per cent Treasury stock were discussed in these columns a fortnight ago. The company's full accounts now show that the stability in net profits conceals an improvement in trading profits (which have advanced from £8.3 million to £9.2 million). Much of this increase has been absorbed by higher provisions for depreciation and for further expenditure on completed work and by the loss on the sale of gilt-edged securities. The full report, however, does give every indication that 1953 was an exceptionally busy year for the Vickers group. Most of its principal manufacturing divisions were kept working at or close to full capacity; the number of its employees rose; and its wage bill went up from £26.4 million to £29.8 million. The consolidated balance sheet, too, bears the mark of a very active year. The value of stocks increased from £77.8 million to £88 million, partly offset by a rise in instalment payments on contracts from £53.3 million to £59.7 million. But the increase in working capital commitments and in fixed capital expenditure helps to explain why the group's holdings of gilt-edged securities were reduced from £12½ million to £5¼ million.

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Trading profit	8,293,479	9,162,975
Total income	9,665,214	10,616,840
Depreciation	1,575,746	1,771,321
Taxation	4,003,645	3,745,876
Net profit	*2,844,633*	*2,850,994*
Ordinary dividends	1,008,331	1,016,028
Ordinary dividends (per cent)	15	15
General reserves	131,092	3,254,154
Added to carry forward	1,578,342	*Dr.1,092,947*
Cons. balance sheet:—		
Fixed assets, *less* depreciation	18,627,677	20,519,773
Net current assets	46,761,456	46,130,337
Stocks	77,826,805	88,032,744
Cash and TRC's	8,021,011	9,504,079
Gilt-edged securities	12,557,204	5,290,123
Contract payments	53,302,353	59,748,884
Reserves	40,489,727	42,004,790
Ordinary capital	12,315,484	12,315,484

£1 ordinary stock at 57s.xd yields £5 5s. per cent.

In a comprehensive review of the group's many activities, Sir Ronald Weeks, the chairman, throws some light on future prospects—though he makes no reference to the future of English Steel. Shareholders will welcome this peep into the future, and they can hardly avoid the impression that the Vickers divisions (thanks to a backlog of orders) should do as well this year as they did in 1953. But if they look beyond this year's dividend they will find the prospect less reassuring. Of the major industrial divisions, only those manufacturing civil and military aircraft promise a rapid expansion. Elsewhere, as in the shipbuilding, ship-repairing, road and rail transport and engineering sectors, the chairman draws attention to the growth of competition (particularly in overseas markets) and to the slackening flow of orders. If this is so, shareholders may feel that the proposed 100 per cent share bonus should be mainly regarded as a means of matching issued capital more closely with employed capital.

HUDSON'S BAY. Shareholders in Hudson's Bay Company have to look at the full report in two different ways. First, they must look at the prospects of the company's oil interests, vested in Hudson's Bay Oil and Gas Company in which Hudson's Bay has a 25 per cent interest; it is on these that the present high price of the shares is largely based. Secondly, they must look at the prospects for the retail and wholesale trades in Canada, because these decide the immediate course of the company's profits and dividends.

Last year, Hudson's Bay Oil and Gas Company spent another $11.7 million on exploration and development; and another 41 producing wells came into production. But these are early days and, though the company should in the long run benefit from the building of oil pipelines in Canada, the directors reaffirm that it may be some years before any "significant return" is obtained on the money already spent and to be spent. Part of the proceeds of £2,154,000 which will be raised by the latest "rights" issue of 623,056 £1 ordinary shares at 70s. each will finance further developments.

The remainder of the new money will be used to extend and modernise the company's stores in Western Canada. Hudson's Bay earns the greater parts of its profits from these stores. In 1953-54 it was the improvement in retail sales and profits that was primarily responsible for the increase in trading profits from £2,764,095 to £3,060,842 and, ultimately, for the increase in the ordinary dividend from trading. The trading dividend was raised from 10 to 12½ per cent, a rate that the directors expect to be able to maintain on the increased capital. They believe that immediate prospects are reasonably encouraging, though shareholders must also remember that the American recession can have its effect on retail sales and profits in Canada. As future capital receipts from land sales will be "relatively unimportant" they must wonder how much longer the tax-free dividend from these receipts—it was again maintained at 2½ per cent in 1953-54—will sweeten the trading dividend.

	Years to Jan. 31, 1953	1954
Consolidated earnings:—	£	£
Retail stores:		
Sales	32,260,000	34,186,000
Profit, before tax	1,776,000	1,997,000
Wholesale department:		
Sales	12,656,000	13,937,000
Profit, before tax	333,000	322,000
Fur trade:		
Sales	26,443,000	21,676,000
Profit, before tax	333,000	320,000
Combined trading profit	2,764,095	3,060,842

£1 ordinary stock at 110s. 0d. yields £3 2s. per cent.

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MONSANTO CHEMICALS. Last year Monsanto Chemicals — the English subsidiary of an American parent —marched back along the road to recovery. The full report fills in a few more details of this progress. The preliminary statement, which was discussed in these columns on February 27th, showed that sales had risen by 9 per cent to £10,852,854, that trading profits had advanced from £1,476,400 to £2,354,084 and that the ordinary dividend was to be increased from 18½ per cent to 20 per cent. The chairman, Mr Edward A. O'Neal, now reveals that the company's factories at Newport and Ruabon were able to operate at more efficient production levels, except in the pharmaceutical and rubber chemical groups where demand fell considerably short of capacity. Exports, which in 1953 represented about 40 per cent of total sales, continued to play an important part in the group's activities, rising by about £300,000 in the face of growing competition.

Thanks to the reduction in raw material prices, the recovery in sales did not involve the Monsanto group in any further commitments on stocks; in fact, the book value of stocks declined slightly, from £3,202,398 to £3,005,583. The group continued with its development programme, though at a slower pace than in earlier years. At the moment Monsanto Chemicals seems to be taking its breath before proceeding on the second stage of its programme. The remaining £2 million of the 5 per cent unsecured loan stock was called up last May, but at the end of the year most of that money remained in liquid form—in preparation, no doubt, for another bout of development. These plans may have to be implemented at a time when competition both at home and abroad is more likely to intensify than to decline.

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THE BRUSH GROUP. In the last few years every annual report from Brush has aroused the comment that there was a need for consolidation. The latest report for 1953 suggests that at long last the group has entered this period of retrenchment and reorganisation. The chairman, Sir Ronald Matthews, says that the directors are "determined to achieve balance and stability." And this apparently means balance and stability within the present structure of the group for the directors consider "existing manufacturing facilities" to be "fully adequate" for the business.

The directors have already begun to translate the new policy into action. Last September £940,000 was raised by an issue of 6 per cent preference shares and in 1953 they deliberately reduced stock commitments from £12.2 million to £10.5 million. These changes led to a reduction in the group's bank loans, trade liabilities and other debts. Bank overdrafts, at £5.8 million, still have a prominent place in the balance sheet, but that document looks more healthy than it did. It was this improvement, apparently, that encouraged the directors to raise the ordinary dividend from 4 to 6 per cent. The group still has to steady itself at a time when sales and profits will be harder to earn. Last year turnover and profits fell, largely because of the reduced demand for small diesel engines. In the last few months there has been an improvement in the number of new orders but the intake of orders still falls short of production. The directors believe that the volume of orders is sufficient to ensure "reasonable employment" in the group's factories this year.

LONDON STOCK EXCHANGE

Next Account begins: May 5th.
Next Contango Day: May 5th.
Next Settlement Day: April 27th.

THE tide turned in the stock market this week. The *Financial Times* ordinary share index, which had advanced to 147.1 just before the weekend, had fallen back by the close on Wednesday to 144.2. The ebb in prices began in the gilt-edged market, where the biggest losses occurred in the undated and long dated stocks. War Loan was particularly vulnerable on Monday after going "ex dividend"; its net loss on that day, after allowing for the dividend element, was ⅞ and it closed at 87⅛. The price continued to fall and on Wednesday it touched 86 before closing at 86⅜. In the same period old Consols made a net loss of ¾ to 65¾. Banking and insurance shares were generally dull in line with the fall in gilt-edged prices but Royal Exchange rose ¾ to 167/8 in response to the dividend and share issues. In the foreign market Japanese issues were sold rather heavily before rallying on Wednesday.

Almost all the leading equities lost ground. Paper, store and textile shares suffered some of the heaviest losses, though rayon shares staged a slight rally when the market opened on Thursday. Tobacco shares were unsettled by further references to lung cancer and "Imps" dropped 2s. 4½d. to 51s. 6d. and "Bats" 1s. 7½d. to 39s. 9d. on Monday; these shares rallied a little later in the week. The de Havilland equity shares lost 1s. 3d. to 23s. 6d. on the suspension of work on the Comet I and Comet II, and other aircraft shares were dull. Oil shares weakened in line with the rest of the market; the biggest losses were reported in Burmah Oil. Rubber and tea shares remained quiet. Kaffirs made rather a mixed showing. Prices faltered on Monday but on Tuesday a modest improvement in demand for a few OFS issues was quickly reflected in higher prices; President Brand made the biggest gain (and on Wednesday touched the new peak of 54s. 6d. before closing at 52s. 9d.) and this gain was linked with the fact that the options to take up new shares expire at the end of this week. Renewed selling of uranium issues, notably Randfontein, led to further losses on Wednesday.

FINANCIAL TIMES INDICES

1954	Security Indices: Ord.*	Security Indices: Fixed Int.†	Yields: 2½% Cons.	Yields: Ord.
			%	%
April 21	146·1	113·42	3·74	5·09
„ 22	146·9	113·52	3·72	5·06
„ 23	147·1	113·68	3·72	5·08
„ 26	145·6	113·50	3·76	5·13
„ 27	144·5	113·32	3·80	5·17
„ 28	144·2	113·26	3·81	5·18
			Total bargains	
1954, High	147·1	113·68	1954	
	(Apr. 23)	(Apr. 23)	April 21	10,423
„ Low	131·1	111·78	„ 22	10,484
	(Jan. 1)	(Jan. 5)	„ 23	10,267
1953, High	131·5	112·55	„ 26	12,967
	(Nov. 4)	(Nov. 27)	„ 27	10,826
„ Low	113·9	105·68	„ 28	9,930
	(May 20)	(Jan. 5)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to Apl. 28 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April21, 1954	Price, April28, 1954	Net Yield, April 28, 1954 §	Gross Yield, April 28, 1954
					£ s. d.	£ s. d.
100⅛	99⅞	Exchequer 2½% 1955	100 1/32	100 3/32	0 18 9	2 4 2
102⅝	101½	Exchequer 3% 1960	102 1/8	102½	1 4 2	2 11 6
101¼	99 15/16	Exchequer 3% '62-63	101⅛	101¼	1 11 6	2 19 8
99 3/32	99⅛	Serial Funding 1¾% 1954	99 3/32	99 1/16	1 7 2	2 1 9
99 3/32	99 3/32	Serial Funding 2½% 1957	99 1/16	99⅛	1 5 8	2 5 8
101½	100 15/16	Serial Funding 3% 1955	101 3/32	101 1/16	0 19 8	2 5 9
100 3/32	100	War Bonds 2½% '54-56	100 1/32	100⅛	1 2 2	2 6 8
100 15/16	100 11/16	Funding 2¾% '52-57	100 29/32	100⅞	1 1 7	2 9 2
101 3/32	100 15/16	Nat. Def. 3% '54-58	101 1/32	101 1/32	1 4 3	2 12 11
102⅜	101⅛	War Loan 3% '55-59	101 13/32	101⅜	1 6 7	2 13 6
97⅛	95 11/16	Savings Bonds 3% '55-65	97 3/16	97 1/16	1 19 6	3 7 7
98⅛	97⅜	Funding 2½% '56-61	98⅛	98⅜	1 12 7	2 15 6
94⅛	92 7/16	Funding 3% '59-69	94 1/16	93¾	2 2 11	3 11 1
95 5/16	93 15/16	Funding 3% '66-68	95 5/16	95	2 1 10	3 10 3
102 1/16	100 1/32	Funding 4% '60-90	101 7/16 *	101 7/16 *	1 18 10	3 14 6
93 5/16	90⅜	Savings Bonds 3% '60-70	93	92⅜	2 4 2	3 12 10
91⅜	90⅛	Savings Bonds 2½% '64-67	91⅛ *	91 3/16 *	2 3 1	3 6 9
103 1/16	101 7/16	Victory 4% '20-76	102 7/16	102 5/16	2 0 6	3 16 8
90 1/16	87⅛	Savings Bonds 3% '65-75	90⅛	89½	2 5 11	3 15 3
96 1/16	93½	Consols 4% aft. Feb. '57	95⅝	94⅞	2 6 8	4 5 2
89⅛	84½	Conv. 3½% aft. April '61	88⅛	87⅛	2 4 0	4 0 2
99⅜	99 1/16	Conv. 3½% 1969	99 1/16	99⅛	1 19 8	3 11 9
67½	63 3/16	Treas. 2½% aft. April '75	66⅛	65⅜	2 2 0	3 16 5
78⅛	74 1/16	Treas. 3% aft. April '66	77⅛	77	2 2 11	3 18 2
96 3/16	92 1/16	Treas. 3½% '77-80	96 1/16	95 1/16	2 4 0	3 17 4
95⅛	92 1/16	Treas. 3½% '79-81	95⅜	95⅛	2 3 9	3 16 9
86⅛	83	Redemption 3% '86-96	86⅜	85⅞	2 3 4	3 13 5
89 1/16	84 1/16	War Ln 3½% aft. Dec. '52	89⅛	86⅛ *	2 4 7	4 0 10
67 1/16	63 1/16	Consols 2½%	66⅞	65⅝	2 2 0	3 16 5
90 1/16	88 1/16	Br. Elec. 3% '68-73	90⅜	90⅛	2 5 11	3 14 10
90½	87 1/16	Br. Elec. 3% '74-77	90⅜	89½	2 5 0	3 14 2
105 3/16	103 3/16	Br. Elec. 4½% '74-79	105 1/16	104½	2 1 7	3 19 1
96 1/16	93 1/16	Br. Elec. 3½% '76-79	95 1/16 *	95⅛	2 3 5	3 15 10
87 1/16	83 1/16	Br. Trans. 3% '78-88	87⅜	86⅝	2 4 11	3 15 8
90 1/16	88 1/16	Br. Trans. 3% '68-73	90 1/16	90⅛	2 6 1	3 15 0
103⅜	100⅛	Br. Trans. 4% '72-77	103 1/16	102 7/16	2 1 10	3 18 6
86 1/16	84⅛	Br. Gas 3% '90-95	86⅛ *	85⅝ *	2 3 8	3 13 8
98 1/16	96⅜	Br. Gas 3½% '69-71	98⅛	98⅛	2 1 5	3 13 8
103 1/16	99⅞	Br. Gas 4% '69-72	103 1/16	102½	2 0 11	3 17 2

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1 to Apl. 28 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, April21, 1954	Price, April28, 1954	Yield, April 28, 1954
							£ s. d.
92	84¾	93 1/16	90½	Aust. 3½% '65-69	93¼	93¼	3 16 9
95¾	91	96⅛	94½	N. Zealand 3½% '62-65	96	96	3 14 4
99½	93⅝	99½	97½	S. Africa 3½% '54-59	99¼	99½	3 12 3
73⅜	66½	76⅜	71½	L.C.C. 3% aft. 1920	76	76	3 18 11
95⅜	90⅜	96⅜	95	Liverpool 3% '54-64	95	95	3 12 2
94½	88½	95⅝	93½	P.L.A. 3½% '66-71	93½	93½	4 1 3
104½	101½	103⅝	101⅝	Agric. Mort. 5% '59-89	103	103	4 6 5
77½	66½	80½	75⅜	Austria 4½% '34-59	80	80	4 4 5
21½	8	19½	11⅜	Chinese 5% 1913	15½	15	Nil
102½	65	142	102	German 4½%	133	129	...
139½	119	159⅜	132⅜	Japan 5% 1907	155	148½	...

Prices, 1954 Jan. 1 to Apl. 28 High	Low	Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, April21, 1954	Price, April28, 1954	Yield, April 28, 1954
		%	%			£ s. d.
46/–	42/3	7 *a*	9 *b* Barclays £1	46/–	45/–	4 8 11
62/6	58/9	6 *a*	8 *b* Lloyds "A" £5, £1 pd.	61/–	61/–	4 11 10
81/6	74/9	8 *a*	8 *b* Midland £1, fully pd.	77/–	76/–	4 4 3
81/–	72/7½	8½*a*	8½*b* N. Prov. "B" £5, £1 pd.	75/–	75/–	4 10 8
90/–	79/6	9 *a*	9 *b* Westminster £4, £1 pd.	83/–	85/–	4 4 8
100/–	92/–	7½*a*	17½*b* Alexanders £2, £1 pd.	97/6	98/9	5 1 3
47/3	40/10½	5 *a*	5 *b* Nat. Disc. "B" £1	45/–	46/–	3 5 3
51/6	44/6	5 *a*	5 *b* Union Disc. £1	48/–	48/–	4 3 4
41/–	37/6	4 *a*	4 *b* Barc. (D.C. &O.) "A" £1	40/–	40/–	4 0 6
45/7½	40/3	7 *a*	7 *b* Chart. Bk. of India £1	43/–	43/–	6 10 3
			INSURANCE			
12/5/10½	9½	50 *a*	85 *b* Leg. & Gen. £1, 5/- pd.	11⅞	11⅝	2 18 1
22½	20⅜	20†*a*	40†*b* Pearl £1, fully pd.	21⅜ *	21⅜ *	5 1 6
40½	35 1/8	105†*c*	112½†*c* Prudential "A" £1	39⅜ *	38¾ *	5 5 6
			BREWERIES, ETC.			
129/–	126/–	10 *a*	33 *b* Bass £1	127/6	126/10½	6 15 7
21/–⅜	17/4½	15 *b*	7½*a* Distillers 4/-	20/6	20/–	4 10 0
33/6	31/–	7 *a*	11 *b* Guinness 10/-	31/3	32/6	5 10 9
8/9½	8/2½	4 *a*	8 *b* Ind Coope 5/-	8/3	8/3	7 5 5

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield at 75½% of face value. (*e*) To earliest date. (*f*) Flat yield. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (*i*) 12% paid for 9 months; yield basis 16%. (*j*) Also 5% Coronation bonus, not included in yield. (*k*) Yield basis 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*r*) Yield basis 15% after capital bonus. (*t*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*v*) Yield basis 7½%. (*w*) Yield basis 20% (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11⅓%. (*z*) Yield basis 11¼%.

Prices, 1954 Jan. 1 to Apl. 28 High	Low	Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, April21, 1954	Price, April28, 1954	Yield, April 28, 1954
		%	%			£ s. d.
44/–	37/9	16 *c*	2½*a* Cunard £1	39/–	39/6	8 2 0
86/6	62/6	6 *a*	16 *b* P. & O. Def. £1	79/–*	79/6*	5 10 8
35/3	31/–	(*p*)10 *c*	10 *c* Royal Mail £1	34/6	31/6	6 7 0
			MISCELLANEOUS			
78/–	67/9	22½*b*	5 *a* Assoc. Port. Cem. £1	72/6	73/9	4 1 4
55/3	44/–	15 *c*	16 *c* Bowater Paper £1	53/1½	53/9	5 19 3
40/–	34/9	4 *a*	6 *b* Brit. Aluminium £1	36/3*	35/7½*	5 12 3
43/3	36/3	12½†*c*	4½†*a* Brit. Amer. Tob 10/-	40/–*	39/6*	5 15 1
$47½	$38¾	3 *a*	3 *b* Canadian Pacific $25	$44	$43½	6 4 0
6/10½	5/1½	6½*a*	11½*b* Carreras "B" 2/6	5/6	5/3	8 6 6
39/9	32/6	35 *c*	5 *a* Decca Record 5/-	35/–*	36/–*	4 17 3
23/3	18/5	17½*c*	17½*c* Dunlop Rubber 10/-	23/–	21/9	5 7 3
60/10½	53/–	6 *a*	9 *b* Imp. Chemical £1	60/3	59/6	5 0 10
58/7½	49/8½	8½*a*	11½*b* Imp. Tobacco £1	52/10½	51/–	7 16 10
$72	$63½	$2·60*c*	$2·35*c* Inter. Nickel n.p.v.	$71	$71½	5 17 8
59/6	51/6	7½*a*	9 *b* London Brick £1	58/9	58/9	4 15 4
68/–	63/6	3½*a*	12½*b* Tate & Lyle £1	66/6	66/6	4 16 3
68/9	60/6	7½*a*	7½*b* Tube Investments £1	65/–	64/–	4 13 9
78/10½	69/–	2½*a*	15 *b* Turner & Newall £1	78/6	76/–	4 12 1
69/6	57/6	6 *a*	9½*b* Unilever £1	68/3	65/9	4 15 11
			TEA & RUBBER			
6/7½	5/6	5 *c*	7½*c* Allied Sumatra £1	6/3	6/6	23 1 7
24/–	20/3	4 *c*	2½*a* Jhanzie Tea £1	22/6	22/9	3 10 4
49/3	37/9	5 *a*	15 *b* United Sua Betong £1	48/1½	48/1½	8 6 3
			MINES			
6 5/16	5 3/16	20 *a*	40 *b* Anglo-Amer. 10/-	6 3/16	6⅛	4 17 11
37/–	32/6	53½*b*	53½*a* Blyvoor 2/6	35/7½	35/10½	7 8 8
76/6½	68/9	60 *a*	60 *b* Daggafontein 5/-	69/4½	69/4½	8 13 0
83/–	68/3	80 *a*	120 *b* De Beers 5/- Bearer	80/6	79/3	12 12 4
52/–	42/–	17½*c*	17½*c* Johannesburg Con. £1	43/6	42/6	8 4 8
20 1/16	16 1/16	175 *b*	50 *a* Rhokana £1	20⅛	20⅛	10 18 2

* Ex dividend.

New York Closing Prices

	Apr. 21	Apr. 28		Apr. 21	Apr. 28		Apr. 21	Apr. 28
	$	$		$	$		$	$
Balt. & Ohio	19½	20⅛	Am. Smelting	34¼	33⅞	Inter. Paper	66½	67⅜
Can. Pac.	24½	23⅜	Am. Viscose	32⅜	32½	Nat. Distill.	17¼	17½
N.Y. Cent.	20½	21½	Cel. of Amer.	17½	16½	Sears Roebuck	63	63⅜
Pennsyl.	16⅜	16⅛	Chrysler	58⅜	58	Shell	46⅜	49⅜
Amer. Tel.	164⅜	166	Gen. Elec.	111⅞	118⅛	Std. Oil of N.J.	86	86½
Stand. Gas	13½	12⅜	Gen. Motor	67½	68⅛	U.S. Steel	44⅝	45½
United Corp.	5⅜	5⅜	Goodycar	61½	62½	Westinghouse	64⅝	69½
W. Union Tel.	39½	37½	Inter. Nickel	39⅜	39½	Woolworth	40½	40⅜

Statistics

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

British		Overseas	
Prices and Wages	April 3rd	Western Europe:	
Production and Consumption	April 10th	Production and Trade	April 3rd
Manpower	April 17th	British Commonwealth	April 10th
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	April 17th
Industrial Profits	April 24th	United States	This week
		World Trade	April 24th

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1953				1954		
		1951	1952	1953	Jan.	Feb.	March	Dec	Jan	Feb.	March
VALUE[1]											
Imports:											
Total	£ million	325·2	289·8	278·7	290·1	243·0	285·7	281·6	282·1	242·0	298·6
Food, drink and tobacco	"	107·6	100·5	109·7	102·4	90·2	105·2	n.a.	114·1	100·2	120·3
Basic materials	"	126·8	95·4	87·9	103·3	77·1	95·9	n.a.	87·2	68·5	87·8
Mineral fuels and lubricants	"	26·3	28·2	26·2	27·6	24·6	29·0	n.a.	26·3	22·6	29·6
Manufactures	"	63·1	64·0	53·5	54·7	48·8	52·7	n.a.	52·7	48·9	59·7
Exports of UK produce:											
Total	"	215·2	215·3	215·2	217·7	194·9	212·9	224·6	225·7	201·1	246·4
Manufactures	"	183·0	178·5	174·9	176·3	158·7	172·8	n.a.	184·5	163·4	201·3
Re-exports	"	10·6	12·0	8·8	10·0	9·2	10·9	7·6	8·1	8·2	11·7
Balance of trade (exports *less* imports)	"	−99·4	−62·5	−54·8	−62·4	−38·9	−62·0	−49·4	−48·3	−32·7	−40·6
VOLUME											
Imports	1950=100	112·5	102·8	112·1	...	106·4[2]	...	120	117	101	...
Exports	"	101·2	95·0	93·1	97	87	97	99	103	92	...
BY AREA											
Imports:											
Dollar area—total	£ million	64·5	60·1	52·9	45·0	41·8	45·6	51·1	42·7	41·5	45·0
" USA	"	31·7	26·2	21·2	26·6	21·4	23·6	23·4	21·2	20·2	20·2
" Canada	"	21·7	26·7	25·4	15·9	18·1	16·8	21·8	16·1	16·7	18·6
Non-sterling OEEC countries	"	83·9	71·3	64·1	67·4	57·4	68·9	65·5	64·2	58·9	69·0
Sterling area	"	116·5	119·7	125·3	140·8	113·7	132·9	124·2	142·3	112·3	145·9
Exports:											
Dollar area—total	"	28·8	31·4	33·7	31·5	29·7	31·6	31·7	31·7	26·2	32·0
" USA	"	12·8	15·1	14·3	14·1	13·8	14·2	13·5	12·7	11·6	14·3
" Canada	"	11·7	11·0	13·4	12·4	10·0	12·7	10·7	10·9	9·9	11·6
Non-sterling OEEC countries	"	56·2	58·4	62·5	63·5	59·3	66·6	58·9	63·7	60·7	73·0
Sterling area	"	110·8	107·0	105·8	107·5	94·8	103·9	116·8	113·1	102·6	124·5
Balance of trade (exports *less* imports)											
Dollar area	"	−35·7	−28·6	−19·2	−13·5	−12·1	−14·0	−19·4	−11·0	−15·3	−13·0
Non-sterling OEEC countries	"	−27·7	−12·9	− 1·7	− 3·9	+ 1·9	− 2·3	− 6·6	− 0·5	+ 1·8	+ 4·0
Sterling area	"	− 5·7	−12·7	−19·5	−33·3	−18·9	−29·0	− 7·4	−29·2	− 9·7	−21·5
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	337·7	325·3	335·2	261·6	256·3	322·9	336·8	238·4	223·7	248·7
Meat	"	39·9	45·5	63·1	46·9	74·5	61·8	54·8	56·8	55·3	69·1
Sugar, unrefined	"	186·8	164·6	248·6	134·0	110·5	163·4	277·6	337·2	255·7	277·9
Raw cotton (4)	"	37·5	21·8	27·5	29·8	19·1	31·1	36·4	27·3	26·4	38·7
Raw wool, sheep's and lambs' (5)	mn. lb.	36·0	51·9	63·3	102·7	68·8	87·9	57·3	70·4	40·8	52·8
Rubber, natural and synthetic (6)	'000 tons	25·1	16·7	18·4	16·6	15·5	20·6	18·5	23·3	24·2	22·1
Softwood	000 stds.	135·6	85·2	119·1	142·7	87·7	89·6	93·0	80·8	56·7	66·9
Woodpulp	000 tons	139·3	119·8	133·8	120·9	79·8	104·3	183·8	151·0	132·4	122·4
Crude petroleum	mn. gall.	359	494	556	541	462	555	604	595	540	667
Exports of UK produce:											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,370	1,337	1,306	1,525	1,361	1,307	1,399
Woven piece-goods—cotton	mn. sq. yds	72	59	59	65	52	56	61	58	55	64
" " wool	000 sq. yds.	9,817	8,143	8,706	9,739	8,011	8,316	8,600	9,145	8,211	9,901
Passenger cars and chassis	number	30,771	25,824	25,186	21,850	20,416	24,887	24,288	26,408	23,582	34,416
Commercial vehicles and chassis	"	11,382	10,636	9,199	8,807	8,144	9,155	9,853	11,233	10,316	11,038
Agricultural tractors	"	9,388	8,746	7,807	8,219	5,978	8,801	7,063	8,471	7,478	10,082
Machinery—electrical	£'000	4,022	4,805	5,015	5,373	4,232	5,234	5,230	5,249	4,779	5,987
" other	"	26,245	30,346	28,762	32,687	28,033	29,957	30,599	32,704	28,379	34,829
Chemicals elements and compounds(4)	"	n.a	3,085	4,180	3,859	3,540	4,324	n.a.	4,784	3,944	4,955

(1) The new classification, for 1954, makes comparison only possible with some of the earlier figures. (2) Retained imports. (3) Average for first quarter.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1953 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	...	42	48	88	100·0	23·86	45·97
1952	111·6	107·0	113·5	114·6	105·8	114·6	123	102	121	195·0	67·97	68·52
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	193·3	71·57	71·57
1953, November	109·8	93·7	115·0	112·0	105·5	118·9	117	102	115	191·2	71·60	71·24
" December	110·1	94·4	114·9	112·3	105·3	118·9	117	102	115	193·4	71·96	71·67
1954, January	110·9	97·8	115·2	113·1	104·9	118·8	...	...	...	198·4	70·92	70·43
" February	110·5	97·7	115·0	112·6	104·7	118·9	...	...	...	203·1	70·88	70·53
" March	110·6	98·5	114·8	112·1	104·3	119·0	...	...	...	207·1	70·53	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods						
	Seasonally adjusted annual rates		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals	New construction; seasonally adjusted	Total labour force	Total employment	Unemployed as % of labour force
	$ billion	Index 1947–49=100; seasonally adjusted							$ million	thousands		% rate
1939	91·3	58	49	53	48	66	80	45	683	55,230	45,750	17·2
1952	348·0	124	136	116	154	114	105	137	2,720	62,966	61,293	2·7
1953	367·2	134	153	132	189	118	107	147	2,904	63,453	61,929	2·4
1953, November	363·5[1]	129	146	122	180	115	98	145	2,900	63,353	61,925	2·3
" December		126	142	113	182	112	95	145	2,900	62,614	60,764	3·0
1954, January	359·0	125	141	111	185	113	97	144	2,915	62,840[2]	59,753[2]	4·9[2]
" February		124	139	108	178	113	95	144	3,038	63,725[2]	60,055[2]	5·8[2]
" March		123	135	101	173	113	96	144	3,076	63,825[2]	60,100[2]	5·8[2]

TRADE

	Personal consumption Annual rates	All business (3)		Total retail (4)		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
		$ billion; seasonally adjusted				$ million					1936–38=100	
1939	67·5	10·80	20·05	3·50	5·53	190	62	41	260	139	94	113
1952	218·1	46·08	77·11	13·67	21·59	896	245	214	1,253	778	151	250
1953	229·8	48·82	81·07	14·23	22·66	898	217	224	1,299	906	159	262
1953, October	230·0	48·28	81·81	14·04	22·72	822	210	200	1,238	825	145	248
" November		47·52	81·28	14·10	22·44	838	197	185	1,234	801	149	248
" December		47·21	81·07	13·93	22·66	896	204	186	1,340	875	159	270
1954, January	230·0[7]	46·41	80·69	13·62	22·52	843	207	175	1,079	714	149	218
" February		46·71	80·34	13·93[6]	22·42	816	...	...	1,168	...	...	...

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		$ 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
1952	269·7	184·9	14·8	25·83	18·68	77·5	64·2	65·4	− 4·0	1·766	2·68	2·96
1953	284·5	198·9	12·4	28·90	21·81	78·1	68·3	74·3	− 9·5	1·931	2·93	3·20
1953, November	285·9	199·6	12·2	28·25	21·59	78·2	67·3	5·3	− 0·7	1·427	2·85	3·11
" December	284·6	197·6	12·5	28·90	21·81	78·1	68·3	6·3	− 1·2	1·630	2·79	3·13
1954, January	283·7	196·3	12·4	28·13	21·44	78·7	66·5	5·1	− 0·6	1·214	2·68	3·06
" February	282·9	195·3	12·3	27·48	21·15	77·9	66·9	4·7	+ 0·7	0·984	2·60	2·95
" March	...	...	...	...	...	...	...	...	...	1·053	2·51	2·86

(1) Fourth quarter. (2) Figures have been revised on the basis of a new sample. (3) 1939 figures not strictly comparable with rest of series; stocks at end of period. (4) All commercial banks. (5) Annual figures are totals for the fiscal year ended June 30th. (6) 13·67 in March. (7) First quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended April 24th, there was an "above-line" deficit (after allowing for Sinking Funds) of £22,351,000 compared with a deficit of £31,215,000 in the previous week and a surplus of £4,300,000 in the corresponding period of last year, bringing the cumulative deficit to £64,727,000 (£48,403,000 in 1953-54). There was a net "below-line" receipt of £16,616,000 which brought the total cumulative deficit to £65,493,000 (£82,736,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to April 25, 1953	April 1, 1954 to April 24, 1954	Week to April 25, 1953	Week to April 24, 1954
Ord. Revenue					
Income Tax	1800,000	105,257	84,031	18,516	10,100
Sur-tax	132,000	8,200	8,400	1,700	900
Death Duties	164,375	15,700	11,800	3,800	3,300
Stamps	55,000	4,000	4,000	1,500	800
Profits Tax & EPT	172,000	12,800	8,400	2,000	1,900
Excess Profits Levy	60,000	2,600	4,100	1,400	1,000
Special Contribution and other Inland Revenue	1,000	110	100	50	100
Total Inland Rev.	2384,375	148,667	120,831	28,966	18,100
Customs	1062,500	72,747	74,040	22,507	21,938
Excise	719,000	16,190	19,215	6,435	4,135
Total Customs and Excise	1781,500	88,937	93,255	28,942	26,073
Motor Duties	77,000	3,281	4,261	...	...
Broadcast Licences	21,000	...	...	...	...
Sundry Loans	24,000	54	106	...	...
Miscellaneous	245,000	11,701	6,941	3,754	1,438
Total	**4532,875**	**252,641**	**225,394**	**61,662**	**45,611**
Ord. Expenditure					
Debt Interest	570,000	55,884	55,340	3,931	3,976
Payments to N. Ireland Exchequer	51,000	2,938	1,712	1,469	...
Other Cons. Fund	10,000	524	415	301	415
Supply Services	3855,399	240,850	231,570	51,250	63,120
Total	**4486,399**	**300,197**	**289,037**	**56,952**	**67,512**
Sinking Funds	36,000	847	1,085	410	450
"Above-line" Surplus or Deficit		— 48,403	— 64,727	+ 4,300	— 22,351
"Below-line" Net Expenditure		34,333	766	4,684	+ 16,616
Total Surplus of Deficit		**— 82,736**	**— 65,493**	**— 384**	**— 5,735**
Net Receipts from:					
Tax Reserve Certificates		8,101	10,474	1,697	932
Savings Certificates		4,800	300	600	— 400
Defence Bonds		— 6,680	— 3,086	— 1143	— 592

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
Apl. 25	2,990·0	1,514·8	288·2	...	4,793·0
1954					
Jan. 23	3,090·0	1,669·9	266·1	...	4,846·0
" 30	3,060·0	1,442·6	243·4	...	4,746·0
Feb. 6	3,040·0	1,362·5	236·5	...	4,638·5
" 13	3,040·0	1,303·8	265·7	...	4,609·5
" 20	3,040·0	1,331·9	293·5	...	4,665·4
" 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
" 13	3,080·0	1,345·5	301·7	0·3	4,727·4
" 20	3,100·0	1,359·7	369·6	...	4,829·2
" 31	4,491·4		327·9	...	819·4
Apl. 10	3,150·0	1,387·8	298·2	...	4,836·0
" 17	3,190·0	1,382·7	308·3	...	4,881·0
" 24	3,210·0	1,359·3	315·0	...	4,884·3

THE MONEY MARKET

APPLICATIONS for the £230 million of bills again on offer at last week's Treasury bill tender fell by less than £2 million from last week's record level, to £415.4 million. But the market maintained its bid at £99 9s. 7d. per cent, and its allotment fell again, from 44 to 38 per cent. The average rate of discount was virtually unchanged at £2 1s. 7.34d. At yesterday's tender the offer remained at £230 million.

Credit conditions in Lombard Street eased further in the week covered by the Bank return. Special purchases were made direct from the market on a small scale on Friday before the week-end, but on subsequent days credit was at first adequate and then plentiful. By Tuesday a surplus of funds had emerged and outside money was available at 1¾ per cent, and on Wednesday the authorities attempted to mop up the idle funds by operating in reverse and selling bills to the market. Throughout the week the banks bought June and July maturities at 2⅛ per cent.

The gold market has had an active week. Strong demands for gold evoked by the international situation brought London prices to their highest point since the reopening of the market. On Wednesday the price at the fixing was 249s. 1d., while on Tuesday some dealings after the fixing were transacted at 249s. 1½d.

The Bank return shows a post-Easter reflux of notes of £2.5 million. Bankers' deposits fell by £3.2 million to £289.3 million.

LONDON MONEY RATES

	%		%
Bank rate (from 4%, 17/9/53)	3	**Discount rates**	
Deposit rates (max)		Bank bills: 60 days	2⅛
Banks	1½	3 months	2⅛
Discount houses	1½	4 months	2⅛–2⅛
Money—Day-to-day	1½–2	6 months	2⅛–2⅛
Short periods	1½–2½	Fine trade bills:	
Treas. bills 2 months	2⅛	3 months	3½–4½
3 months	2⅛	4 months	3½–4½
		6 months	4 –4½

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	April 29	April 21	April 28
Issue Department:*			
Notes in circulation	1,514·0	1,615·1	1,612·6
Notes in banking dept.	36·3	10·2	12·8
Govt. debt and securities*	1,546·8	1,621·7	1,621·7
Other securities	0·7	0·8	0·8
Gold coin and bullion	2·9	2·9	2·9
Banking Department:			
Deposits:			
Public accounts	13·8	10·4	11·7
Treasury special account	39·5	1·0	6·6
Bankers	261·8	292·5	289·3
Others	73·8	63·5	67·1
Total	388·9	367·4	374·7
Securities:			
Government	329·3	347·9	355·6
Discounts and advances	13·8	10·5	7·5
Other	25·5	13·9	14·0
Total	368·6	372·3	377·1
Banking department reserve	38·2	12·9	15·5
"Proportion"	% 9·8	% 3·5	% 4·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

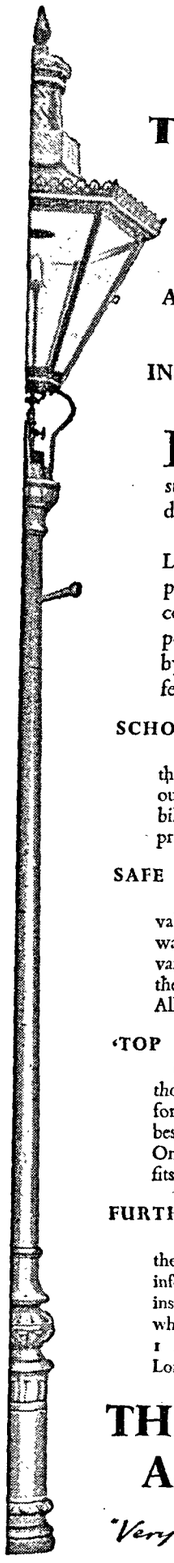
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate %
1953 April 24	210·0	330·3	210·0	47 8·04	58
1954 Jan. 22	210·0	343·8	210·0	41 11·78	58
" 29	220·0	382·0	220·0	41 11·04	56
Feb. 5	220·0	386·4	220·0	41 3·68	49
" 12	230·0	369·9	230·0	41 4·00	58
" 19	240·0	398·9	240·0	41 3·56	45
" 26	250·0	400·8	250·0	41 3·37	46
Mar. 5	270·0	412·9	270·0	41 3·83	53
" 12	270·0	414·6	270·0	42 2·61	45
" 19	260·0	365·6	260·0	42 3·64	60
" 26	270·0	405·2	270·0	42 3·62	52
April 2	270·0	399·0	270·0	42 4·01	58
" 9	270·0	392·2	270·0	42 4·05	59
" 15	230·0	417·2	230·0	41 7·41	44
" 23	230·0	415·4	230·0	41 7·34	38

* On April 23rd tenders for 91 day bills at £99 9s. 7d. secured about 38 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £230 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: April 28	Market Rates: Spot: April 22	April 23	April 24	April 26	April 27	April 28
United States $	2·78–2·82	2·81⅛–2·81⅞	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛	2·81⅛–2·81⅛
Canadian $	...	2·77 15/16–2·77 15/16	2·77 15/16–2·77 15/16	2·77 15/16–2·78 1/16	2·78 1/16–2·78 1/16	2·77 15/16–2·78	2·78–2·78⅛
French Fr.	972·65–987·35	986⅝–987⅛	986⅝–986⅞	986⅝–986⅞	986⅝–987	986⅛–987	986⅝–986⅞
Swiss Fr.	12·15/16–12·33/16	12·24–12·24¼	12·24–12·24¼	12·24–12·24¼	12·24–12·24¼	12·24⅛–12·24⅜	12·24⅛–12·24⅛
Belgian Fr.	138·95–141·05	140·85–140·95	140·75–140·85	140·70–140·80	140·70–140·80	140·70–140·80	140·70–140·80
Dutch Gld.	10·56–10·72	10·66–10·66⅛	10·66–10·66⅛	10·66–10·66⅛	10·66–10·66⅛	10·66–10·66⅛	10·66–10·66⅛
W. Ger. D-Mk.	11·67 3/16–11·84 1/16	11·75⅛–11·76⅛	11·75⅛–11·76	11·75⅛–11·76	11·75⅛–11·76	11·75⅛–11·76⅛	11·75⅛–11·76
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·59⅜	14·56¼–14·56¼	14·56¼–14·57¼	14·56¼–14·57¼	14·56¼–14·57	14·56¼–14·57¼	14·56¼–14·57¼
Danish Kr.	19·19½–19·48¼	19·44¼–19·44½	19·44¼–19·44½	19·44¼–19·44½	19·44¼–19·45	19·44¼–19·45	19·44¼–19·44½
Norwegian Kr.	19·85–20·15	20·00¼–20·01¼	20·00¼–20·01¼	20·00¼–20·01¼	20·00¼–20·01¼	20·00¼–20·01¼	20·01–20·01¼
One Month Forward Rates							
United States $		⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm	⅛–⅛c. pm
Canadian $		⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis
French Fr.		1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis
Swiss Fr.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
Belgian Fr.		¼ pm-par	¼ pm-par	¼ pm-par	¼ pm-par	¼ pm-par	¼ pm-par
Dutch Gld.		2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
W. Ger. D-Mk.		1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm	1⅛–1pf. pm
Swedish Kr.		3-1ö pm	3-1ö pm	3-1ö pm	3-1ö pm	3-1ö pm	3-1ö pm
Danish Kr.		1ö pm-par	1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis
Norwegian Kr.		1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis	1ö pm–1ö dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/8⅛	248/9	...	248/10½	249/-⅛	249/1



THE LONDON OMNIBUS

A VEHICLE OF INFORMATION

LATE IN THE 90's this double-decker steam omnibus served the public up and down the Thames Valley.

Buses come and buses go. But one London Omnibus has been serving the public for over 200 years—the "omnibus" collection of all kinds of insurance policies for all kinds of people offered by the London Assurance. Here are a few of them:

SCHOOL SUMS

When fathers start adding up school fees they are sometimes nonplussed. By taking out an Educational Policy long before school bills get really formidable, they find this problem greatly simplified.

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You may be very cautious about your valuables. Your safe may be sound, your watchdogs may bite. But even so, valuables vanish and furs fly. Sentimental value apart, the loss won't hurt so much if you have an All-Risks policy to safeguard you.

'TOP HAT' EVENINGS

Directors and senior executives, unlike those they employ, are often left to provide for the evening of their much-taxed days as best they can out of savings. The London Omnibus carries a 'Top Hat' scheme; which fits almost anyone who wants a 'Top Hat'.

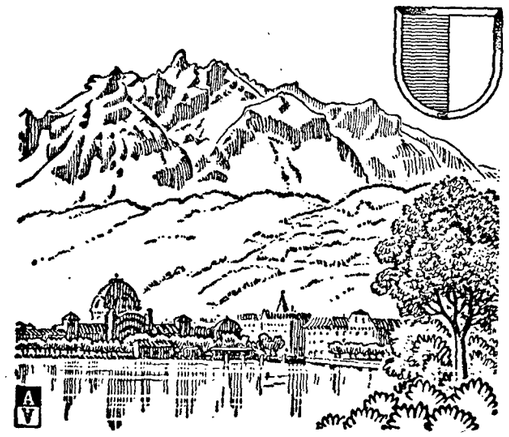
FURTHERMORE . . . .

If you would know more about any of the policies outlined here, if we can provide information about any other policies or about insurance problems generally — pray make what use of us you wish. Our address is 1 King William Street, Department V6, London, E.C.4.

THE LONDON ASSURANCE

"Very good people to deal with"

Perhaps you didn't know that LUCERNE



the heart of historic Switzerland, is connected by rail with the summit of mighty Mt. Pilatus (6,995 ft.).

One travels by ordinary railroad to Alpnachstad, and from there ascends, by the steepest and most daringly built electric train in the world (maximum gradient: 48%).

But everybody knows

that such enterprising railways cannot be built without full co-operation of the banking world. Should you intend visiting beautiful Lucerne, the Lucerne Branch of the Union Bank of Switzerland will be pleased to encash your Travellers' Cheques, to effect payments under your Travellers' Letters of Credit and to be of service in any other direction.

UNION BANK OF SWITZERLAND

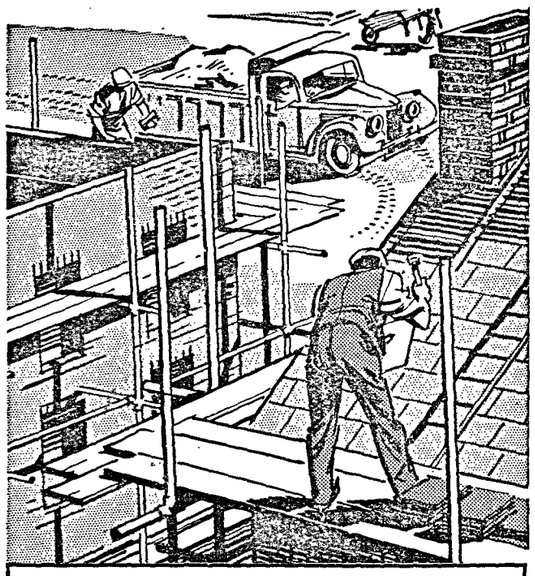
HEAD OFFICE: ZURICH, Bahnhofstrasse 45

UNION DE BANQUES SUISSES
SCHWEIZERISCHE BANKGESELLSCHAFT

OVER 30 BRANCHES THROUGHOUT SWITZERLAND

Capital, fully paid	Swiss Francs 80,000,000
Reserves	Swiss Francs 65,000,000
Total Assets	Swiss Francs 2,082,406,133

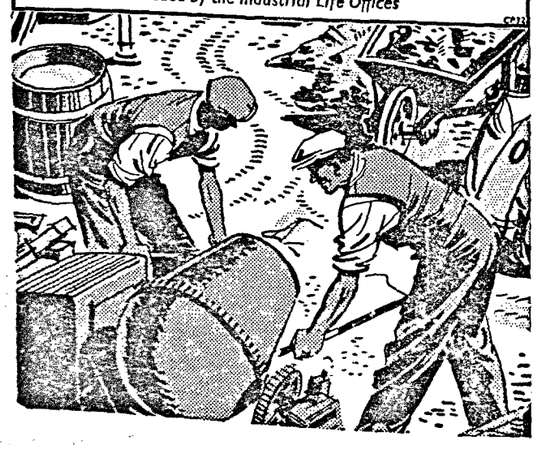
Cable Address for all Offices and Branches: BANKUNION



MONEY AT WORK
IN BRITISH INDUSTRY

The regular calls of the Home Service Insurance Man provide much-needed capital for investment in industry and commerce

Issued by the Industrial Life Offices



ALLIANCE
ASSURANCE COMPANY LIMITED

Head Office:
BARTHOLOMEW LANE, LONDON, E.C.2
Established 1824

The Finest Service
for
All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

The Company undertakes the duties of Executor and Trustee

The Chartered Bank of India, Australia and China was incorporated in England by Royal Charter on 29th December, 1853, and during the ensuing century its system of Branches has been progressively extended to most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. At all these Branches a complete banking service is available and, in particular, facilities are provided for the financing of international trade in co-operation with the Bank's offices in London, Manchester and Liverpool, its Agencies in New York and Hamburg, and a world-wide range of Banking correspondents.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

Head Office: 38 Bishopsgate, London, E.C.2.

'Realms of Silver,' Sir Compton Mackenzie's history of the Bank, has been published by Routledge & Kegan Paul. Copies of the book may be ordered through any bookseller at a cost of 25/-

COMPANY MEETINGS

THE BRISTOL AEROPLANE COMPANY, LIMITED

TURNOVER REACHES NEW HIGH LEVEL

CONTINUED EXPANSION OF ACTIVITIES

FURTHER PROGRESS ON NEW PROJECTS

SIR WILLIAM G. VERDON SMITH'S SURVEY

The forty-fourth annual general meeting of The Bristol Aeroplane Company, Limited, will be held on May 20th at Filton House, Filton, Bristol.

The following is the statement by the chairman, Sir William G. Verdon Smith, CBE, which has been circulated with the report and accounts for the year ended December 31, 1953:

This year we have decided to issue the chairman's statement with the report and accounts in advance of the meeting, and it is the board's hope that stockholders will approve of this course.

FINANCIAL MATTERS

The directors' report comments on special items in the accounts and it is only necessary in this statement to refer briefly to one or two important features. References are to the consolidated statements which reflect the combined results of the parent company's divisions and the subsidiaries.

The general picture presented by the accounts is encouraging and your board is again able to report that group turnover reached a new high level, both as regards sales of military equipment for HM forces and other products for the home and export markets.

The consolidated profit and loss account shows that the trading profit for the year before charging depreciation has increased by £239,480 from £2,316,427 to £2,555,907. Against this we have a substantial rise in the depreciation charge from £860,796 to £1,132,443 reflecting the continued high level of our investment in buildings and plant both here and abroad, leaving our trading profits after depreciation at £1,423,464 compared with £1,455,631 in 1952.

There is now a full year's charge for interest amounting to £21,661 on the $1,200,000 of 5 per cent mortgage bonds which, as we reported last year, were raised in Canada in 1952 in connection with the construction of our new plant in Montreal. The charge for other interest at £18,040 compares with a credit of £44,036 in the previous year, this change being largely due to the increased level of advances from our bankers.

The total charge for taxation at £795,115 is equivalent to 58 per cent of our profits, compared with 62 per cent in 1952.

The net profit for the year, to which all our subsidiaries have contributed, amounts to £582,661, compared with £563,829 in the previous year. This increase in net profits may be considered small in relation to a record turnover, but stockholders will realise that at a time when the company's business is expanding there are many initial outlays to be borne out of profits in connection with the new and large projects upon which we are engaged.

BALANCE SHEET FIGURES

The consolidated balance sheet clearly illustrates the continuing expansion of our activities. Fixed assets have risen from £5.2 million to £6.6 million, following a further rise in our capital expenditure from just over £2 million in 1952 to nearly £2.5 million in 1953. Our commitments on capital expenditure at December 31, 1953, amounted to £1,322,822, and the annual outlay must continue on a substantial scale if we are to maintain our competitive position; it is therefore a matter of vital concern to stockholders that Government policy in relation to taxation and the procurement of military equipment should permit us to retain sufficient funds to cover at least a major portion of this capital expenditure from our internal resources. We therefore welcome the new investment allowances introduced by the Chancellor of the Exchequer in his recent budget.

Stocks have again increased by £1.2 million to £10.6 million though the rate of increase has been rather less than in the previous year. Debtors have increased from £4.9 million to £5.4 million reflecting increased turnover during the year. Advances from our bankers have risen from £.68 million to £2.3 million in line with our expectations as reported to you last year. Your board continue to keep the relationship of permanent capital and temporary borrowing under close review.

From the net profit of £582,661 the board have made a transfer of £250,000 to general reserve which makes the total at the credit of that account £3 million and, after bringing in the balance of £455,035 from the previous year, there is a sum of £787,696 available.

The board are recommending a final dividend of 6¼ per cent on the ordinary stock making with the interim dividend of 3¼ per cent already paid, a total of 10 per cent for the year and leaving £498,946 to be carried forward. The gross dividend distribution for 1953 on the ordinary and preference capital, as increased in December, 1952, by a bonus issue to ordinary stockholders, is therefore £525,000—an increase of £35,475 over the gross distribution of £489,525 in 1952. This sum of £35,475 is equivalent to an addition of slightly more than 1 per cent on the old ordinary capital of £3.3 million.

GENERAL REVIEW

The year 1953 was for the company primarily one of further progress in the development of our principal new projects. At the same time our manufacturing resources were well occupied with a steady programme of aircraft and engines, and our engine overhaul shops at home and overseas were busier than ever before in peace time. We shared with the aircraft industry generally the high level of activity stimulated by the defence programme and we also succeeded in increasing our overseas sales in approximately the same proportion as the total export sales of the whole industry, an increase over last year of 45 per cent. During the year we continued to add to our technical and production resources, we strengthened our overseas representation, and we brought into active operation new plants in Sunderland, Montreal and Sydney. At the same time as our current sales were increasing, the prospects for further orders looked bright.

AIRCRAFT, HELICOPTERS AND MISSILES

In our aircraft division, current deliveries for the year were chiefly of Bristol Freighters and of Bristol Sycamore helicopters, together with armament equipment for all three Services and a growing programme of test vehicles for the guided weapon ranges in this country and in Australia.

With regard to helicopters, after a long period of disappointment a really encouraging degree of interest is now being taken in our projects by the Services as well as by civil operators, and the prospect of orders for the Sycamore and for the Type 173 has justified a substantial increase in productive capacity. This is being achieved by making our Weston-super-Mare factory a part of the aircraft division, establishing helicopter production there, together with other aircraft and allied work, and transferring the aluminium building activity, hitherto carried on at Weston, to other nearby premises which we shall occupy as tenants of the Ministry of Supply. The production of helicopters to British designs is now assured; during the next few years valuable experience will thus be gained, and we can now look forward to a time, in our judgment still further away than popular opinion recognises, when the civil operation of helicopters has become less of a novelty and more of a normal means of economic transport.

BRITANNIA AIRLINER PROGRAMME

During the year excellent progress was made with the development and early production stages of the Britannia airliner programme. By the end of the year the prototype had flown over 220 hours and the second aircraft had just started handling trials; no major problems had been encountered, and the prospects of making the first deliveries to BOAC this year as promised looked good. It was a serious disappointment therefore to lose the second aircraft in the River Severn after an emergency landing on February 4th last. But aircraft and aero engine development is punctuated by such experiences; it is of course the very aim and purpose of development flying to learn in good time, and thus to secure the highest possible standards of flight safety for all who will be using our aircraft on passenger services. The cause of the trouble has since been satisfactorily analysed; the remedies to be adopted have been determined; and every effort is being made to recover the time lost.

Our confidence in Britannia as an outstandingly fine aircraft is extensively shared and promising negotiations are in progress with many of the leading airlines. In order to match their estimated requirements with sufficient numbers at the right time we have made arrangements with Short Brothers and Harland Limited of Belfast for them to prepare capacity at their Belfast works so as to supplement the programme already arranged at Filton.

You will appreciate that the combined programmes of both factories not only make a big demand upon our resources but represent—together with similar plans on the part of our competitors in this country—a direct attack upon the civil aviation markets of the world, the outcome of which is of great significance both to the export effort and to the technical reputation of the British aircraft industry. Neither the real risks nor the possible rewards of such a policy should be underestimated.

From the foregoing paragraphs it will be apparent that our aircraft division, which has been greatly strengthened and expanded during the past few years, has a big manufacturing programme ahead of it. In addition, other projects still in the early stages, as well as our guided weapons programmes, give promise of interesting and important tasks ahead.

AERO ENGINES

In our Engine Division the enthusiasm and determination of the engineering team have been handsomely rewarded by the progress which has been made with the Bristol Olympus "two-spool" turbo-jet, which is maintaining its lead as the most powerful turbo-jet engine yet flying. After securing the world's altitude record in an English Electric Canberra last summer, the Olympus was publicly displayed at the SBAC Flying Display as the accepted power plant for the Avro Vulcan Delta Bomber. Further applications of this outstandingly fine engine will be made known in due course. During last year we went ahead well with preparations for Olympus production. Deliveries from the production line start shortly, overlapping the completion of contracts for the Rolls-Royce Avon engines which have occupied much of our capacity for the past two years. In this connection it is perhaps fitting to refer to the friendly collaboration which has existed between the engine constructors who have worked so closely together both in the Avon Group and more generally. It would be hard to find another branch of industry in which the keenest rivalry in the designing and selling stages is accompanied by such a high degree of mutual help in the execution of engineering and manufacturing programmes. This unusually well developed relationship between competitors is both valuable to the defence effort of the country and significant of the way in which the technicians in an industry can, if they are given the encouragement, blend competition and co-operation to great effect.

Last year output from our Engine Division included further deliveries of Hercules and Centaurus engines, some thousands of which continue in use throughout the world. The civil version of the Centaurus has been performing with conspicuous success in the Elizabethan fleet operated by British European Airways, and Hercules have continued to play their part with many different operators. It is likely that, on a modest scale, there will be a continuing demand for our piston engines and, of course, for their spares and overhaul for some years to come.

The Proteus turbo-prop—an engine to which, as we mentioned to stockholders last year, we are looking for important new successes in the transport field—is, like the Olympus, just coming into production after a long and thorough programme of development and testing.

Among the new engine projects to which public reference has already been made we have in the design stage a lightweight axial flow turbo-jet known as the Bristol Orpheus, which we believe will have an important place as the power unit of several new aircraft—light fighters, trainers and others; it has attracted much interest both at home and overseas.

Other new projects being tackled during the year, including an extensive programme of ramjet development, hold out the prospect of a high level of production in the future.

MOTOR CARS

Bristol cars have had another successful year. The demand for the Type 403 saloon has been well sustained and our latest model, the Type 404 two-seater coupé has been well received at motor shows both at home and abroad. A variant of the 404 with a special Italian sports body was recently announced by the Arnolt Corporation who are marketing this model in the United States. We are continuing our policy of a steady development programme to maintain the high standard of technical excellence already achieved by this comparatively new division of the company. During the past year our two-litre engines fitted to Frazer-Nash, Cooper and Kieft cars have had many notable racing successes throughout the world and in our own Bristol Type 450 achieved six international Class E records.

ALUMINIUM BUILDINGS

The comparatively high price of aluminium continues to restrict the development of this business, but during the year we completed a wide variety of contracts, chiefly primary schools for local authorities, and in spite of keen competition, we continued to secure valuable orders, both in the United Kingdom and overseas. The Australian market, in which our sales of aluminium buildings for schools, hospitals and other Government purposes have amounted to close on £4 million during the past three years, has now very greatly reduced, partly on account of increased availability of local building resources and partly by reason of the high import duties now charged on our products. Vigorous efforts are being made to open up other markets at home and abroad, and our designs are being modified to meet changing requirements, including the development of multi-storey schools for the United Kingdom building programme and simpler and cheaper structures for certain overseas markets.

ROTOL LIMITED AND BRITISH MESSIER LIMITED

These two associated companies traded profitably and effectively, and their resources were fully employed in meeting their rising programmes. Their scale of operations is now extensive and one or other of their products is used on practically every type of aircraft in production in this country. Their boards have steadfastly pursued a conservative policy, as a result of which the value of the net assets considerably exceeds the nominal value of the share capital and advances.

BRISTOL AEROPLANE COMPANY OF CANADA LIMITED

Our Canadian company and its two operating subsidiaries had a successful year's trading and our interests in Canada continue to expand. In Montreal, Bristol Aero Engines Limited's new plant, to the construction of which I referred last year, came into operation in the second half of the year and has attracted much favourable comment. Bristol freighters, already in use with the RCAF and other Canadian operators, have also gone into service with Trans-Canada Airlines as part of an interesting campaign for the development of specialised air freight services between principal cities of Eastern Canada. More recently an agreement has been concluded with the Canadian Government under which a military version of the Bristol Britannia is to be constructed by Canadair Limited in collaboration with ourselves for maritime reconnaissance and other purposes. These are the first fruits of the efforts which we have made over the past five years to develop our Canadian business. It is our confident belief that further benefits will accrue in due course.

BRISTOL AEROPLANE COMPANY (AUSTRALIA) PROPRIETARY LIMITED

Our activities in Australia are as yet on a small scale but during the year we took over from our friends the Overseas Corporation of Australia their share of the capital of Airflite Limited which we have now renamed Bristol Aviation Services Limited. The leasehold premises at Bankstown Airfield have been equipped for helicopter and aircraft overhaul work and a new factory nearby has been leased and equipped for the overhaul of aero engines. Our guided weapons department has made use of the workshop premises we now occupy at Salisbury and trials of weapons sent out from Bristol have made a promising start at Woomera.

EUROPEAN ASSOCIATES

In France our associated company, Société d'Exploitation et de Constructions Aeronautiques, continues to be actively engaged on aircraft and engine overhauls.

In Spain, the company has participated in the formation of a new company, Talleres Aeronauticos de Barajas, S.A., which will carry on an aircraft overhaul business at Barajas Airport, Madrid, the primary object being to provide good maintenance in Spain for the increasing number of Bristol aircraft and engines in use in that country.

RE-EQUIPMENT AND EXPANSION

During the year considerable increases were made to our fixed assets as evidenced by the increase in balance sheet value to which reference has already been made. The major part of this large sum was spent on new machine tools for both manufacturing divisions, on new and elaborate test plant for ramjets and turbo-jets, and on conversion to turbo-jets of a section of our engine repair factory at Whitchurch near Bristol. The process of re-equipment has no finality and despite the high level of taxation we have regarded it as having a paramount claim upon our resources.

It has continued to be exceedingly difficult to attract both skilled men and design draughtsmen to the Bristol area in sufficient numbers. We have therefore further developed our branch on the North Eastern Trading Estate at Sunderland by occupying a third factory built to meet our requirements, and we have gained considerable benefit from branch drawing offices in the London area which supplement the main offices in Bristol.

We are pressing on with the construction of our new apprentices' school in order to increase the annual intake both of trade and engineering apprentices and to raise the quality of their training. Engagement of engineering graduates has been steadily maintained and, in addition, some twenty of our Higher National Certificate engineering apprentices are currently working for their engineering degrees in universities. Much of our training programme is still in the experimental stages and it is good that this should be so; we have no doubt that the continuous recruitment and training of able men is of vital importance to our future—every bit as important indeed as the provision of all the expensive plant and equipment the need for which is unquestioned—and we are emphasising more and more the need for well considered schemes of selection, further training, and promotion, believing that some of the best sources of talent are to be found within our own ranks.

PROSPECTS AND PROBLEMS

It is to be hoped that this review has given stockholders a comprehensive picture, both of the current state of our business and of the future outlook. On the credit side, there is every reason for having confidence in the technical merits of our products and their suitability to the market over the years ahead, and for having equal confidence in the excellence of our workmanship. We have good justification on these grounds for expecting our turnover to continue at a high level. On the other side—and this is something that applies to the whole of British industry and not just to ourselves—we cannot ignore the trend of costs, in which the basic element is the cost of wages and salaries. Despite many warnings, there is still a dangerous failure to recognise that we may, by high costs, price ourselves out of the competitive markets of the world: if we do so the maintenance of a high level of employment will become impossible. There is also a dangerous and widespread failure to understand that a better standard of living depends not on bigger money incomes, but on the amount of genuine and intelligent hard work contributed by each of us to our common purpose, the defence and prosperity of our country.

So far as we in this company are concerned, we shall, so far as it lies in our power, continue steadily on the course which we have set ourselves—that is the course of increasing our efficiency and of providing stable employment in good and improving conditions on work which we are proud to think is of considerable service to the State. I thank once again the thousands of our staff and workpeople who, by their loyalty and hard work, help to make possible the achievement of these ends.

MONSANTO CHEMICALS · PLASTICS

MONSANTO CHEMICALS LIMITED

The following is a précis of the circulated statement of the Chairman, Mr. Edward A. O'Neal, Jr. which will be made at the Annual General Meeting on 8th June, 1954.

SALES AND PROFITS

Despite the continuance of some of the difficulties of 1952 the year 1953 has shown marked improvement in turnover and profit.

Sales increased by 9 per cent. to a record total of £10,852,854.

Exports, at 40 per cent. of total sales, were also a record at £4,320,000.

Profit at £670,860 compared with £293,718 for 1952.

An interim dividend of 6⅜ per cent. in September, 1953, was followed in February, 1954, by a further interim dividend of 13¾ per cent., making the total dividend for 1953 20 per cent. on the nominal value of the stock.

FINANCE

The remaining £2,000,000 of 5 per cent. Unsecured Loan Stock 1982 was issued in May, 1953. Part of the £3,500,000 obtained from this and the initial issue in 1952 has been expended on new plant, in investment in subsidiary and associated companies and for use as working capital. A substantial proportion remains available for expansion.

OPERATIONS

Despite intensive competition and falling prices sales increased both in volume and tonnage, and both factories were consequently able to operate more efficiently. At the year's end the company had 3,435 employees compared with 3,318 at the end of 1952.

EXPANSION

At Ruabon new facilities include increased production capacity and process improvements for synthetic phenol, chemicals for the rubber industry and other products. A major pilot plant unit was completed to accelerate production of new products.

At Newport major expansions were made to plant producing synthetic detergent chemicals and Lustrex polystyrene. Units producing chlorine and organic chemical specialities were expanded.

Close attention has been given to manufacturing projects outside the United Kingdom through the expansion of existing interests and through new investment abroad.

SUBSIDIARY AND ASSOCIATED COMPANIES

Monsanto Chemicals (Australia) Limited showed increased earnings for 1953. The company commissioned the first polystyrene plant in Australia during the year.

Monsanto Chemicals of India Limited. Following a survey made in 1952 negotiations on the possibility of manufacture in India are now in progress.

Forth Chemicals Limited, now in full production of styrene monomer, is to double its capacity.

PLANS FOR 1954

Higher sales targets have been set for 1954. Additional supplies of certain products will become available. The company expects to add new products to its list, both from its own research and through its facility for acquiring new processes and process improvements from its associates in the United States.

INDUSTRIES SERVED BY MONSANTO CHEMICALS LIMITED

Adhesives: Agriculture: Aircraft: Dental Products: Disinfectants: Dyestuffs: Electrical: Engineering: Food: Glass: Iron and Steel: Leather: Motor: Packaging: Paint, Varnish and Lacquers: Paper: Perfumery and Cosmetics: Petroleum: Pharmaceuticals: Plastics: Printing Inks: Rubber: Soap and Laundry: Textiles: Timber

Copies of the Annual Report are available on application to the Institute of Industrial and Public Relations.

MONSANTO CHEMICALS LIMITED Registered Office: 8, Waterloo Place, London, S.W.1.
Sales Offices: Victoria Station House, Victoria Street, London, S.W.1. 601/602, Royal Exchange Buildings, Manchester.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

TOTAL ASSETS EXCEED £110 MILLION

INCREASE IN ORDINARY BRANCH INTERIM BONUS

The ninety-third annual general meeting of this Society was held on April 27th in London.

Mr C. H. Shuttleworth, FCII, chairman and joint managing director, in the course of his speech, said: The investment of the policyholders' funds is one of the most important—if not the most important—of the duties of the Board, who must always bear in mind certain vital principles. In this matter the directors of a life assurance office regard themselves as acting in the capacity of trustees.

The collection of premiums periodically at the home of the policyholder makes an industrial branch endowment assurance the most convenient method of saving; the allocation of profits in the form of bonus additions makes this type of policy financially attractive and the inclusion of life assurance cover from the inception provides the dependants of the policyholder with security, in the event of death, which can be obtained in no other way.

The increased building of houses for purchase which is now taking place prompts me once again to emphasise the advantages of house purchase by means of the Society's house purchase scheme.

The Labour Party has, in recent years, on several occasions, put forward proposals for the nationalisation of all classes of insurance carried on by the Industrial Life Offices. I have no hesitation in affirming once again the belief of your board that Government interference with the industrial assurance business would be harmful to the interests of the policyholders.

PROGRESS OF BRANCHES

The premium income in the ordinary branch (including consideration for annuities granted) amounted to £3,804,000, an increase of £50,000 over the previous year. The fund at the end of the year amounted to £31,441,000, an increase of £1,760,000.

Improved mortality has been a feature of our experience in the ordinary branch and this, combined with the recent improvement in the yield on the investments in the fund makes it possible for me on this occasion to announce an increased rate of interim bonus on participating policies in this branch.

On with-profit policies in the ordinary branch becoming claims, etc., during the current year the interim bonus will be at the rate of £1 10s. per cent per annum in respect of the years 1951, 1952 and 1953, and £1 14s per cent per annum in respect of the year 1954.

In the industrial branch the premium income for the year amounted to £8,988,000, an increase of £251,000 over the previous year. The fund at the end of the year amounted to £69,559,000, an increase during the year of £4,376,000. Claims and surrenders amounted to £4,347,000.

The total income of the Society during 1953 was £17,342,000, while benefits paid to policyholders amounted to £6,892,000. The total payments to policyholders since the inception of the society amount to more than £125 million.

The report was adopted.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

DIFFICULTIES DULY MET AND OVERCOME

STATEMENT OF THE CHAIRMAN

Colonel Denis H. Bates, chairman of the company, in a statement to stockholders for submission at the seventy-seventh annual meeting to be held on May 19th says:

At the meeting of the board following the last annual meeting Mr F. A. Bates expressed the wish to be relieved of the responsibilities of the chairmanship and the directors honoured me with the appointment.

1953 has been no exception in providing the customary quota of difficulties for the group. That they have as usual been duly met and overcome is owing to the energy and devotion of our staffs, at sea and ashore, throughout the world. I wish to pay a warm tribute to them all for their magnificent work which has enabled our services in the seven seas to be satisfactorily maintained. I would also express our best thanks to our agents everywhere for working so closely with us and for backing up our staffs so well.

The surplus for the year in the consolidated profit and loss account at £3,065,339 is £559,000 lower than in 1952. The 1953 figure is arrived at after providing £3,076,318 for United Kingdom taxation, a decrease of £1,481,000 on 1952.

PASSENGER CARRYINGS SATISFACTORILY MAINTAINED

In the North Atlantic the final results of our trading in 1953 have been somewhat lower than 1952 for while our passenger carryings were satisfactorily maintained there was a decline in homeward cargoes, caused by our national lack of dollar currency. Freight rates also fell throughout the year. The Mediterranean service made a smaller contribution because of more difficult trading conditions. The greater part, however, of the reduction in the operating surplus has resulted from less remunerative operations in the Australian and New Zealand freight services and in those from India, Pakistan and Ceylon. At the same time operational costs have continued to rise.

Wear and tear allowances form the backbone of funds to replace our ships, and as stockholders are well aware, my predecessor has written year after year emphasising their inadequacy under the conditions of current costs. Indeed, so much has been said and written by owners generally at all possible opportunities that virtually there is nothing unsaid and the warnings are there for all to read.

INVESTMENT ALLOWANCES WELCOMED

I therefore welcome with intense relief the new proposals by the Chancellor in his Budget under the heading of "Investment Allowances." This "help," as he himself described it, may not be large but in a year when the economy of Britain is under strain and has very little elbow room, any assistance in the replacement problem ahead of us is helpful, especially so perhaps in the implied admission that at long last the Treasury as the sleeping partner in industry realises that the problem itself exists at all.

The Treasury has absorbed over nineteen million pounds of our earnings in the past five years, despite annual warnings that insufficient is left towards the replacement of the tools of our trade. The new investment allowances mean, apparently, that so long as there are sufficient profits and with taxation at its present level, nearly 2s. in every £ expended on ship construction will be remitted. With our current shipbuilding liability higher than for many years past and needing further additions before long, this gesture is helpful to our endeavours as well as being calculated to maintain employment, for I would emphasise that the building of ships, especially passenger liners, provides work for many industries far beyond the shipyard concerned.

At the same time it is essential to remember there is NO true profit until provision is made annually for the renewal at current costs of the wear and tear or wastage in the ships themselves. Refusal to accept the truth of that axiom inevitably leads to inability to replace them all. I regard to Chancellor's new proposal as a tacit recognition of that principle, but it must be said that in its material effect it represents only a very modest first step towards bridging the gap between historic or first cost and current cost of building, especially of tonnage constructed before the war.

Taxation at £3,076,000 is less than last year's figure by £1,481,000. This decrease is due to the smaller operating surplus and to the effect of the reintroduction of initial allowances on new tonnage for 1953, now to be replaced by investment allowances.

The amounts retained by the subsidiary companies are much lower this year than last because of reduced profits. They are essential for their replacement programmes and cover the future repercussions of the 1953 initial allowances.

Following £460,000 set aside last year for pension funds, £100,000 should this year be sufficient to maintain the aim of the board, accorded such warm approval by stockholders at last year's annual meeting.

Transfer to Cunard reserves is £1,200,000 compared with £1 million last year. A part of this provision is to meet the future effects of initial allowances operated in 1953.

REPLACEMENT OF THE FLEET

In the consolidated balance sheet general reserves at £33,898,000 show an increase of £2,370,000. The type of tonnage required by the parent company and its subsidiaries is necessarily of the highest class in the world and correspondingly expensive. Our continued existence depends on our ability to set aside sufficient money for replacement. This is a heavy task but I should be failing in my duty if I did not consider this a cardinal point in our yearly financial policy. Provision for ship replacements is the life blood of any shipping company as the fleet ages year by year. The magnitude of the task ahead of us can be gauged by outstanding liabilities on ships under construction estimated at £17,820,000. Fixed assets are £33,781,761, an increase of £1,930,000 accounted for by instalments on new tonnage. Cash at £13,297,625 and tax reserve certificates at £3,865,000 are available for future shipbuilding payments, operational expenses and taxation liabilities.

A final dividend of 13½ per cent is recommended, a total of 15 per cent for the year. For the past ten years an interim dividend of 2½ per cent has been declared within the first four months of the current year and paid alongside the final dividend for the past completed year, making one annual payment. It is difficult to assess the year's prospects in the first three months and a more even split in two payments will be appreciated by stockholders. The 1954 interim is 2½ per cent to be paid with the final dividend for 1953. The situation will be assessed again in October and for 1955 onwards an interim dividend will be considered in October instead of April. The carry forward at £1,238,910 is £15,000 below last year's figure.

CONTINUING FAITH IN CANADA'S DESTINY

A number of directors and managers have maintained personal touch with our interests abroad. Mr Donald has toured Australia and New Zealand, Mr Dawson has visited USA and Canada and Sir John Brocklebank the USA.

Saxonia, the first of our new Canadian ships, was launched at Clydebank on February 17th. Lady Churchill graciously carried out this duty. The second vessel, *Ivernia*, we expect will be ready for launching towards the end of the year and we have high hopes that Mme. St. Laurent will find it possible to make the journey from Canada to be her sponsor. With continuing faith in the destiny of Canada, and in pursuance of our policy of prudent and orderly renewal of our fleet we have placed an order with Clydebank for a third ship for delivery in 1956.

The first of our three new Mediterranean ships, the *Pavia*, began her working life last July and has justified our expectations. The second, *Lycia*, will shortly be ready for launching and will, we hope, be in service just after the middle of the year, to be followed shortly by the *Phrygia*.

The Port and Brocklebank Lines also have a full replacement programme in train. The former took delivery of the *Port Montreal* in February last and hope that another ship will be completed before the turn of the year. The Brocklebank Line *Masirah* has recently been sold for scrap and the new *Maskeliya* is expected to be delivered in June.

PROSPECTS FOR 1954

Our 1954 prospects for North Atlantic passenger traffic are reasonably good: this year we have not the magnet of the Coronation, which, however, in the result served rather to alter the timing of the movement than to produce any great increase. The North Atlantic cargo outlook is of the same pattern as last year, the eastbound position still being adversely affected by currency restrictions, while the west bound movement is likely to be well maintained except that—I trust only temporarily—it is at the moment suffering from labour troubles on the American water front. The outward trades to Australia and India should benefit from the relaxation of import restrictions.

Attempt at prophecy in all these matters, which are so entirely beyond our control and influence, is at most a vain thing but backed by the loyalty and devotion of our whole organisation I believe we are fitted and ready in all respects to maintain and give service, be it Cunard, Port or Brocklebank.

INTERNATIONAL NICKEL OF CANADA

YEAR OF PROGRESS

The annual general meeting of the International Nickel Company of Canada, Limited, was held on April 28th in Toronto.

Dr John F. Thompson, chairman, in the course of his speech, said: In 1953 the company again enjoyed a period of substantial progress marked particularly by important achievements in expansion of our production facilities and development of process improvements. The output of nickel, our principal product, was maintained at capacity for the fourth consecutive year, ore mined was at a new high and proven ore reserves at the year-end were the highest in the company's history.

Our nickel producing capacity at the end of the year was at an annual rate in excess of 275 million pounds, compared to about 250 million pounds at the close of 1952. Deliveries of nickel, to countries of the free world also showed an increase over the previous year. Our ability to provide additional plant capacity and the progress achieved in our mining expansion programme made it possible for us to enter into a five-year contract with the United States Government for "quick" delivery of 120 million pounds of metallic nickel and 100 million pounds of electrolytic copper. Initial shipments under the contract were made in January, 1954.

Net earnings for the year of $53,694,000, or $3.54 a share on the common stock, were the third highest in the company's history and its strong financial position was well maintained. In 1952 net earnings were $58,891,000, or $3.90 a common share.

The company's price for nickel continued unchanged at the level of 60 cents (United States), or its equivalent, established in January, 1953. This price is up by 3½ cents per pound from the 1952 level.

PRODUCTS

The company's deliveries of nickel in all forms during 1953 amounted to 251,417,000 pounds. This volume was about 13 per cent greater than the average for the five years immediately following World War II.

The company has become a principal producer of heat-resistant alloys for the aircraft industry. Our alloys meet a wide range of jet engine requirements for materials of construction and they are used in turbine buckets and vanes, combustion chambers and afterburners.

At the company's previous metal refinery at Acton, England, process research continued to improve current operating methods and to initiate more economical techniques.

Our Mond laboratories and our Clydach refinery have developed a special type of nickel powder now being commercially employed in a sintered plate nickel-cadmium battery.

Metallurgy and research are a means of revealing and employing the latent worth possessed by nickel, which in many instances does what no other metal can do. It is on this premise that further progress of the nickel industry largely depends. Your company, as the world's leading nickel producer, has for over half a century devoted much time and effort to its search for new applications for the metal. It is to be hoped that other producers and those newly coming into the field will feel, as we do, that production carries with it the responsibility for developing and expanding the market for nickel.

The report was adopted.

UPSONS LIMITED

(The Dolcis Shoe Company)

MR F. J. STRATTON'S SPEECH

The thirty-fourth annual general meeting of Upsons Limited was held on April 22nd in London.

Mr F. J. Stratton, CBE, chairman and managing director, in the course of his speech, said: When I had the pleasure of addressing you last year I said that in spite of the prospect of increased buying of fashion shoes throughout the Coronation and holiday period, I did not share the opinions of those who took an optimistic view of trading possibilities in our section of the shoe industry for the year 1953. The difficulties which we had foreseen persisted throughout the earlier part of the year, but there was an improvement in the resilience of turnover in the second half of the year. Costs of all sorts—rents, rates, wages, lighting and heating, in particular—increased, but I am glad to say that in spite of these disadvantages we completed the financial year showing once more an increase in the number of customers served.

PROGRESS IN CANADA

I am glad to be able to report favourably on the further progress of Dolcis (Canada) Limited, which enterprise we share jointly with our friends, Messrs Bally. Each of the stores which have been open more than a year have shown encouraging increases in trade and our new store at London, Ontario, has given us excellent results right from the opening date. Particulars are to be found in the appendix to the report and accounts of this and some of our other Coronation year extensions. Meanwhile, we have added to the ownership of Dolcis (Canada) Limited additional properties at Peterborough and Kitchener, and negotiations are pending for developments elsewhere in the Dominion.

The trade which we do with Dolcis (Canada) Limited, additionally to the work of our export division in the United States of America and elsewhere, enables us to continue to make a substantial contribution of dollars to the national finances.

I am glad to record that our affairs will be helped by the Chancellor's new investment allowance with regard to plant and machinery, though I must mention once more our regret that the special claims of the footwear industry to be relieved of purchase tax, which bears unjustly on our end of the industry, have not been met.

SATISFACTORY OUTLOOK

The outlook for 1954 is satisfactory. We have decided to transfer the sum of £200,000 to a reserve for the modernisation of premises and this amount will be applied to that purpose as rapidly as circumstances allow, thus improving our presentation and service to our customers. Prices have reached a certain stability and manufacturers as a whole are up to date with production, thus lessening the gap between ordering and delivery and promoting a healthier and more competitive atmosphere in our industry. Though I do not underestimate the difficulties ahead, I think we may regard the immediate future with sober confidence. Management and staff are working as hard as ever and are well-qualified to surmount the problems which lie ahead.

It is against this background that my colleagues and I have thought fit to recommend the issue of option shares to mark still further the active co-partnership which exists between shareholders and staff in your enterprise.

The report and accounts were adopted.

JOHN BARKER & CO.

RECORD OF UNCEASING EXPANSION

The sixty-first ordinary general meeting of John Barker & Company Limited was held on April 23rd in London.

Mr Trevor A. Bowen, DL, JP (the chairman), in the course of his speech, said: The result of the year's operations is a profit of £680,668. Of this amount taxation absorbs £350,108, or 51¼ per cent, leaving a balance profit of £330,560.

I should like to call attention to the fact that the company (which was incorporated on June 26, 1894) celebrates its Diamond Jubilee this year. From that day to this it has been a record of unceasing expansion to the present outstanding position in the nation's trading and in world reputation.

In the early part of the year business was most difficult but it certainly improved as the year went on. Since the abolition of price controls the general retail price level of many commodities has fallen, despite the rise in expenses.

Shoppers have become more selective in their wants, and there is a growing demand for better merchandise at the lowest price possible consistent with quality.

Of all forms of taxation I think that purchase tax is the most harsh, and in its present operation the most unjustifiable. By all known adverse results it should be utterly abolished as quickly as possible.

All the floors of the new branch store at Eastbourne are now open and the business is in full operation, and your directors hope that our Eastbourne shop will be a worthy addition to the Barker group.

The report was adopted.

THE SAPONG RUBBER ESTATES LIMITED

In his address, circulated with the directors' report and the accounts for the year 1953, the chairman, Mr H. W. Horner, says:

The accounts for 1953 show a profit before taxation of £1,276 as compared with £37,886 in the previous year. During the twelve months in which the 1953 crop came to market, the price, from about 1s. 11d. at the start, declined almost continuously until it settled for some months at a fairly steady level not much above 1s. 4d. a lb.

One of the effects of the rise in prices of rubber and other commodities, resulting from the Korean war, was that wages and the local prices of goods of almost all kinds rose too. The decline in prices has not been accompanied by any significant reduction in wages in North Borneo, because the supply of labour, both skilled and unskilled, is insufficient to meet the demand. It has lately been possible to effect some reduction in costs and at the present price of rubber—about 1s. 6d. a lb—the company is operating without loss. Estate expenditure in 1953 included the completion of an extensive programme of manuring nearly the whole of the planted area and no such expenditure is necessary in the current year.

The small profit of £1,276 earned in 1953 has been added to the balance brought forward from the previous year's accounts, which is accordingly £14,120. You will see that capital expenditure in 1953 was considerable. An extension of the planted area is now in hand. The trees now being planted are expected to yield much more rubber per acre than those which were planted in the early days of the industry.

W. & A. GILBEY

(Wine Merchants and Distillers)

"THE WINE MERCHANTS OF THE PEOPLE"

HOME AND EXPORT TRADE EXPANSION

The annual general meeting of W. & A. Gilbey Limited was held on April 26th in London, Mr. R. D. Gilbey (the chairman) presiding.

The following is an extract from his statement:

As I and my colleagues see it, apart from the penal taxation which bears so heavily upon the trade, circumstances of today are not unfavourable to our business. Better housing, coupled with the development of television, is undoubtedly favouring the "Off" trade at the expense of the "On"; and we are fully alive to the possibilities of this trend. Additionally, there is no doubt that the public are evidencing a lively interest in wines and spirits. Costs generally have continued to rise, but we have thought it desirable to build up our goodwill while this interest is so pronounced, and only in the last few weeks have we increased our selling prices (and then by only a modest amount) as we are confident that the modernisation and re-equipping we are carrying out will bear fruit very soon and enable us to give even better value than ever. Our policy today, as from the inception of the business, is to be "The Wine Merchants of the People."

In the United Kingdom our turnover showed a satisfactory increase, particularly as regards beverage wines, in which the upward trend of sales, to which reference was made last year, was maintained. While our well-known "Triple Crown" port is now selling better than ever, sales of port and sherry, generally, are still far below the prewar level, due, of course, to the high prices which the current rates of duty on these wines necessitate. Unfortunately, too, sales of Scotch whisky in the home market must still be restricted until stocks reach the necessary maturity.

BRITISH VODKA

We began to market a British vodka during the year, feeling that, in view of the vogue for vodka which has swept the USA, there would be a demand for this "all-purposes" spirit in this country. We were fortunate in persuading the present owners of the recipe for "Smirnoff"—"the greatest name in vodka"—to allow us to make it under licence, and we have been well pleased with the results to date. Sales have not been sensational, but the monthly figures are encouraging; and, in order to satisfy the demand for a high-strength vodka, we have just introduced a "Blue Label" brand which we hope will be equally well received.

Our export trade continued to expand in spite of the difficulties of import restrictions, blocked currencies and other vexations.

The trading profits for the year, compared with those for 1952, show a fall, but I feel that the business is on a very sound basis and that we can confidently look forward to increasing turnover, coupled with greater operating efficiency. As it is well covered by the profits, your board feel fully justified in recommending a final dividend of 4.2d. per share, making 6.6d. per share for the whole year. This is the same as was distributed last year and the year before, though we have thought the time ripe for merging into the dividend the small element formerly described as bonus.

The report and accounts were adopted.

THE RHEOSTATIC COMPANY

INCREASED TURNOVER

The seventeenth annual general meeting of The Rheostatic Company, Limited, was held on April 28th at Slough, Mr M. J. Gartside (the chairman) presiding.

The following are extracts from his circulated review for the year to September 30, 1953:

During the year your company's manufacturing capacity was again used to its full extent; the final net profit is appreciably higher at £51,152 compared with last year's figure of £44,585. The board recommends a final dividend of 12½ per cent (less tax). With the interim dividend the total distribution for the year is at the rate of 20 per cent.

Satchwell thermostats and other temperature controls for the control of domestic heating appliances, oil burners, coal stokers, central heating and air conditioning plant generally continue to enjoy a well deserved reputation. The domestic market has continued its growth following the removal of controls.

Export sales have shown a similar modest increase to that experienced in the home market, the proportion of export sales being well maintained. A new subsidiary, Satchwell Controls (Canada) Limited, commenced trading on October 1, 1953.

Your company is fully engaged with a lengthening order book and is planning means of increased production, but it is difficult to judge at this stage whether this additional turnover will result in an increase to, or even maintenance of, the level of profit of the past two years.

The report and accounts were adopted.

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

SUMMARISED BALANCE SHEET, 31st DECEMBER, 1953

CAPITAL AND RESERVES		£	£
Share Capital—			
Authorized:	2,200,000 Shares of 5s. each	550,000	
Less held in Reserve:	49,005 Shares of 5s. each	12,251	
Issued	2,150,995 Shares of 5s. each		537,749
Revenue Reserves—			
For Investments		5,893,306	
For Exploration		300,000	
For Retiring Gratuities		100,000	
Profit and Loss Account—Balance at 31st December, 1953		1,884,719	
			8,178,025
			£8,715,774

PROPERTY AND NET ASSETS		£	£
INVESTMENTS—			
Quoted Shares, Debentures, etc., at Cost or Stock Exchange valuation, whichever is the lower (Market Value—£10,638,927)		6,490,529	
Unquoted Shares and Debentures at Cost or Directors' valuation whichever is the lower		270,692	
		6,761,221	
Government, Municipal and Public Utility Stocks and Debentures to secure Corner House Pension Fund Deposit	£1,022,023		
Less: Deposit by Trustees of Pension Fund	927,500	94,523	
			6,855,744
FIXED ASSETS—			
Trade Investments, at Cost			1,159
Freehold Properties, etc.			29,332
Furniture, Plant, Vehicles, etc.			30,256
SUBSIDIARY COMPANIES—			
Shareholdings £71,527: Loans £44,700			116,227
CURRENT ASSETS—			
Stores £19,418; Debtors, Loans and Payments in Advance £83,633; Dividends Receivable £325,803; Cash Deposits, Fixed and on Call £1,885,858; Cash at Bankers and in Hand £42,960		2,357,672	
Deduct: LIABILITIES AND PROVISIONS—			
Creditors £255,584; Shareholders—Dividends £365,424; Subsidiary Company—Current Account £985; Provision for Claims in Respect of Forfeited Dividends £52,623		674,616	
			1,683,056
			£8,715,774

EXTRACT FROM PROFIT AND LOSS ACCOUNT

	£	£		£	£
PROFIT BEFORE TAXATION		670,297	*Deduct:* Dividends—No. 100 of 3s. per share and No. 101 of 3s. per share	645,298	
Add: Taxation—Net credit adjustment		4,115	Amount added to Exploration Reserve	22,403	
					667,701
PROFIT AFTER TAXATION		674,412			
BALANCE UNAPPROPRIATED at 31st December, 1952		1,878,008	BALANCE OF PROFIT AND LOSS ACCOUNT, at 31st December, 1953, transferred to Balance Sheet		£1,884,719
		2,552,420			

NOTE.—A depreciation credit adjustment to maintain Investments at Cost, or Stock Exchange, or Directors' valuation where unquoted, whichever is lowest, resulted in an addition of £969,599 to the value of the portfolio and to Investment Reserve.

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co., 4, London Wall Buildings, London, E.C.2.

"SOFINA"

The annual shareholders' meeting of Société Financière de Transports et d'Entreprises Industrielles (Sofina) was held on April 22nd in Brussels, Vicomte Van de Vyvere, chairman of the board, presiding.

In their introductory remarks to the report, the directors refer to the rapidity with which the expansion of productive capacity has taken place since the outbreak of the Korean conflict. While defence production continues at a pace which was only surpassed during World War II, the preoccupation of most governments and men of affairs is no longer concentrated on ways of avoiding inflation, but on the steps that should be taken to prevent a slackening in the demand for goods and services.

The question as to whether the stimulation of economic activity can best be achieved by tax reductions for the producer or the consumer, is primarily one of priority since whenever defence expenditures can be further reduced, substantial tax relief will be granted to consumers and producers alike. In the meantime, the stimulation of construction and of the application of new processes proceeds apace in the industrial countries.

The directors add, however, that the problem of restoring the movement of international capital, the gravity of which has been masked, first, by American Government aid and, second, by the inflationary effects of defence expenditures, is likely to assume an increasingly important place in the preoccupations of all whose thoughts must be directed to the maintenance and the increase of world prosperity.

The problem is difficult because it is less economic than political, and perhaps above all psychological.

The tangible benefits obtained from the normal process of letting the more mature assist the younger in their development are there for all to see.

No doubt there were imperfections in method in the past, but we shall not succeed in maintaining a steadily expanding economy if the recollection of past mistakes is allowed to obscure the recognition of benefits that are there to be reaped today and tomorrow. These benefits will escape us if the preoccupation of those countries requiring capital is concentrated on the fear of its future withdrawal or on the possibility of its earning more than a "fair return." In fact, legislation designed to avoid these two misfortunes is most likely to provoke them or to lead investment capital to stay at home, for who would be inclined to export his capital to a country which, by every kind of restriction, displays a lack of confidence in the prosperous development of its own economy?

If a capital-importing country wishes to make certain that the profits of foreign capital will remain "fair" it can do no better than to create an internal situation which will encourage foreign capital to come from various sources, thus leading to competition, which will be of immense benefit to the local consumer; and if competition—as is generally the case with public services—is not economically feasible, the capital-importing country will assure to its nationals the cheapest possible service by granting fair treatment to existing investments so that new money may be raised in the capital markets of the world at the lowest possible cost.

These are not theories; they are only the observation of a few simple things that have existed for many long years and are repeating themselves today.

There is perhaps one way of allaying the fears which recourse to foreign capital seems to create, namely through an association between foreign and local capital. The only assurance of harmonious development lies in the recognition of a common interest.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31, 1953

The book value of investments is Belg. fr. 1,939,292,000, as against Belg. fr. 1,998,869,000 at December 31, 1952.

The portfolio includes shares of associated companies having their principal interests in the Argentine, with a book value of Belg. fr. 248,936,000, as against Belg. fr. 263,780,000 at the end of 1952.

The market value of quoted shares and the estimate of unquoted shares give a total estimated value to the portfolio of Belg. fr. 3,426,191,000, compared with Belg. fr. 3,119,575,000 at December 31, 1952.

Net liquid assets and debtors, after deduction of liabilities to third parties, amount to Belg. fr. 812,170,000, as against Belg. fr. 702,814,000 at the end of 1952. (These amounts include Belg. fr. 392,684,000 and Belg. fr. 374,638,000 at the end of 1953 and 1952 respectively, representing claims against associated companies having their principal interests in Argentina.)

The profit and loss account shows an increase in earnings of Belg. fr. 10,811,000, bringing the total to Belg. fr. 185,725,441. This amount includes a sum of Belg. fr. 22,267,961, representing earnings which could not be cashed in Belgian francs.

Earnings cashed in Belgian francs amounted to Belg. fr. 163,457,000, as against Belg. fr. 140,830,000 for the year 1952.

In addition, profits were realised from sales of securities in an amount of Belg. fr. 40,851,656 (Belg. fr. 96,790,630 in 1952). Part of the above total, Belg. fr. 8,376,394, which is exempt from taxation, has been placed in a special reserve and the balance of Belg. fr. 32,475,262 credited to the profit and loss account.

As in previous years, income which could not be cashed in Belgian francs (22,267,961 fr.), as well as part of the profits from sales of securities (9,960,382 fr.), have been applied to writing down investments.

In addition, profits to the extent of Belg. fr. 4,047,515 have been applied to writing down buildings, furniture, materials, etc.

The balance of the profit and loss account amounts to Belg. fr. 98,574,740, as against Belg. fr. 67,440,004 for the year 1952.

It is proposed to transfer to the reserve account the sum of Belg. fr. 33,514,880 and to distribute a dividend of Belg. fr. 90 net on each of the 630,000 ordinary shares, as against Belg. fr. 80 net for the preceding year.

DERBYSHIRE STONE LIMITED

SUBSTANTIALLY HIGHER SALES

The eighteenth annual general meeting of Derbyshire Stone Limited was held on April 23rd in London, Mr John Hadfield, MSc, ARIC (chairman and managing director), presiding.

The following is an extract from his statement:

I am pleased to report that the gross profit of £317,003 for the year ended December 31, 1953, is considerably higher than the 1952 profit of £264,205. Taxation takes £112,594, and the net profit, after all charges, is £91,623, compared with £73,418 in 1952; £59,688 is added to the balance carried forward in the profit and loss account.

It is recommended that a dividend on the increased issued ordinary stock be paid for the year 1953 at the rate of 17½ per cent, less income tax.

The consolidated balance sheet has a healthy look; the current assets are pleasingly liquid and the net current assets at December 31, 1953, are £387,725, compared with £259,287 at December 31, 1952.

Application has been made to the Capital Issues Committee for permission to capitalise reserves to the amount of £112,500 and, if the necessary permission is received, it is proposed to distribute to holders of ordinary stock one new unit of stock for every three units held. If permission is received from the Capital Issues Committee and the proposed scrip issue made, the amount of issued ordinary stock available for dividend in respect of the year ending December 31, 1954, will be lifted from £337,500 to £450,000.

It would be unwise to prophesy to what extent that dividend may vary from the one proposed to be paid for the year 1953, and at this stage I can only say that the board's dividend recommendation for the year 1954 will be determined by the circumstances which exist when the time comes to make the recommendation.

PROSPECTS

After reviewing in detail the many and diverse activities in which the company is engaged, the statement continued: Sales in 1953 were substantially higher than in 1952 and I am hopeful that the 1954 sales will show no adverse trend.

The money spent in 1953 on improvements at a number of the company's quarries and works has increased efficiency and has provided greater service facilities and added capacity for production. The overall capacity for production is now considerably in excess of the general level of demand if there should be increased demand for our products for use in road construction or in any other consuming industry, the facilities are available to provide for any foreseeable requirements.

The company's operations, actual and potential, are constantly under review and the many and diverse activities in which the company is engaged will cushion to a considerable degree any impact caused by a low demand in any one department.

With an expansion in British industry, which I regard as inevitable, there is good reason to suppose that the demand for our raw materials will steadily increase, which does indicate a future for the company to which the members can look forward with confidence.

The report was adopted.

CAPITALISATION AND SCRIP ISSUE

At the extraordinary general meeting which followed the annual general meeting, the chairman reported that the consent of HM Treasury had been received to the proposed issue of 450,000 ordinary shares of 5s. each as capitalisation of reserves.

The resolutions proposed at the extraordinary general meeting were passed and renouncable allotment letters for the new ordinary shares are being posted to stockholders immediately. The issue is being made on the basis of one new ordinary share of 5s. each fully paid for each 15s. nominal amount of ordinary stock held by ordinary stockholders at the close of business on April 23, 1954.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

The forty-ninth annual general meeting of the Association of Certified and Corporate Accountants was held on April 27, 1954, in London. The Right Hon Lord Latham, JP, FACCA, president of the Association, was in the chair. He said: Our membership now exceeds 9,000 and we have some 8,500 registered students.

GOLDEN JUBILEE

This year the Association attains its golden jubilee, and the Council is sure that all members will wish the occasion to be marked by celebrations of an appropriate character. These will extend over the course of three days, namely, November 30 and December 1 and 2, 1954.

JUBILEE SCHOLARSHIP

Jubilee year should be chosen as the time for a significant advance in the educational facilities offered to members and students. Particulars have already been published of the new scholarship which the Association has instituted and which is to be known as the Certified Accountants' Jubilee Scholarship. We are prepared to make grants up to £200 per annum, or £600 in all, during the term of the scholarship, which is tenable at the London School of Economics. The Council will consider the award of one new scholarship each year and we anticipate making the first award with effect from Michaelmas term this year.

RESEARCH ACTIVITIES

Our research committees were recently entirely reorganised, and they are now holding frequent meetings, and a number of specialised projects are under way. The Council seek to publish in booklet form material of interest and assistance to members of the profession, both in practice and in industry.

It is greatly to be deplored that the Chancellor proposes to do nothing at the present time towards implementing the recommendations of the Millard Tucker Committee for removing the manifest injustices inherent in the present taxation treatment of provisions for retirement by self-employed persons and controlling directors. If equity of treatment for taxation between classes of taxpayers is still to be regarded as a feature to be sought in our tax system, then here in the present almost penal taxation of the prudent provision for old age is a place where its application is long overdue.

Mr Butler's proposals for investment allowances in substitution for initial allowances is a step in the right direction. They replace what was an interest-free loan to be repaid over the remaining years of the life of an asset by a positive concession which is in reality a subsidy by way of tax relief to promote and encourage investment in the modernisation of the nation's industrial and agricultural equipment.

This scheme of investment allowances will have the added merit of simplifying somewhat the accountancy treatment of depreciation, and it is also a step forward towards recognising the substantial gap between the original cost of equipment, on which the depreciation is at present admitted for taxation, and replacement cost. Whether in the substitution of this more attractive method of encouraging the replacement of the old by the new any such considerations were officially in mind one can only conjecture.

HOFFMANN MANUFACTURING COMPANY, LIMITED

REASONABLE LEVEL OF PRODUCTIVITY

The annual general meeting of the Hoffmann Manufacturing Company, Limited, was held on April 28th in London, Mr J. W. Garton, chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to December 31, 1953:

Last year I pointed out that the incoming orders had been considerably less than in the previous year and that we now had a much shortened order book. It has continued to contract during 1953, but we have been able to maintain the company's productivity on a reasonable scale and with the economies that have been achieved by new plant coming into production, the reorganisation of layouts, and improved methods, we have had a fairly successful year.

The profit of the Hoffmann group for the year 1953 before taxation but after all other charges amounts to £1,117,024, and compares with £1,469,061 for the previous year. Income tax, profits tax and excess profits levy absorbed £625,017, against £1,002,987 for 1952. The net profit of the group for the year 1953 after taxation is, therefore, £492,007, and compares with £466,074 for 1952.

The question of the ordinary dividend has been given very careful thought by the directors, and it is their intention to recommend a final dividend of 10 per cent (free of tax) which together with the 5 per cent (free of tax) interim dividend paid, will be the same as last year. They have also added a special cash bonus of 5 per cent (free of tax) which is an increase of 2½ per cent (free of tax) on last year.

CAPITAL EXPENDITURE

Although we have gone a long way over the last few years to replace much of the old plant and machinery, there is still a considerable amount to be done. Your board constantly has this in mind so that the company can compete both in this country and abroad with its products, and to that end they have agreed to expend over the next few years, but including the amount shown as the group capital commitment at the end of the year, a sum of no less than £1 million.

The liquid resources at the end of the year totalled £2,464,056 which compares with £1,917,370 at December 31, 1952. The main change is due to the sale of our American investment for which we have received payment during the year under review. The excess of current assets over current liabilities at December 31, 1953, was £2,888,919 compared with £2,417,475 at the same time last year.

NORMA-HOFFMANN BEARINGS CORPORATION

After protracted negotiations we were able during 1953 to effect a sale of our entire holdings at a price which has shown a profit of £286,685.

The year in question has been a very difficult one brought about by adjustments from a very heavy defence programme to an ordinary commercial trade with the utmost competition both at home and abroad, but over the last few months there seems to be a little more confidence and orders are coming in better but not at the rate they were in 1952.

The report and accounts were adopted.

THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY, LIMITED

Fire, accident and marine premium income at £28,734,115, and record new life business at £8,235,705, were figures given in a statement issued by the chairman, Sir Alan C. Tod, CBE, TD, DL, with the hundred and eighteenth annual report and accounts of The Liverpool & London & Globe Insurance Company, Limited.

The combined premiums fell short of the previous year's record by only a small margin. Accident premiums were higher, but this increase was accompanied by a fall in the fire and marine departments which, in 1953, reflected some reduction in commercial and industrial activity and a levelling off in values.

Total underwriting profit at £1,348,782 showed a modest improvement (last year, £1,231,231). The balance of the results had changed for the better, and, if the fire profit had receded slightly, this had been offset by a most welcome improvement in the accident and marine department results.

New life sums assured reached a new high record. As a result of the life quinquennial valuation, made at December 31st last, an increased life bonus of 38s. per cent per annum had been declared on the company's participating life policies.

An increased final dividend of 21s. 6d. per share is recommended, making 41s. for the year, against 37s. for 1952.

EBURITE CORRUGATED CONTAINERS LIMITED

INCREASED NET PROFIT

The ordinary general meeting of Eburite Corrugated Containers Limited was held on April 29th in London, Mr J. F. Fielding, chairman, presiding.

The following are extracts from his circulated statement for 1953:

The net profit of the Group after all charges other than taxation is £720,439, as compared with £474,236 for the preceding year. Total taxation of £467,020 is incurred including £92,000 in respect of Excess Profits Levy. Your directors propose to increase the rate of ordinary dividend for the year to 2s. per share by the payment of a final dividend of 1s. 6d. per share.

Your directors propose to increase the authorised share capital to £1 million by the creation of one million additional ordinary shares of 5s. each, and that £286,688 should be capitalised out of the undivided profits to be applied in paying up in full 1,146,750 unissued ordinary shares to be distributed to existing ordinary shareholders. The distribution is equal to one new ordinary share for every two ordinary shares held.

The year shows a considerable increase in the output of the Parent Company at Park Royal compared with the previous year. An extension to the Andrew Ritchie, Glasgow, factory was completed at the end of February last and is in operation. At Autolex Limited, Sunbury-on-Thames, a further increase in factory space is nearing completion. Further plans for the development of the Group are under consideration.

The business done by the Group for the first three months of the current year has shown an improvement. With the demand for our products still increasing, the indications for the future are encouraging.

The report and accounts were adopted and the board's capital proposals were approved.

JOSIAH PARKES & SONS

(Manufacturers of Union Locks and Builders' Hardware)

TURNOVER MAINTAINED

The ordinary annual general meeting of Josiah Parkes & Sons, Limited, was held on April 26th at Willenhall, Mr Cyril W. Parkes, JP (chairman and joint managing director), presiding.

The following is an extract from his circulated review:

The results of our operations during 1953 were very much as were expected. It was a difficult year, starting badly but improving steadily as it went on, and despite some fall in the trading profit we feel that the final result is very satisfactory having regard to the conditions.

Due to the falling off in demand at the end of 1952, we started the year with a restricted order book and production cut back substantially. In the spring the position changed completely; the level of orders improved and we went back to full production. By the autumn we were having to work regular overtime to meet the demand and output was equal to the best we have ever achieved. Over the year as a whole, therefore, turnover was maintained at substantially the same level as the previous year, but profit margins were again narrowed as a result of the slight fall in the average level of selling prices and a substantial increase in wages costs.

DIVIDEND INCREASED

To deal with the consolidated profit statement, the net profit before taxation at £136,638 is lower than that of 1952 by £25,583, a fall of 15 per cent. As a result of reductions in taxation chargeable, however, the more important figure of profit after tax at £59,378 is actually higher by £1,258. Because of the reduction in the rate of income tax after the 1952 accounts were issued this is not strictly a true comparison, but, taking into account an appropriate adjustment, the difference in net profit is a fall of only £3,800, or 6½ per cent.

The balance sheet continues to show a strong position, net fixed assets are higher by £24,472, and net current assets by £4,534, reflected in the increase in capital employed from £616,009 to £545,401.

We have decided this year to recommend a small increase in the distribution by adding a further 2½ per cent to the final dividend, making a total for the year of 17½ per cent.

OUTLOOK GOOD

I am also pleased that I can report a healthy trading situation, both at home and in South Africa. All our factories are fully employed, we have satisfactory order books, the level of new business is well maintained and the outlook for this year is good. At the same time it must be remembered that trading conditions are becoming increasingly competitive the world over, and in the export field licensing and currency restrictions remain a handicap.

Your company is unremitting in its attention to the development of new products, new methods and improved technique. We believe this to be essential if we are to hold and expand our trade, and to be the basis of higher efficiency and productivity. The sales outlook is very promising.

In view of the improved outlook your directors have recently approved a policy of further expansion both at Willenhall and in South Africa. The report was adopted.

GEORGE MALLINSON & SONS, LIMITED

The seventeenth annual general meeting of this company was held on April 29th in London, Mr Dyson Mallinson, chairman, presiding.

The following is an extract from his circulated statement:

The accounts for the 52 weeks to February 20, 1954, show a net profit of £125,649, an increase of £7,367 on the previous year. The plant and equipment have been maintained in good order, and we consider the depreciation written off is adequate. The liquid assets exceed current liabilities by £789,451, which I am sure you will consider satisfactory.

The directors are pleased to report an increase in trading and recommend that the final dividend should be 30 per cent, making a total of 40 per cent for the year, and in addition a bonus of 5 per cent both less tax.

We recommend that the sum of £25,000 should be added to the materials and contingencies reserve, making this figure now £200,000, and the balance of £34,237 added to the credit of the profit and loss account leaving this figure at £207,241.

Orders on the books will keep us fully employed for several months, and in the absence of any unforeseen circumstances, we have every reason to look to the future with confidence. You will be interested to know that during the year under review, in accordance with powers contained in the company's articles, a non-contributory retirement benefits scheme has been set up for the directors and senior staff employees. Shareholders will no doubt approve of this action which is greatly appreciated by those concerned.

The report was adopted.

THE RIO DE JANEIRO FLOUR MILLS AND GRANARIES

The sixty-eighth ordinary annual general meeting was held on April 22nd in London, Mr G. McT. Sheppard (the chairman) presiding.

The chairman drew attention to the fact that the exchange rate used for the profit and loss account and the conversion of Brazilian current assets and liabilities was that of the free exchange rate at September 30, 1953, namely, Cr.$106,80 to the £, as against the official rate of Cr.$52,416 used last year. It had been necessary to draw heavily upon the exchange reserves in both the parent company and group accounts as a result of the new free exchange rate.

It was not only exchange problems that had caused the decline in the group results, as the trading results had been materially affected by a number of factors beyond the directors' control.

Fluctuations in the free exchange market had been wide, but they had not prevented the company making some appreciable sterling remittances to this country.

Supplies of wheat had again been at a low level, the shortage of dollars and prices in Argentina being well above world market levels, being contributory factors.

As regards the current financial year, trading conditions had continued to be difficult. Availabilities of imported wheats had dwindled, and it had become necessary to grind larger proportions of Brazilian wheat, which were more expensive; the resultant smaller grists and higher overheads emphasised the necessity for larger imports in order to compensate for the increased charges. The report was adopted.

ARMY & NAVY STORES

TRADING PROFIT DOUBLED

The eighty-second annual general meeting of Army & Navy Stores, Limited, will be held on May 21st at the registered office of the company, 105 Victoria Street, London.

The following is an extract from the statement by Commander S. C. Lyttelton, OBE, DSC, RN, chairman and managing director, circulated with the report and accounts for the year to January 31, 1954: The group trading profit is £177,909 after transfer of £14,672 from contingencies reserve to cover purchase tax losses and trading loss in India. This compares with £104,646 for the previous year, which included a transfer from contingencies reserve of £23,187. Omitting the transfers, therefore, the group trading profit is more than doubled.

The directors recommend a dividend of 15 per cent on the ordinary stock, leaving £100,853 to be carried forward. As some capital profit has been realised as a result of the sale of certain of the company's redundant properties, your directors, for this year, recommend a further distribution of 5 per cent on the ordinary stock. This distribution of capital profit will be free of all tax to the stockholders.

I dislike trying to foretell the future and will only say that with the two additional subsidiaries we are already in a much better position for trading than we were a year ago. We intend to pursue our policy and to expand the business into the provinces and suburbs in order to provide as broad a geographical base as possible while continuing the reorganisation and improvement here in London. We are actively pursuing this policy and have hopes of further developments shortly.

BIRMINGHAM RAILWAY CARRIAGE & WAGON

CENTENARY YEAR

The one hundredth annual ordinary general meeting of The Birmingham Railway Carriage & Wagon Company, Limited, was held on April 28th at Birmingham, Sir Bernard D. F. Docker, KBE (chairman), presiding.

The following are extracts from his circulated statement for 1953:

The shortage in the supply of vital steel plate and the reduction in works personnel continued throughout 1953 and the financial results are not as favourable as in recent years. Happily the steel position for 1954 has improved and we may be able to employ our works to greater capacity in the current year.

The value of sales was only slightly lower than last year's figure, but it included the full effect of the 1952 wage increases. The profit on trading is £64,403 lower and after providing for the same dividend distribution as last year (10 per cent) the balance carried forward to next year is £2,852 higher at £141,169.

A few years ago we broadened the scope of our activities by developing a very determined interest in the diesel field of rail transport and in our centenary year, we can claim some considerable repute from the diesel trains and locomotives which have been designed and built by our company.

Our most recent achievement in this field is a locomotive destined for Australia where, I am confident, from the satisfaction it will give to our customer, the Commonwealth Railways, it will add to the prestige of The

Birmingham Railway Carriage & Wagon Company and all associated with us in its production. The courage and initiative to enter upon such new endeavours augurs well for the future and should be a matter of satisfaction to our stockholders.

The report and accounts were unanimously adopted and an ordinary dividend at the rate of 10 per cent per annum, less income tax, was approved.

TRIBUTE TO CHAIRMAN

Mr H. J. S. Moyses, OBE (deputy chairman and managing director), proposing the re-election of the retiring director, Sir Bernard D. F. Docker, KBE, said: I am sure we all appreciate how fortunate this company is in having Sir Bernard Docker as chairman. His long experience of the rolling-stock industry and to his father before him have been invaluable to us. His keen interest in everything appertaining to the company's welfare has been a source of great strength to the board and I have very much pleasure in moving "That Sir Bernard D. F. Docker, KBE, be and is hereby re-elected a director."

The motion was approved, as also was one authorising the directors to fix the remuneration of the joint auditors, Messrs Agar, Bates, Neal & Co. and Messrs Chantrey, Button & Co.

Replying to a vote of thanks to the chairman, managing director and directors, proposed by Mr H. J. Thornton, the chairman said: May I say straight away that I am glad you mentioned Mr Moyses specially, for he has been for a long time the mainspring of this business. It is quite true that trading is not easy. It is customary for a chairman to say that it has been a difficult year for any company and those engaged in any business these days realise that it has not been easy. We hope and believe that one day we shall get some help from the authorities. We need incentives; I call them "carrots"; maybe one day we shall get them. In the meantime the success of this business depends entirely upon team work. You have a jolly good team and that is the reason why the results are so satisfactory.

The proceedings then terminated.

The Times
FURNISHING (HOLDINGS)

MOST SUCCESSFUL YEAR

The sixth annual general meeting of The Times Furnishing (Holdings), Limited, was held on April 29th in London, Mr Henry Jacobs (the chairman) presiding.

In the course of his circulated statement the chairman said:

Total book value of current assets at December 31, 1953, was £1,849,716, an increase of £151,038 over last year's figure.

Stocks out on hire-purchase agreements were increased by £423,872.

Combined profits of the group for the year to December 31, 1953, before tax were £788,137, an increase of £83,378 over last year. Taxation amounted to £521,258, which includes £103,500 for EPL. Net profits after providing for tax are £266,879, an increase of £45,700 over last year.

The directors have allocated £15,000 to the staff pension and benevolent fund, bringing that fund up to £55,000.

A final dividend of 15 per cent is recommended, less tax, making with the interim dividend already paid 25 per cent, less tax, for the year, and a capital scrip bonus of one ordinary share for eleven of such shares held, involving the application of £50,000, the same amount as applied last year.

The results for the year showed an advance of 20 per cent in the turnover of The Times Furnishing business and an advance of 12½ per cent in the Willerby Tailoring business.

Trading during the first three months of the current year in both businesses has exceeded that of the year under review, and failing any set-back in the national prosperity, your directors feel confident in forecasting another year of continuing success.

Contracts have been entered into for the acquisition of three new buildings to house Times Furnishing branches, at Hounslow, Hammersmith and Southend-on-Sea. The report was adopted.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

LIFE SOCIETY

Speaking at the one hundred and forty-sixth annual meeting of the Norwich Union Life Insurance Society, held on April 27th, the President, Sir Robert Bignold, said 1953 was an outstanding year for the Society. New assurance business written exceeded £53 million, an increase of some £6 million. In addition, pension scheme deferred annuities were granted for a capital value of £29 million, an increase of over £17 million.

Total funds on December 31st amounted to £104½ million, a record increase of £10 million. Interim bonuses on full-profit policies had been increased by 3s. per cent per annum. The net rate of interest earned was £4 0s. 9d. per cent and the mortality experience was exceptionally favourable.

FIRE SOCIETY

At the one hundred and fifty-sixth annual meeting of the Norwich Union Fire Insurance Society Limited the Chairman, Sir Robert Bignold, said the 1953 premium income for fire, accident and marine was £14,634,800, an increase of £75,840. Fire premiums totalled £6,450,300, the profit in the fire account being £623,466.

The accident income had advanced by £445,485 to £7,013,296 and the accident account showed a profit of £548,420 against £120,042 in 1952.

Marine premiums totalled £1,171,204 and the transfer to profit and loss account of £75,000 left the marine fund at £1,819,672, or 155.37 per cent of the total net premiums.

Total transfers to profit and loss were £1,246,886. Taxation was £837,181 against £516,511; dividend required £193,600; pension fund received £150,000 and additional reserves £325,000.

Total assets had increased by £1,573,802 to £21,026,244.

The reports and accounts were adopted.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the seventy-seventh annual general meeting of The Cunard Steam-Ship Company, Limited, will be held in Cunard Building (fifth floor), Pier Head, Liverpool, on Wednesday, May 19, 1954, at eleven o'clock a.m.

(1) To receive and consider the Statement of Accounts for the year ended December 31, 1953, with the Reports of the directors and auditors.
(2) To sanction the declaration of final dividend for the year 1953.
(3) To elect directors in place of those retiring but who, being eligible, offer themselves for re-election. In accordance with the provisions of the Companies Act 1948, special notice has been received of the intention to move at the above meeting a resolution for the re-election as a director of the company of Mr. R. Crail who, at the date of the meeting, will be aged 70 years, and who retires and offers himself for re-election.
(4) To confirm re-appointment of auditors and to fix their remuneration.

By Order of the Board,
H. EAVES, Secretary.

Offices: Cunard Building, Liverpool.
April 24, 1954.

Note.—A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability.).—CANADIAN PACIFIC RAILWAY PERPETUAL FOUR PER CENT CONSOLIDATED DEBENTURE STOCK.—NEW BRUNSWICK RAILWAY FOUR PER CENT DEBENTURE STOCK.—CALGARY AND EDMONTON RAILWAY FOUR PER CENT DEBENTURE STOCK.—ATLANTIC AND NORTH-WEST RAILWAY FOUR PER CENT FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK.—In preparation for the payment of the half-yearly interest due July 1, 1954, on the above Stocks, the Transfer Books will be closed on May 21st and will be reopened on July 2, 1954.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 23, 1954.

PERSONNEL AND STAFF MANAGERS—EMPLOY STENO-TYPISTS and increase the efficiency of your conference-reporting and secretarial staffs. Stenotyping (machine shorthand) is the up-to-date method of taking notes; speedy, accurate, quickly transcribed and not fatiguing. Fully trained stenotypists now available for permanent posts or special assignments.—Write or 'phone The Palantype College Employment Bureau, 229-231 High Holborn. Telephone: Holborn 9162.

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RESERVE FUND STERLING - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - $20,000,000

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CHAIRMAN: C. BLAKER, M.C., E.D.
CHIEF MANAGER: MICHAEL W. TURNER
London Office: 9, Gracechurch Street, E.C.3
London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, H. A. Mabey, O.B.E.

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Rangoon	Hong Kong	Osaka	Penang	Tawau
CEYLON	Kowloon	Tokyo	Singapore	PHILIPPINES
Colombo	Mongkok	Yokohama	Singapore	Iloilo
CHINA	INDIA	MALAYA	(Orchard Road)	Manila
*Shanghai	Bombay	Cameron	Sungei Patani	SIAM
DJAWA (JAVA)	Calcutta	Highlands	Teluk Anson	Bangkok
Djakarta	INDO-CHINA	Ipoh	NORTH	UNITED
Surabaja	Haiphong	Johore Bahru	BORNEO	KINGDOM
EUROPE	Saigon	Kuala Lumpur	Brunei Town	London
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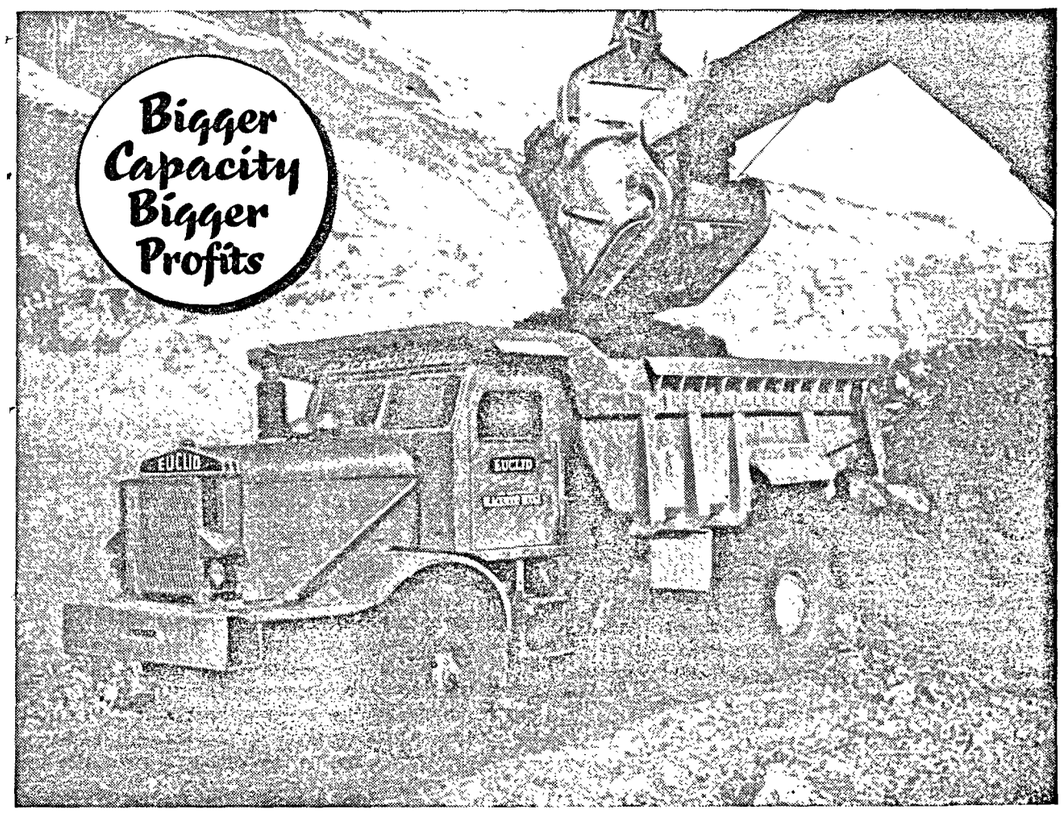
UNIVERSITY OF GLASGOW

The Department of Social and Economic Research will shortly be instituting a social survey of Govan (which forms part of the city of Glasgow) and proposes to appoint a director to take charge of this survey. The appointment will be for a period of three years, and the salary will be £800 to £1,300 according to experience. Candidates should have a good honours degree, preferably in economics or sociology, and should be experienced in the handling of statistics. —Applications (8 copies) should be lodged, not later than May 15, 1954, with the undersigned, from whom further particulars may be obtained.

ROBT. T. HUTCHIESON,
Secretary of University Court.

TWO Research Assistants, age about 25, with good honours degrees in economics with statistics, required for shipping research unit.—Apply: W. G. Weston Limited, 47 Piccadilly, W.1.



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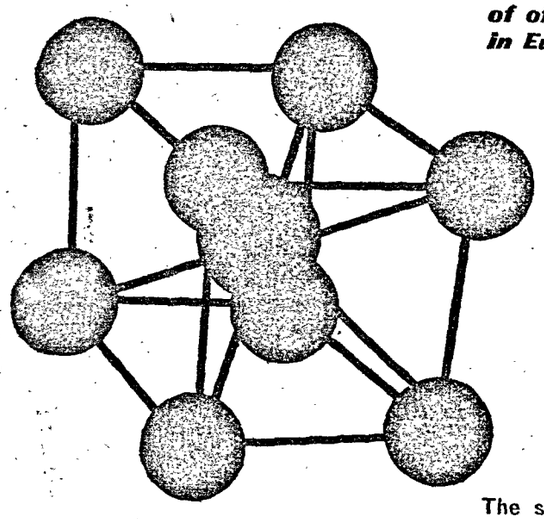

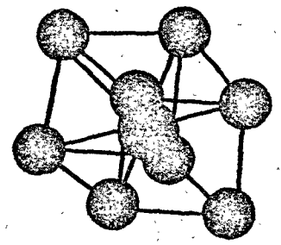

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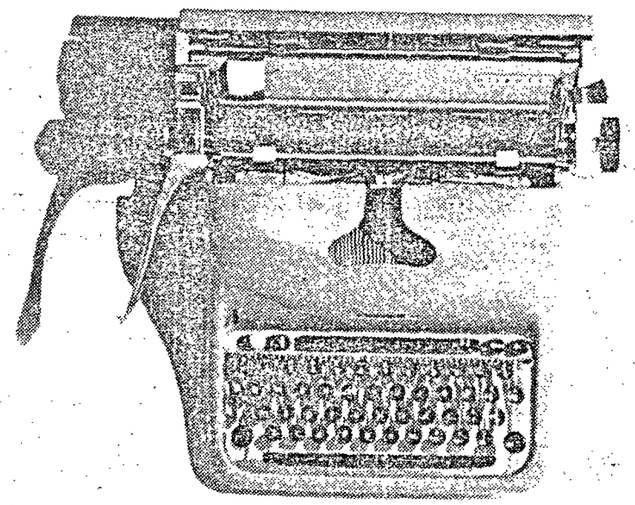

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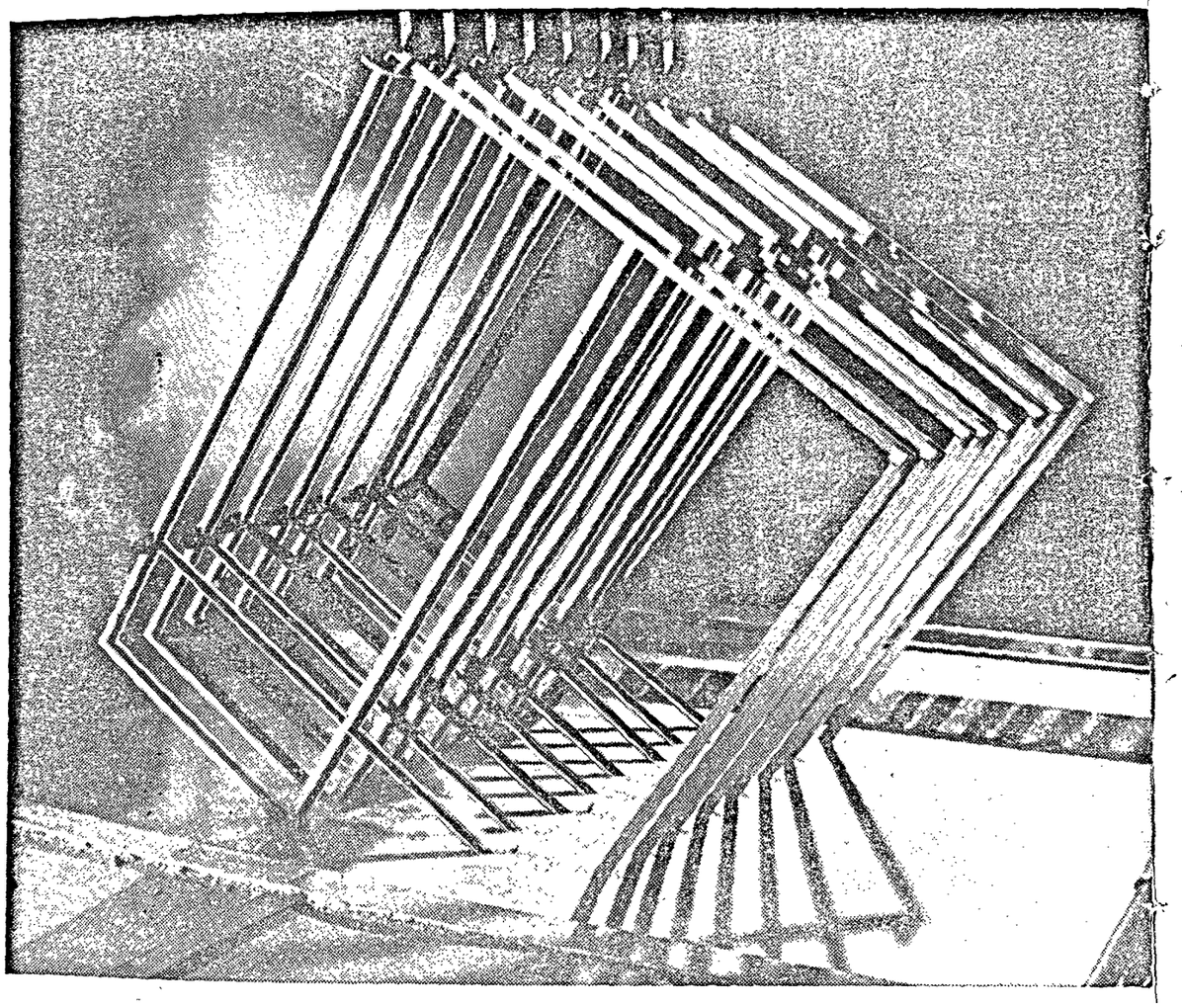

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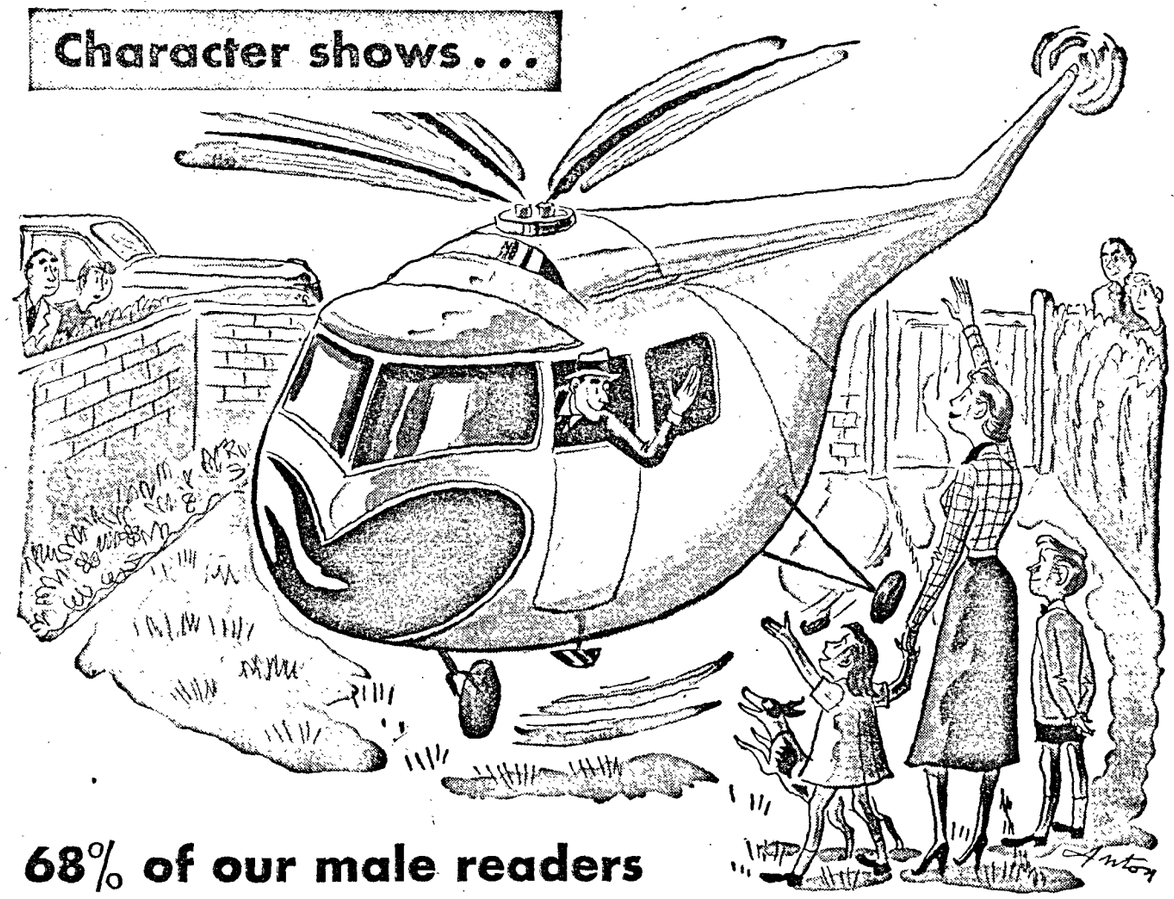

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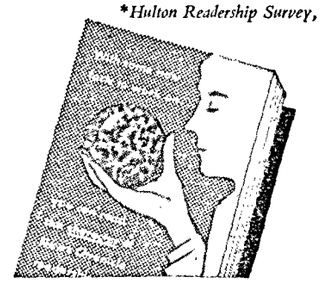

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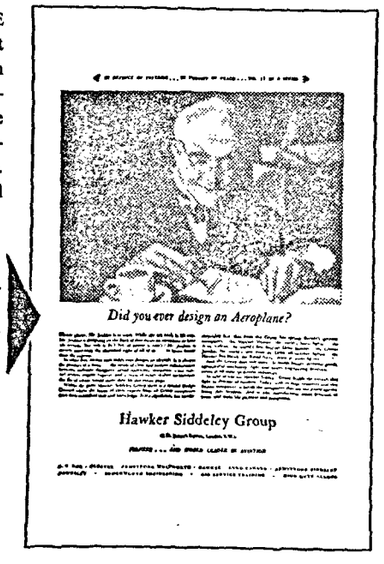

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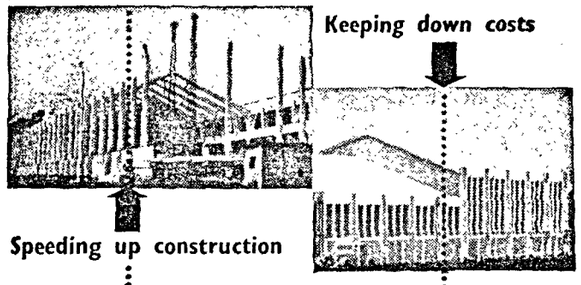

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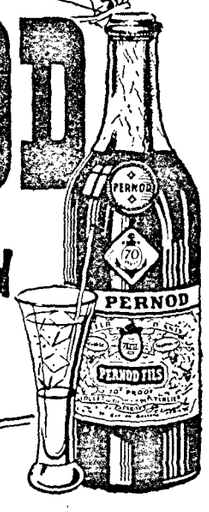

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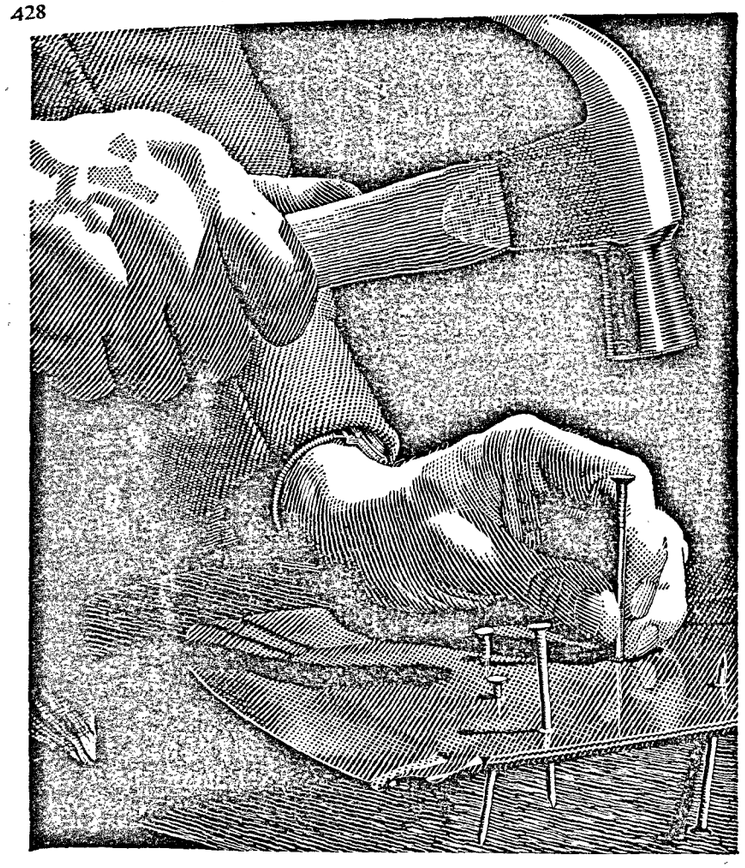

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ONE SHILLING

Alliance in Danger 429
Towards Longer Schooldays . . . 431
Auguries from Bonn 433
Cinderella in Downing Street . . 435

NOTES OF THE WEEK

M. Bidault in No Man's Land; Beside the Lake; Mr Eden's Task; Cracking the Whip; Labour's New Loophole; Television in the Tumbril; Mr Dulles in Italy; "The Tibet Region of China"; Turkey Chooses the Same Again; Leave it to Uncle; Local Gains for Labour?; Light on the Local Elections; Atomic Security; Fish-days for the Russians; German Industry and the EPU Credits; Half-cock in Honduras; Protection for Forestry?; Eltham's Competition in Petitions; Pressures on the Press Council. 436

LETTERS TO THE EDITOR . . . 447
BOOKS AND PUBLICATIONS . . 448

AMERICAN SURVEY

President and Press 453
Fresh Start for Mr Dulles; Too Easy Money?; Dilemma in Defence; Sick of McCarthy?; Fair Trade at a Discount; Labelling the Communists; Hawaii's Expanding Economy.

THE WORLD OVERSEAS

Uganda Turns a Page 461
The Resources of Indo-China; Notes from Australia; Mr Dutt's Empire; Journal of Geneva—II.

THE BUSINESS WORLD

Foreign Funds and Sterling . . . 469
New Thinking on EPU 471
Unilever Across the World . . . 475

BUSINESS NOTES

Return of the Bulls; The Golden Flood; Britain and Schumania; Houses on the Cheap; Building with "Hot" Money; Gateway to an Atomic Industry; Windscale and Beyond; Saudi Arabia's Tankers; BIF's New Look; Maintaining British Shipping; Output Records at Home and Abroad; Sharp Rise in Bank Deposits; Pensions and the Future; Coal Prices and Steel; Guarantees for Brazilian Credits; Safety at 80 per cent; Shorter Notes. 476

COMPANY NOTES AND SECURITY PRICES 485
STATISTICS 488

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Alliance in Danger

THE British press is clinging to its hopes for the Geneva conference. In Washington, on the contrary, the deepest gloom is reported to prevail. It is far too soon to say which is right. But it is not too soon to suggest that neither capital is really concentrating on the major issue. When people say they are hopeful or apprehensive about Geneva, they are usually referring to the prospects of reaching a satisfactory settlement with the Communist regimes. This is important; but it is not all-important. It will be a great pity—and perhaps much more than a pity—if the western statesmen fail to agree with the delegates from behind the iron curtain. But it will not be the first time, nor is it likely to be the last, when a conference with Communists has ended in deadlock. If, on the other hand, the conference ends with an open split between the western allies, that will be really dangerous.

It is questionable whether the disunity between the western allies is nearly as bad in reality as it appears on the surface of things. A fair amount of progress has been made in recent weeks in moving the three governments most directly concerned—the American, the British and the French—into agreement on a sensible line of policy on Indo-China. The three elements of that policy are to refrain from further intervention at the present; to negotiate for a truce, with a demarcation line; and to form a Nato for South East Asia which would guarantee the settlement, if one can be agreed, or support the French if it cannot. It would be rash to say that all three governments yet formally agree to all three parts of this policy. But they are moving into line, the Americans retreating from the more advanced position they had taken up (or appeared to take up), the British and French advancing from their various reluctances.

The trouble is that, for consumption by their various home audiences, the three Foreign Ministers, even if they are in fact moving into agreement, have to emphasise different facets of it. Mr Dulles dare not appear to be weak. Mr Eden will be in trouble with at least one section of British public opinion if he is too strong. And M. Bidault can hardly take any position without being criticised. So the appearance is created of deep fissures in the western alliance, when—as yet at least—there are no more than momentary cracks.

The urgent need of the moment is surely for all comment, official and private, in the free countries to eschew any unnecessary exaggeration of differences and to assist the negotiators in moving closer together. This journal will not be accused by anybody of anti-Americanism. But it must be frankly stated that most of the present appearance of crisis has been manufactured by wild and irresponsible talk in Washington. What is worse, there has been wild talk on two planes, both private and official. To the nonsense that Senators can talk, America's allies are gradually becoming accustomed. Nevertheless it has seemed recently to be worse than usual. Not only does the squalid McCarthy circus go on and on, without any

apparent prospect of cutting the Senator down to size. But even the majority leader of the Senate himself, Senator Knowland, is allowed to parade his irresponsibility daily, urging war with China and, when others hesitate to involve themselves in it, writing them off as unworthy allies. Is it surprising, with such goings on filling the press, that there should be a lack of confidence in the coherence, and even in the pacific intentions, of American diplomacy?

Moreover, there has been wild talk by the Administration itself. If American opinion has the impression that Mr Dulles's boldness is always being curbed by Britain's timidity, it is largely his fault for starting off with big talk and then coming down to less big doing. Bluff plays a proper part in diplomacy, if it is not tried too often and is never called. Unfortunately, too many of Mr Dulles's bluffs have not worked. The "liberation" bluff, the "agonising reappraisal" bluff, the "instant and massive retaliation" bluff—all these have been discovered to mean much less than they appeared to. The result has been to frighten America's allies much more than to impress the Communists. But though this is the natural effect of an unsuccessful bluff, it gets blamed on America's allies, and usually on Britain. For example, it is now being said that the Americans wanted to grant the French request for help in the air over Dien Bien Phu a fortnight ago, and that only British timidity stood in the way. It seems very doubtful whether, in fact, Congress would have agreed to American action. But in any case, one would have thought that the merits of intervening at this precise moment of time, and in a way that was much more likely to provoke Chinese counter-intervention than to save Dien Bien Phu were, to say the least, open to question. Nor is the British refusal to join a common front in South East Asia a permanent one; it is for the duration of the Geneva conference. Nevertheless it is being written about in Washington as if it were a second Munich, the end of all collaboration, a deliberate decision to precipitate the apocalypse.

★

It is not for any foreigner to say what can be done to stop this sort of back-biting in Washington. But seen from here, what would seem to be urgently needed is for the President to assert his leadership and authority both on the Administration and on his party in Congress. He himself has never been other than sensible and moderate in all that he has said. For example, he has denied some of the wilder stories of British obstruction and his own prescription for Indo-China is to try to find a *modus vivendi* between the unacceptable and the unattainable—which is exactly what Mr Eden is trying to do at Geneva. What foreigners can say is that unless the President finds some means of making his own steady voice sound louder in Washington than all the partisan screamers, he is going to have increasing difficulty in keeping the world alliance together.

But let us not be self-righteous. The state of British opinion is not perfect; nor could anybody say that the voices of moderation and responsibility in London always sound louder than the screamers. There are two matters in particular to which British opinion might well turn its attention. First, are we not in danger of mistaking the froth for the substance in our view of America? It is true that an astonishing amount of nonsense is talked in America and faithfully reported in the British press. But it is action that counts, and whatever may have been said in America, is there much ground for complaint about what has been done over the postwar period as a whole? It is now clear that General MacArthur's advance from the waist of Korea to the Yalu river late in 1950 was a mistake; but how many people who say so now thought so before it happened? This apart, is there anything else in American actions since the war to which a reasonable Englishman can take serious exception? And are there not, on the other side, many actions for which he ought to feel deeply grateful? As the Prime Minister said last week, we should pay tribute to the "disinterest, exertions and sacrifices" of the United States, "without whose unrivalled power, chaos or subjugation might overwhelm us all."

Secondly, if the British people do not like being told that they are an unreliable ally, they should take a little more trouble not to sound like one. The absolute necessity of the alliance of the free people—and specifically of the link with America—tends rather to be taken for granted in this country, perhaps largely because it is thought to be too obvious to require stating. It receives, of course, the conventional sentence or two in official speeches before they pass on to other topics. It is a long time since a Minister of the Crown really developed the theme of the Anglo-American alliance. One result is that almost the only people who have been devoting any attention to Anglo-American relations are the Bevanites, who are as ready to blame America for everything as Hitler was the Jews. Another result is that when people are asked by the Gallup Poll whether they approve of American policy, they think only of the irritation of recent weeks and a disconcertingly large number of them say they disapprove—though it is almost certain that only a tiny fraction of them would really like to see the alliance dissolved or would be other than horrified to be told that that was what their votes were being taken to mean. This sort of thing gets reported back to the American press, and the impression is created that the majority of the British people are indifferent to the fate of the alliance between the two countries.

There is one man who would do a very great deal to correct these false impressions and that is the Prime Minister. His words of last week, which have already been quoted, show that his mind is moving in this direction. The time is coming when he should devote a major speech to the preservation of that alliance of the English-speaking peoples the creation of which is one of the greatest of his many claims to the gratitude of both his father's and his mother's countrymen.

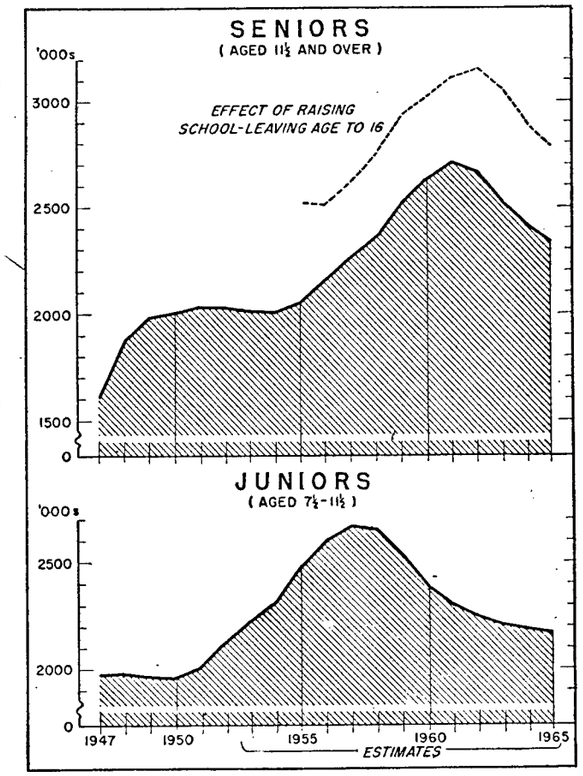
Towards Longer Schooldays

THE Minister of Education told an audience at Bristol last week that "there is no need to be down in the dumps about education." This was rather bland; but Miss Horsbrugh certainly went on to give some figures which strengthen the Government's defence of its education policy, and which could usefully have been produced in the House of Commons a few days earlier. On that occasion her Parliamentary Secretary, Mr Pickthorn, had seemed a little complacent in rejecting Mr Morley's motion that an attack should be made on overcrowded classes by building more schools, by recruiting more teachers, and by spending more money. The Minister was able to show that although the number of schoolchildren will increase rapidly between now and 1960, the overcrowding in schools will at least get no worse.

In other words, the amount of school building and the recruitment of teachers are keeping pace with the school population. In the last four years more than 700,000 extra children have been accommodated. Enough new places are under construction to cope with the further 80,000 children who will flood into the primary schools between now and 1960, and the number of overcrowded primary classes — now more than 40 per cent of the total — will shortly begin to diminish. It must be remembered, however, that by the official definition a primary class is not overcrowded until it consists of over 40 pupils, which by any commonsense standard is far too large. Not until after 1961 will it be possible, without a change of policy, to aim at a maximum of 30 for primary as well as for secondary classes. In the secondary schools, where nearly two-thirds of the classes now have more than 30 pupils, building has reached a level which, if it is maintained, should provide places for all the 700,000 extra senior children to be expected by the end of 1960.

As for the staffing problem, that is less serious than had at one time been feared. If new teachers come forward as they have been doing lately, the ratio of staff to pupils will slowly but steadily improve. The National Advisory Council had estimated the need for extra teachers at 5,000 a year for the years 1950 to 1953 in order to maintain the standards of 1950. Against this the net increase for those years has been about 6,000. As an example of the way this net increase comes about, 7,500 men and women left the teaching profession in 1952; but about 13,250 new teachers were recruited, of whom some 2,000 were married women who returned to their old calling. One-third of the women in this supposedly spinster's profession are now married. Just why wives are suddenly showing an interest in teaching it is hard to say, but they are certainly saving the day.

EXPECTED NUMBERS IN THE SCHOOLS



The Government can therefore claim that the line is being held. But this line is far, far behind the rosy expectations of ten years ago. It is just ten years since the Education Act passed through its final stages in Parliament, and in that time only one of its major provisions has been implemented—the raising of the school leaving age to fifteen. That was to have been the merest beginning. Among other things, county colleges were to have continued education up to the age of eighteen on one day a week; independent schools were to have been registered and inspected; and, above all, the school leaving age was to have been raised again to sixteen "as soon as possible."

In the five years that followed the passing of the Act, thousands of reunited couples made nonsense of the calculations on which it was based. If the higher birthrate and the need for economy could have been foreseen, it is certain that less would have been attempted. As it is, to "hold the line" has in itself become something of an achievement. But relief that the state of education is no worse may inhibit efforts to make it better. In a sense, one ought to be down in the dumps about education; for there is no doubt that its present inadequacy, both in quality and duration, is a great source of national weakness. It is true that the

leaving age in Britain is as high as it is in most European countries and higher than in many, but it makes a poor showing in comparison with the other English-speaking communities overseas. In the United States, for example, forty states have a leaving age of sixteen and the rest either seventeen or eighteen. It is true that the quality of American education sometimes still shows the effects of its over-rapid expansion, and that it suffers from the assembly-line methods that have had to be adopted to handle the enormous numbers of children in the schools and of students in the colleges. But the result has been to create a large educational middle class of men and women who, without ever coming within sight of being scholars or scientists, have nevertheless been trained far beyond the elementary level. Nobody who has had an opportunity of observing the strength and vitality that are thereby given to the American community can fail to want to build up a similar educational middle class in Britain, where it is still woefully small. This is not an aspiration of the welfare state; it is a necessary piece of nation-building.

*

It is, therefore, important not to be content with holding the line without looking forward impatiently to see when the next advance can be made. It is obvious that any improvement in the ratios of staff and buildings to children must first of all be used to reduce the size of classes. There is no point in just increasing the quantity and so the cost of schooling without getting value for the extra money. On the other hand, it would be wasteful to recruit more teachers and to build more schools than will be needed in the nineteen-sixties, when the school population will be falling. The peak years for juniors, as can be seen from the chart (which refers to England and Wales only), will be 1957 and 1958, and nothing that is done about the leaving age can affect either the size of the peak or the rapidity of the decline after it is passed. In the senior schools the peak will be reached, with the present leaving age of fifteen, in 1961. The effect of keeping all children at school for another year is shown by the dotted line in the chart. To do it now would mean an immediate and large increase in numbers, with even more overcrowding than there is now; and though it would postpone the peak by a year, it would make it nearly half a million higher.

Clearly, to raise the leaving age before this peak is passed is impossible—or if it is just conceivably possible, it would certainly be undesirable, in that many children would gain less by the additional year than they would lose from intensified overcrowding all through their school lives. When can it be done? If all goes well with building and with the recruitment of teachers, one may perhaps guess that by about 1965, overcrowding will be perceptibly less. Even so, to put the leaving age up at that time by twelve months would immediately restore the total numbers to above the

peak level of 1961—though with four years more building and recruitment to deal with them, and with the certainty of an immediate decline from the peak. It looks as if impatience will have to accept the fact that there must be a wait of a dozen years or more before a universal leaving age of sixteen will be possible. It might be possible to begin a little earlier if the change could be made in two stages—first to fifteen-and-a-half and then to sixteen. But, apart from the general and particular disadvantages of taking two bites at the cherry, it is unlikely that the first step could in any event be taken before 1964.

*

It may be that there is no escape at all from this unfortunate necessity to wait for the ebb tide of numbers. Certainly there is no possibility of escape without an upward jump in the supply of teachers. But there is something of a vicious circle at work, for the largest obvious source of more potential teachers is to be found among those grammar school children who now leave at the earliest opportunity, or as soon as they have got some kind of certificate. That over two-thirds of grammar school children should now leave before they are seventeen is the greatest waste in education today—a waste of ability and a waste of the places that could have been better used by other children. The National Advisory Council is due to report on the whole question in the summer, but meanwhile it is probably safe to assume that the main reason for leaving early is economic. Parents are always desperately anxious that their child should get to the grammar school. But they—and the children—are not always convinced that opportunities for work are any better at eighteen than they are at sixteen, and even if they are poor enough to qualify for an allowance from the local authority, this is no substitute for the good wages a child can now earn.

A higher scale of allowances might perhaps help in some cases. But it would not achieve very much unless it were accompanied either by a much wider recognition of the value of staying at school or by the compulsion of the law. Several local authorities, including a number where grammar school accommodation is scarce, have included in their private Acts of Parliament clauses allowing them to make the parents of children who are admitted to grammar schools sign an undertaking to keep them there until they are sixteen, with the penalty of a fine (usually £10) if the undertaking is broken. Others, like the London County Council, make the parents sign an undertaking, but without the backing of a private Act. It is tempting to think that what these authorities are doing piecemeal could be done on a national level—that the leaving age could be raised now to sixteen only for grammar schools and technical schools (where the course is also intended to last until at least that age) and that it could be enforced by the school attendance officer.

This seems at first sight to be easy. It would need only an Order in Council; its demands on class rooms and teachers (except in mathematics and science) would not be unmanageable because sixth-form classes are for the most part relatively small. But there are several difficulties. In the first place, there is no legal definition of a grammar school; it is not mentioned in the Education Act. Secondly, what about comprehensive schools, whose whole *raison d'être* is that the dividing line between the grammar and the other streams is not rigid or permanent? Thirdly, would poor parents start refusing to let their children take up grammar school places? Fourthly, even were these difficulties overcome, there is a danger that if sixteen is enshrined in legislation as the minimum age to leave a grammar school, it may be regarded as the proper age to leave; whereas it needs to be accepted that the proper age is eighteen, or at the earliest seventeen.

That idea is gaining ground. The number of pupils aged seventeen and over in maintained schools has risen from 26,000 in 1947 to 35,000 in 1953, although there has been little alteration in the provision of grammar school places. Britain is thus harvesting from its grammar schools larger numbers of better educated people in general and of potential teachers in particular. But meanwhile it is a long wait and everything should be done through propaganda inside the schools and outside them to hasten the realisation that the extra years at school are worth while. For on this the next big advance in education depends.

Auguries from Bonn

THIS month of May could be a terrible one for France. It might see the fall of Dien Bien Phu, with all the grief and recriminations that would follow; it might see the end of M. Laniel's government, to which there is no visible alternative; it might see M. Bidault facing in Geneva an agonising choice between the terms of enemies and the counsel of allies; it might see the Assembly, in a fit of bewildered exasperation, either killing outright the policy of European integration by voting against the treaty for a defence community or—what is more likely—condemning it to slow suffocation by postponing still further any debate. How many of France's troubles are due to postponed decisions, to brilliance of argument sapping at the roots of resolutions, to the failure of the politicians to rally the people on the issues that really matter? It is a time when friends can offer advice only with restraint and sympathy; yet it has to be said again and again in the coming weeks that Europe comes this summer to the parting of the ways, and that the decision about which way shall be taken lies mainly with France. What happens at Geneva is important, for it affects the future peace of Asia; but what happens in Europe is even more important, for it is the base from which the Atlantic alliance must function, whether in the West or the East.

It was, perhaps, this feeling of an approaching historic moment that underlay the long speech made last week by Dr Adenauer when the German Bundestag debated foreign affairs. He made, it is true, no striking new pronouncement save to welcome the American and British guarantees to the European Defence Community; and the Opposition's performance was colourless and on familiar lines. What, however, was significant was the note of foreboding that listeners sensed in his defence of his European policy. It is already clear to him, as it must be soon to everyone, that a decision must be made this year about the future of German rearmament, whether it is to take place within or outside a supranational organisation or framework. If the French Assembly does not decide on May 18th to fix a date for its vote on the EDC treaty—or if the vote is taken and goes against ratification—then an alternative will have to be sought to the policy on which the allies have concentrated for the last four years. The reappraisal—let there be no mistake about it—will be agonising for all concerned.

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Some, of course, are ready to welcome such an outcome, without giving much thought to what comes afterwards. For example, the opponents of German rearmament in the Labour party and elsewhere nourish two delusions. The first is that the obvious alternative to EDC is the indefinite disarmament of Germany. There was a time when it could be thought possible, but only on a short-term view. Those who looked further ahead and who detested the idea of a new, independent *Wehrmacht* supported—some of them at least—the idea of the defence community as a safeguard against the inevitable day when Germans would demand on their own terms the rearmament that the EDC offers them on allied terms they are willing to accept. The wheels cannot now be reversed. There is still no public demand in Germany for an army. But there inevitably will be, just as there inevitably will be a demand from the Germans for everything else that other sovereign states possess. And the Germans, so strategically placed between the East and the West, will—if they are left free to do so—play one against the other, once Dr Adenauer's strong and wise leadership has gone, until they get what they want. (It should not be forgotten that the Russians have already offered them a national army once.) There is, therefore, only one question to be answered: that is in what manner the Germans shall be rearmed.

A second error regarding the EDC is widespread,

among military men who support it as well as among those who oppose it: that is the habit of judging the plans for a community in purely military terms, and of accusing Dr Adenauer of advocating them simply because he wants to see Germany rearmed. It is true that they were conceived to meet the military emergency of 1950, but they have grown into something bigger. They are now part of the project of a European house in which he aims, persistently and sincerely, to lodge Western Germany. The idea of a political community of six nations is for him an integral part of the EDC. Likewise, the coal-steel pool—whatever the cynics may say—is not just a new and cumbersome way of setting up a super-cartel for heavy industry, but the first step on a long progress towards a Federal Europe in which customs barriers fall and economic and social systems are brought into harmony.

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The goal is obviously a distant one, but Dr Adenauer wants to see the course to it firmly set while he lives—so firmly that his successors will find it hard to change. There are many influential Germans, hard-headed industrialists among them, who declare that the coal-steel community cannot remain on its own; otherwise it will fail, and failure will bring into disrepute the whole idea of economic integration. And it is this coal-steel community that has been made the basis for all discussions of a political community among the six member states. It is under its auspices that they have tried to work out a draft political organisation that would embrace all the activities of the integrated six.

To judge from much that is said and written on the EDC, it is not grasped in this country how closely these various European aspirations are linked. But at this very moment the connection is showing itself in practical politics. The French declare that they will not ratify the EDC treaty until the future of the Saar has been decided with the Germans; but the Germans will accept the proposal to "Europeanise" the Saar only if there is to be a political community to exercise European authority. And until the EDC exists it is only in the coal-steel community that a project for the necessary West European political organisation can be drawn up. That is why Dr Adenauer in his speech dealt with the Saar and the coal-steel community together, pleading that Germany should continue along the path of collaboration with the West instead of returning to the narrow and dangerous track of national isolation. It must be admitted that on this occasion German logic is as good as French.

What is alarming at the present juncture is the feeling in Bonn that the best moment for setting Germany's new course has already passed. French obstruction has robbed the idea of "Europe" of much of its appeal to Germans. It is also true that many Germans have paid lip-service to the aspirations of EDC on the simple nationalist calculation that Germany must have an army if it is to make its influence felt in the world. But when all this—and worse—has been said, the fact remains that there has been in Germany a genuine wish to make a fresh start in co-operation with France. Certainly those young Germans who have any idealism left at all have sought to satisfy it through the idea of "Europe" and not through a return to militarism.

Now it is the cynics and the nationalists that are in the ascendant. They are saying that the Chancellor has made sacrifices to no purpose and that Germany should now develop an independent policy. The Free Democratic Party, with its strong right wing, is contesting with the Social Democrats the role of champion of German national claims. Under nationalist leadership the discontented Refugee Party is becoming a powerful pressure group. The industrialists are jibbing at the encroachments on their freedom of the High Authority in the coal-steel community. The military men, except for the lunatic fringe, are still restrained by their understanding of the fact that Germany is militarily dependent on France as well as on the United States, and that any rearmament of Germany without the co-operation and friendship of France would not make sense in the strategy of western defence. But the reformists, who saw in EDC a way of cutting clear from the bad aspects of Prussian militarism and of protecting the young republic against the professional staff officer, are now depressed. Their chances of success seem to be dwindling daily. Indeed, the present danger is that the whole European policy of Dr Adenauer may be written off by Germans as a failure if France delays its decision longer. As the Chancellor himself said in his speech, favourable constellations do not last and seldom recur in history.

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For the time being the United States, Britain and France's partners in the European venture have said and done all that they can say and do; while Mr Molotov, both in public and in private, both in Geneva and in Paris, is straining every nerve to obstruct and if possible wreck the fulfilment of the Atlantic policy for Europe. If he is allowed to succeed, what is to be put in its place? Where is the plan that would at one and the same time link France and Germany, prevent the Germans from dragging the world into war for the lost territories, and give the allies the right to intervene in defence of German democratic institutions? Nothing less would command the support of American and British public opinion or justify the sweeping guarantees given to France. If no responsible French statesman has such a project, then the initiative must pass to London and Washington, where so far all discussion of alternatives to EDC has been loyally and wisely suppressed. The task will be undertaken only with the greatest reluctance, and there is little reason to believe that the conceivable alternatives would be more favourably received in France than the EDC treaty itself.

Cinderella in Downing Street

PARALYSIS of the will and confusion in the mind seem to seize Ministers when they are asked to make decisions about the British information services abroad. They have taken nine months to publish as a White Paper a summary of the report that the Drogheda Committee took ten months to produce. They appear to be little nearer to finding a remedy for the many shortcomings, the longstanding confusions and uncertainties that the report refers to; and they have done nothing to disperse the feeling among servants of the Foreign Office, the BBC, the British Council and the Central Office of Information that there hangs over them an axe in a faltering hand.

Some Ministers—is the Prime Minister one of them?—clearly do not believe in information work. To take an active interest in it brings no political kudos; to select one branch of it for abolition would be difficult; and to abolish it completely would be impossible. Whereas it is safe to speak well of the BBC, to say a word for the British Council is to bring Lord Beaverbrook into action with both barrels. Other Ministers are too ignorant of the subject to be capable of judging whether £10 million of public money is being each year well or badly spent. For this lack of interest and ignorance there is now less excuse; for the Drogheda Report makes it clear that information work as an activity of government has come to stay, that it is harmful if poorly done and useful if well done, and that to do it well will cost more money.

The essential point of the Report is the recommendation that the annual bill for information services should rise from £10 million to some £12½ million, and that this figure should be reached in the course of a five-year plan of reorganisation to which everyone—notably the Treasury—should stick. This sum represents 0.25 per cent of the total of public expenditure and is to be compared with the $162 million spent by the State Department and the $21 million spent by the Mutual Security Agency on information work abroad during 1952. It is not possible to estimate Soviet expenditure on similar activity, but the report points out that Moscow and satellite broadcasting has twice as many programme hours as the BBC, which is expected to serve the whole English-speaking world, the colonies, Asia, Middle East, Europe and Latin America. While other governments have been increasing their activity, the British effort has been decreasing, not only in broadcasting but in other media, not only in quantity but also in quality. That is to say, the need is not only to expand in a few directions, but to stop a falling away in most directions.

The report reveals a number of things damaging to British prestige: the falling out of date of BBC equipment because the Corporation has been expected to meet capital costs out of a revenue that has been uncertain year by year; the slowness of the press service that goes from London to missions abroad; out-of-date books in British libraries and out-of-date films at British centres; information officers tied to their desks for lack of staff; grotesque understaffing of British Council centres in great areas like India, where English might yet survive as the *lingua franca* and the key to science and technology for a whole continent; delays in starting vital work in Africa because the money could be found only by reducing the funds of some other department. It is not a pretty picture that the Drogheda Report sketches, with its references to an inter-departmental committee fighting to share out a dwindling income, to the lack of any central plan or principles for information policy, to the division of responsibility among Ministers, to the contrast between the jobs that are expected of the information services and the tools with which they have to work. But it is clear that the responsibility for it lies evenly between the present government and its predecessors.

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It is a pity that the Drogheda Committee has recommended no clear remedy for what is held to be the main administrative weakness of the information services as they are at present organised. It appears most clearly in the lack of any responsible, co-ordinating Minister. It is nobody's job to wrestle with the Treasury for the services as a whole; to decide, for example, whether the BBC and the British Council can be afforded in Western Europe when a much bigger effort is needed from them in Asia; to rouse a lethargic Commonwealth Relations Office, or to assist by some redistribution of resources the Colonial Office in its growing problems. Nor is it anyone's concern to remind departments that there is a technique and a tradition in propaganda work; that this fourth arm needs in some simple, inexpensive form the equivalent of a staff college; that an information officer should understand what BBC and British Council are doing in the field at his side and what the Central Office of Information should be doing from the base in London.

The Drogheda Report says, with an obvious air of regret, that it appears to be politically impossible to revive the office of Minister of Information so that these things could be done. Instead it suggests—and it is a proposal well worth considering—that a permanent advisory committee should keep the manifold activities of the information service under constant review, making recommendations about the allocation of resources and trying to ensure that "when any particular bit of work was no longer required it should be brought to an end"—not by the indiscriminate

pressure of annual cuts, but by deliberate policy decisions.

Anyone reading only the main recommendations and conclusions of this report might judge that nothing had been said about the dangers of waste and ineffectiveness at a time when economy in government expenditure is vital. In fact, the body of the document offers some astringent principles by which information work is to be judged. It says, for example, that government activity abroad should be supplementary to private effort, especially in the promotion of cultural and commercial relations. Where a country is friendly, reliable, and reasonably prosperous the case for serving it with news, views and culture needs careful scrutiny. Information work must be judged by its results, both short and long term ; it is not to be regarded as a courtesy or a favour between friends. With limited resources the aim must be to influence the select few, and through them the mass. In other words, the object must always be to promote British interests with skill, dignity and persistence but only in those areas where the arguments for doing so clearly override the need for economy.

On the special kind of work that is called for behind the iron curtain, and in the Soviet Union and China, this report is most disappointing. Perhaps there are technical security reasons for omitting discussion of the great jamming war which costs the BBC so much money and effort ; or of the use that might be made in wartime of broadcasting and other media ; nor is there any discussion of greater Anglo-American co-operation in a field where there is much wasteful overlapping. (Both nations are, after all, using the same tongue.) Also surprising is the absence of any detailed forecast of the part that television services, and films for them, will play in the future. It looks, indeed, as if the direction of British overseas information services lacks not only coherence and central guidance but also the imagination to see what opportunities the future will bring. It is difficult to believe, for example, that the African territories do not offer tremendous scope for establishing the best techniques and traditions in broadcasting, in the production of newspapers and the guidance of the new intelligentsia. The Government will be well advised to see that information work is kept henceforth under continuous scrutiny by critical and independent people, who can ask awkward questions and lift policy-making above rivalries between departments. Otherwise the opportunity for a new start will be missed and there will be little disposition to entrust greater funds to the Cinderella of Whitehall.

Notes of the Week

M. Bidault in No Man's Land

Like General de Castries in Dien Bien Phu, so M. Laniel in Paris has seen his lines of defence contracting from day to day and his governmental stronghold in danger. But, unlike de Castries, he is threatened from within as well as from without. Communist and Socialist parliamentary troops attack the government's Indo-China position from the left flank. The right flank is defended grudgingly, half-heartedly and conditionally by the Gaullists, dissatisfied with the government's European policy. In the centre vice-premier Reynaud blows the call for a cease-fire, while Radical ministers clamour for a parliamentary debate within a week. It is significant that M. Edgar Faure, the Minister of Finance, has joined hands on this with his Radical colleague and chief critic of the official Indo-China line, M. Mendès-France. This may be a portent of things to come.

In the circumstances—with M. Bidault threatening from Geneva to resign if the debate does take place, and the Radicals threatening to resign if it does not—it is small wonder that M. Laniel wavered and could not make up his mind. Could he withdraw support from his Foreign Minister in the Geneva outpost ? Could he expose him to parliamentary fire at the very time when he should have been wrestling with what has been described as the task of finding "a compromise between the unattainable and the unacceptable" over Indo-China? M. Laniel finally managed to persuade the cabinet to postpone the time of reckoning. At the moment these lines are written he still has to convince the Assembly to do likewise.

The troubles of Mr Dulles, torn between Washington and Geneva, have been given much publicity. The tremors from Paris now serve as a reminder that even greater feats of agility are required of M. Bidault. He must keep his eye on Paris and Washington, Saigon and Dien Bien Phu without neglecting simultaneously to observe across the table the moves of Molotov, Chou En-lai and now the Viet Minh delegates. He holds poor cards, yet cannot afford to lose to these champion poker players. He was given no clear brief, but the National Assembly, it now appears, has little faith in his genius for improvisation. He knew all along that the fate of M. Laniel's government would largely depend on his performance in Geneva; but he rebels when it is proposed to submit him to an intermediate as well as a final examination.

France is now paying the penalty for past delaying tactics. For years Indo-China was the tabu subject, the matter that cabinets preferred to avoid from fear of provoking further dissensions. Hence, when the Viet Minh offensive and the approach of Geneva made further dallying impossible, the government found itself without a coherent policy, with day-to-day tactics instead of strategy. It proved necessary at the last moment to drag the associated states of Vietnam, Laos and Cambodia to the conference table, and their representatives are likely to be cumbersome partners for M. Bidault. They have just declared emphatically that they reject any idea of partition. What other solution, short of war to the end, have they to offer ? A coalition government with Ho as minister of the interior and Giap with the defence portfolio ?

France's tragedy is that it has little to offer itself, does not know how much its allies are willing to put into the bargain, and does not know the terms of the other side. Patience might seem the best weapon in this situation. But with Dien Bien Phu at the end of its tether and tempers rising in Paris, M. Bidault can hardly afford Fabian tactics. M. Laniel may finally weather the Indo-Chinese storm simply because his opponents are divided and cannot agree on an alternative solution ; but he is in no position to send reinforcements to Geneva.

Beside the Lake

It is frivolous to discuss the Geneva conference in terms of conventional musical comedy, but the resemblance has been temptingly close. The curtain rose on the brisk but aimless bustle of all opening scenes laid in a market place. Ethiopians, Siamese, Koreans and Greeks each added their touch of colour ; pedlars from Peking and Pyongyang spread out their gaudy wares, but none would buy. The opening choruses were sung, long and loud as usual, and, as usual, leaving the audience with no idea how the plot was to develop. A hush then fell, and an unaccompanied quartet seemed imminent ; Mr Molotov, insistent on bringing his own accompanist in the shape of Chou En-lai, blocked this move, but the action had at least begun. Mr Dulles has left the stage after delivering only one solo, but veteran playgoers may see in this the traditional build-up for a dramatic return in Act Three. Furtively scanning their programmes, they have noted with some relief that Mr Dinh and Mr Dong, the last on the list, have now made their entries. The cast is apparently complete.

It seems agreed, at all events, that the play must go on. Some essential concessions have been made: in particular, the Vietnam and Viet Minh governments, neither of which was originally willing to face the other across a table, have now agreed to a confrontation. Nothing, short of a political catastrophe in Paris, need prevent the Indo-Chinese part of the conference from getting under way this weekend. But is it to begin only to reach the same kind of apparent deadlock that has gripped the Korean talks ?

Admittedly, on the face of things, the obstacles to all progress on Korea do not yet seem insuperable. Any early reunion of the two halves of the country must obviously be ruled out as long as both governments reject the idea of strictly supervised elections ; but the two halves are separated by a clear dividing line, each has a firmly established government, and a degree of stability can undoubtedly be achieved if there is a little commonsense on both sides. But if, despite this, nothing can be done about Korea at Geneva, what hope can the conference offer as regards Indo-China, where no such favourable factors exist ?

Mr Eden's Task

At the moment, interest is focused more on the methods of underpinning an Indo-Chinese settlement than on the form the settlement itself might take. President Eisenhower, on Wednesday, indicated that the United States still expected early progress towards a South-East Asia security pact. But the President was wary about the whole subject, and rightly so. A pact in this area could not be cast in the same simple mould as Nato, and if it is to bring together the nations that are ready to defend others, those that are only willing to defend themselves, and those who are hesitant about fighting at all, it will have to take a supple, yet precise, form. From this point of view, it may fairly be said that the Indo-China crisis is as necessary to the pact as the pact is to it. Without something specific to underwrite, it would be impossible even to think of practical teamwork between the nations of Southern Asia, the Pacific and the West.

But even if a formula for Indo-China can be successfully evolved, in the face of natural Vietnamese hostility to any kind of partition, and the existence as far south as Cochin-China of Communist forces that must set a pretty problem in any tidying-up operation, the task for diplomacy will remain a severe one. And it will be primarily Mr Eden's task—not because Mr Dulles has returned to Washington to clean up his own rear areas, but because at Geneva the Foreign Secretary is coming to personify Sir Winston Churchill's famous description of Britain as standing at the point where the great circles of the free world intersect. No Indo-Chinese settlement can rest on solid foundations unless it has the approval of, and at least a modicum of explicit support from, the free nations of Southern Asia. Their Prime Ministers, in conference at Colombo last week, showed no enthusiasm for Mr Eden's idea that they might accept responsibilities towards Indo-China, but they did not close that door tight shut. No hand other than Mr Eden's can hold it open wide enough to secure this essential link between the free West and the free East.

Cracking the Whip

Mr Bevan having tripped over the ropes and fallen out of the ring, Labour's official leaders are now bent on keeping him out for good. Party discipline at Westminster is being tightened and Mr Morrison has given the signal for a general assault. In a remarkably bludgeoning article in the monthly *Socialist Commentary*, Mr Morrison has accused Mr Bevan of losing Labour 30 to 50 seats in 1950

by comparing the Tories to "vermin," of costing it office in 1951 by his resignation from the Government, and now of being "the answer to the Tories' prayer" by his escapade over Indo-China. Mr Morrison appeals to the constituency parties to turn away from "damaging foolishness" and he re-states in precise terms the moderates' approach to public ownership. He slams the door on personal compromise; there can surely be no turning away from the struggle of personalities now.

Mr Morrison would not take a step so momentous for himself and his party without careful calculation. He must have discounted, therefore, the obvious dangers now facing him. His article will delight MPs and union leaders who have been howling for Mr Bevan's blood ever since Morecambe; but it will dismay the middle-of-the-road men who still believe that Labour needs to digest, not eject, Mr Bevan as a man as well as Bevanism as a policy. Above all, Mr Morrison has lain himself open to charges of violating the very rules drawn up by the National Executive and the Parliamentary Party to curb the Bevanites after Morecambe. On October 23, 1952, the Parliamentary Party passed a resolution calling on all Labour MPs "to refrain from making attacks on one another, either in the House, in the press or on the platform."

The latest escapade of Mr Bevan and his friends has been to line up with the party's instinctive pacifists in last week's back-bench revolt on the Atomic Energy Authority Bill. No fewer than 65 Labour MPs supported a proposal that Parliamentary approval should be secured before Britain starts making a hydrogen bomb. The fact that no other country would be similarly placed was pointed out from their own front bench, but blandly disregarded. The possibility that a start may already have been made on the bomb—and that the Labour Government itself would have taken the preliminary steps if it knew how—was ignored. Among the rebels were three whips; two were unrepentant and were sacked, but the third is having his case reconsidered after admitting and apologising for his guilt. A whip has to pass on the leader's instructions to the backbenchers; he can scarcely be effective if he disobeys those instructions himself. Indeed, the most surprising thing about this incident is that the three whips did not resign before revolting.

Labour's New Loophole

IT may seem unfair, after this show of fierce courage in the battle of personalities, to say that the Labour leadership is still wobbling weakly in its attitude towards foreign affairs. But it is policies, not personalities, which matter now; and for this reason the statement by Labour's National Executive this week, about the conditions on which it will support German rearmament, is dismaying. The new feature of the statement is that it links Labour's support for German rearmament more closely to the creation of EDC; the new danger is that, by doing so, the National Executive may have left the way clearer for a cowardly retreat on this issue should EDC fail to materialise. The executive has put its most awkward eggs into a basket which it feels that the French are very likely to drop.

Labour's attitude to German rearmament is governed by the three conditions laid down by Mr Attlee in 1951—that there should be fresh German elections, a further approach to the Soviet Union on unification, and arrangements to prevent any re-emergence of German militarism. The first condition was met by the elections that returned Dr Adenauer to power last year. The second was—in Mr Attlee's view, but not in Mr Bevan's—met by the Berlin conference. There remains the third condition, and it is with this that the National Executive's statement is concerned. It declares that this condition "will best be met by the establishment of the EDC within the framework of Nato"; and calls on the British Government to make the "fullest provision" for EDC, including the integration of British forces if that is what the EDC countries would like.

From this it is clear that, so long as EDC remains a possibility, Labour's official leaders will back German rearmament; in that sense the National Executive's statement is an attempt to rally support for the policy that Mr Attlee knows to be right. But if the French do not ratify the treaty, the statement becomes an escape clause. The Executive has not deliberately ruled out other means of satisfying Mr Attlee's third condition; EDC is called the best, not the only, way. But there can be no doubt in Mr Attlee's mind that, if EDC is not ratified, the rank and file will now expect the whole question to be reviewed from scratch. Mr Attlee may then sadly report that there is no chance of the party accepting the alternative of German rearmament within Nato; and he will find himself presiding over a reunited party (at least on this issue) but gazing on the ruins of a bi-partisan policy which he himself inaugurated.

Television in the Tumbril

SOON after the committee stage of the Television Bill opened on Tuesday, Mr Gammans spoke of it becoming law by June or July. The House then settled down to a procrastinating rate of argument that would not even let it through by Christmas. Before the committee stage began there were 138 amendments on the order paper; eight of these were disposed of on Tuesday, but another 23 were added. Progress was not much quicker on Wednesday, and another batch of new amendments went down. All night sittings are no answer to progress at this pace; MPs would become somnambulists before the committee stage ended.

Faced with such inescapable facts of time and motion, the Government had no option but to resort to the guillotine and put down a time-table motion for the rest of the Bill. Allowing for a ten-day break at Whitsun, Parliament has only eleven weeks to go before the long summer recess. In that time the Government must pass its Finance Bill, provide the Opposition with several Supply Days, clear up some other legislative odds and ends and leave time for general debates on such matters as MP's pay and foreign affairs.

A silly ritual has grown up for such controversial measures as the Television Bill: the opening two or three clauses are discussed at unnecessary length until the guillotine is applied, and then the rest of the Bill tends to be skimped. On the Television Bill the House spent the first six hours discussing the name of the new Corporation and the date on which the Bill should come into operation; the first point, at any rate, was obviously not a major one. On later clauses, however, and not least on the schedules, the Opposition is preparing to battle for some important amendments, which would tighten the safeguards against so-called commercial abuse and which would make it even more difficult for the new scheme to be commercially viable; on the other side of the floor, some Tory backbenchers are preparing to battle for amendments with precisely opposite aims. It may be legitimate to regard the Bill, in its present form, as a boring, not very important, not very sensible and possibly not very lasting affair; but that is all the more reason why the timetable should allow it to be sensibly (but not boringly or everlastingly) discussed.

Mr Dulles in Italy

IT would be hard to imagine anything more flaccid than the communiqué issued in Milan on Monday after Mr Dulles's visit. As a piece of sheer diplomatic evasion it surely deserves an Oscar. The Secretary of State had taken the trouble to pay a flying visit to the Italian Prime Minister, Signor Scelba, and the Foreign Minister, Signor Piccioni, on his way from the Geneva Conference back to Washington. But all that could be allowed to leak out to the wide world was that they "discussed matters of mutual interest," that "there was a full exchange of views on aspects of the general international situation," and that "Mr Dulles took the opportunity to inform the Italian(s) . . . of developments at the conference."

Mr Dulles's visit was mainly concerned with Trieste, and the difficulty which has arisen in Italy of securing ratification of the EDC treaty until some progress can be made in a settlement with Jugoslavia. Recent rumours of an impending compromise solution to the Trieste dispute must be taken with a pinch of salt. Nothing that has been made public suggests that anything startlingly new is on foot. The Jugoslavs still want access to part at least of the port of Trieste, and the Italian government would still find it politically difficult to accept an agreement formally abandoning any claim to Zone B of the Free Territory, except on more favourable terms in regard to Zone A than anything Belgrade has apparently offered so far.

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Although Italy has no direct concern with either the Korean war or the struggle in Indo-China, it is much concerned indirectly with the impact of the latter on France. For if it were stopped and the French at last went ahead with EDC, it would not be easy for the Italians alone to delay their own ratification debate any longer. On the other hand, so long as France does not ratify, Rome does not want to throw away its power to bargain acceptance of EDC against American assistance in getting something done about Trieste. If the Russians had not continually vetoed Italian membership of Uno, Italy might have been represented at Geneva as a contributor to the UN forces in Korea, and Mr Dulles's journey would not, perhaps, have been necessary. It is one of the difficulties of any government in postwar Rome that it still has to take a back seat in world affairs while other states, a half or a quarter of its size, are in the front row and talking loudly.

"The Tibet Region of China"

AFTER negotiations lasting four months, India has concluded an agreement with the Chinese People's Republic over what is now officially styled "the Tibet region of China." This treaty is based on the new situation arising out of the recent Chinese reconquest of Tibet, after the latter country had succeeded in maintaining its independence since 1912. India originally protested at the Chinese invasion of Tibet, but accepted the accomplished fact when the government in Peking disregarded the protest. The establishment of Chinese control made it necessary for India to negotiate with regard to Indian rights in the country taken over from the period of British rule in India. These included trading posts at Yatung, Gyantse and Gartok, with small military garrisons at the two former places, postal and telegraphic installations, and the right of Hindu pilgrims to visit certain sacred sites in western Tibet. By the new agreement India will withdraw the garrisons and sell the installations to the new rulers; trade will be permitted to continue at the posts mentioned above, but China in return will be entitled to establish trade agencies in Delhi, Calcutta and Kalimpong; the rights of pilgrimage are recognised. The treaty, according to Chinese Communist press comment, "expunges the remnants left by British aggression against China" and restores "the traditional intimate relations between the Chinese people in Tibet and the Indian people."

"The Chinese people in Tibet" are, of course, the Tibetans, just as, if this peculiar kind of double talk were to be applied here, the Irish might be described as "the British people in Ireland." Regarded simply as an agreement between sovereign states, the treaty that has just been signed seems to be a fair and sensible adjustment of issues arising in commercial intercourse and travel between two countries. It cannot escape notice, however, that it entirely ignores the existence of the Tibetan people, who are now treated merely as a section of the Chinese people inhabiting "the Tibet region of China." All this elaborate hocus-pocus is designed to cover up the fact that Communist China has subdued a non-Chinese people by force. Tibet was an independent country until conquered by the Manchu rulers of China in the eighteenth century, and the Tibetans differ profoundly from the Chinese in language, culture and traditional religion. But it seems that Asian nationalities

have rights to independence (or even identity) only against western powers, and not against China.

Turkey Chooses the Same Again

It is not often that a democratic government is returned to power with an increased majority after four years in office. That, however, is what happened to the Turkish Government in the general elections last Sunday. When the last parliament was dissolved, the Democrat Party (DP) held 385 seats out of a total of 487, with an absolute majority of 283. In the new parliament they will probably hold 508 seats out of an increased total of 541, an absolute majority of 475. Its principal opponent, the People's Republican Party (PRP), which at the dissolution of the last parliament held 52 seats, will now have only 28. The remaining five seats will go to the Republican National Party, the successor to the reactionary Nation Party which was dissolved by the Government early this year.

It is only fair to the PRP to point out that, owing to the peculiarities of the Turkish electoral system, their strength in the Grand National Assembly is by no means a true reflection of their voting strength in the country. (In 1950, with 43 per cent of the votes they gained only 68 seats.) On the other hand, in 1950 the Democrat Party had had *little opportunity* to show its paces and the electorate's choice was something of a shot in the dark; but in 1954 the Turks have clearly voted for a party whose performance they have watched and weighed and found satisfactory. The winning ace in the Democrat Party's hand has undoubtedly been Turkey's unparalleled economic development over the last four years. Pessimists and opposition politicians point to the alarming trade deficit and the menace of serious inflation; but over three-quarters of Turkey's voters come from the countryside where neither inflation nor the trade gap has yet made any serious impact. To the village people what counts is the money in their pockets, the tractor on the farm and the passable roads that now link them with the neighbouring town.

On the whole, as a supplement in next week's issue of *The Economist* will show, the Turkish people were justified in giving their government such an emphatic vote of confidence. But it is a pity that the Democrats will sit in the Grand National Assembly in such overwhelming strength. Turkey will, it is true, be spared the frustrations and deadlocks of a too closely divided parliament but, like any other democratic country, it is liable to suffer when the Opposition is virtually deprived of parliamentary expression.

Leave it to Uncle

The general council of the Trades Union Congress adopted an almost avuncular air when it told the Minister of Labour last week that it cannot support the proposal that a Royal Commission, or other "impartial body," should inquire into the economic problems affecting wage claims; it intimated that any representative commission would almost certainly produce conflicting majority and minority reports, which would both be out-of-date translations of the annual economic survey from bald into appropriately biased English and which would be misleading when applied to individual industries. The TUC has also advised against an attempt to operate the "Ince Plan." Under this plan the Minister of Labour intended to write to individual employers' associations and trade unions, suggesting that all agreements for the conduct of collective bargaining (of which there are an astonishing variety in Britain) should provide for disputes to be submitted to arbitration before strikes are called. The will to settle, explained the TUC as it turned down its thumb, is far more important than the mere provision of additional machinery.

There need be no great regret that these two proposals are now dead, at any rate in their original form. The TUC is likely to produce, before the end of the summer, its own pontifications about the economic situation, written by the same hand as would have written most of the minority report of any Royal Commission which included almost any official trade union representative. It will surprise nobody if such a document includes a modified call for restraint; and it may also suggest that some, though not all, of the unions which have opposed the incorporation of arbitration machinery in their collective bargaining agreements should look at the problem again. If such a call is made, comparatively few of the militant unions may listen to uncle; but at least there will be no excuse for the better-disposed to suspect that all this is really the thin end of a wedge that might eventually destroy industry-by-industry bargaining and replace it by something more top-heavy though more compact. If uncle calls for a modified Ince, nobody will accuse him—as they might accuse the Ministry of Labour—of secretly wanting an ell.

Local Gains for Labour?

Municipal elections took place in Scotland on Tuesday. As usual, polls were low (less than 20 per cent in some wards); and, as expected, Labour recorded gains. According to the best available estimate Labour gained 47 seats and lost 17.

Next week elections will take place in England and Wales for a third of the seats on the 395 borough councils and a third of the seats on some 600 urban and rural district councils. The complicated mosaic of local elections is described on the following page; this description shows how difficult it is to judge the trend of opinion from elections of this kind. But one forecast can fairly safely be made. It is very likely that Labour gains will predominate in these elections (as they did in 1952 and 1953, but not in preceding years).

Before these expected gains are taken as a sign of a swing to the left, it is important to answer the question "A swing since when?" Most of the seats to be contested next week were filled in the spring of 1951, when Labour popularity was low. At the nearest public opinion poll to those elections in the spring of 1951, 49 per cent of those who expressed a preference favoured the Conservatives,

40 per cent Labour and 9½ per cent the Liberals. Between then and the general election in October of that year there was a clear swing to the left; at that general election (when, admittedly, many Liberals did not have a candidate to vote for) 48.7 per cent of the electorate voted Labour, 48.0 per cent Conservative and 2.5 per cent Liberal. In the first six Parliamentary by-elections this year there was a swing to the Conservatives, compared with that general election, averaging just over 2 per cent; in the latest two (just after Mr Butler's no-change budget) there was a swing of 3½ per cent to Labour.

During the last three weeks, thanks to the Bevanite controversy, there may have been a swing back to the Conservatives again. But it will be very surprising if this has carried the Tories back to their high tide of the spring of 1951, and thus to a position where they can hope to hold on to all the net gains of 14 provincial borough seats and 23 urban district seats which (according to them) they secured in that year. Indeed it is much more likely that, with some 7,200 seats of all kinds to be contested, their losses will be fairly substantial; they will have a hard task to hold on not only to the seats that they won for the first time in 1951, but also to those that they won during their period of easy-riding opposition in 1948. A subsidiary factor is that, since about two-thirds of the 7,200 seats to be contested next week seem to be Conservative-held, Labour has a much bigger target to aim at.

Atomic Security

It is pleasant to be able to find one field in which last week's debate on atomic energy revealed a sane and liberal attitude on both sides of the House. Despite some fearfully muddled thinking about both international morality and strategic advantage, both parties had some sensible things to say about the relation between national security and individual rights. A Government amendment provided that the Lord President should give his consent before any person could be dismissed by the Atomic Energy Authority "on the ground that his political associations render his

Light on the Local Elections

There are 62 county councils, 395 borough councils, 568 urban district councils and 475 rural district councils in England and Wales; of the borough councils, 83 are county boroughs and 312 non-county boroughs. In addition there are the various local authorities for London: the Corporation of the City of London, the London County Council and 28 metropolitan borough councils.

There will be no county council or London metropolitan borough elections next week. County and metropolitan borough councillors are now elected every three years (the last elections were in 1952 and 1953 respectively), and all these councillors will retire together in 1955 and 1956 respectively.

In the 395 borough councils one-third of the members come out every twelve months; there will therefore be elections in all these next week, for the 3,200 odd seats last contested in 1951. In urban and rural districts elections may take place annually, with one-third of the councillors retiring each year, or all the councillors may be elected triennially (as is much more usual in rural districts). Next week elections will be held in some 450 urban districts and 150 rural districts; about 4,000 seats will be contested in these districts, and again these will be the seats that were last filled by elections in 1951.

Facts about local elections are hard to come by. No official count is made even of the total number of seats contested, let alone the way votes are cast at election time. Unofficial counts show that there are approximately 1,400 seats in the metropolitan boroughs, 3,800 in the counties, 6,000 in non-county and 3,600 in county boroughs, 9,200 in urban districts and 14,000 in rural districts. The seats to be contested next week number about 2,000 in non-county and 1,200 in county boroughs, 2,500 in urban districts and 1,500 in rural districts. Elections will go on throughout next week in the rural and urban districts, but polling in all the boroughs will take place next Thursday. Scotland had local elections this week, and the results are discussed in the note above.

The two main parties never manage to agree exactly in their tally of the results. The accompanying table shows the two sets of claims in England and Wales during the last five years. Ordinary errors of counting must, of course, creep in; but the main difference originates from the large number of candidates who still do not choose to carry a simple label round their necks. Not surprisingly, these candidates are often differently ascribed by the two parties—with a differing result according to which side makes the count. No full independent check is made of local election results, but the Press Association makes its own count in the boroughs. During the coming week some of the conflicting figures published in the newspapers may therefore seem confusing; and, as the above note on "Local Gains for Labour?" explains, there will also be plenty of opportunity for the public to become confused about the current trend of political opinion.

SOCIALIST NET GAINS (+) OR LOSSES (−) IN SEATS AT LOCAL ELECTIONS, 1949–1953
(England and Wales only)

	According to Labour				According to the Conservatives			
	Boroughs		Urban and Rural Districts	County	Boroughs		Urban Districts*	County
	Metropolitan	Provincial			Metropolitan	Provincial		
1949	− 263	− 439	+ 45	− 247	− 271	− 460	− 148	− 293
1950	...	− 53	+ 160	...	...	− 88	+ 110	...
1951	...	− 11	+ 21	...	...	− 14	− 23	...
1952	...	+ 646	+ 698	+ 406	...	+ 609	+ 441	+ 354
1953	+ 142	+ 237	+ 141	...	+ 129	+ 219	+ 100	...

* Figures not available for rural districts.

continued employment undesirable in the interests of national security." Labour wanted this safeguard extended to cover not only dismissals on account of political association but all dismissals on security grounds—grounds which might be as non-political as a tendency to babble after the third drink or as tragically beyond the victim's control as susceptibility to pressure because members of his family were behind the Iron Curtain. The Opposition also argued that in all cases short of active misconduct dismissed persons should have the right to transfer to non-secret work. Sir David Eccles rejected this blanket liability, but undertook that the Civil Service would do its best to find room for the Authority's displaced persons. He also conceded that the amendment was unsatisfactory on the question of rights of appeal and promised reconsideration in the Lords.

The difficulty is a genuine one. It would be absurd to pester the Lord President's office every time a somnolent night watchman or light-heartedly bibulous junior is felt to be a security risk; on the other hand the more summary procedure governing non-political dismissals could tempt the Authority, even in political cases, to base its overt decisions on non-political grounds—which might well be discreditable to the victim. At best, there will be cases in which, even if justice is done, it will not manifestly be seen to be done.

But one invaluable unanimity has emerged from the debate: a refusal to mix security provisions with character assassination. An attempt has been made to draw a rough moral line, for purposes of compensation and the right to alternative employment, between those who are dismissed by the Authority because of their private political opinions and those who are bad risks for other reasons; the result is admittedly unsatisfactory and the draftsmen will try again. This distinction apart, the question is not whether a near-fellow traveller deserves a moral stigma but whether his employment at an atomic station is any more compatible with public safety than the employment of the most morally impeccable epileptic at the wheel of a bus. That this principle should be accepted, under the shadow of the hydrogen bomb, is a credit to the temper of the House.

Fish-days for the Russians

At the recent meeting of the Supreme Soviet, Anastasi Mikoyan, the Minister of Trade, warned the Russians that many meatless days may lie ahead of them this summer. He urged them, therefore, to substitute fish for meat. Now *Pravda* follows suit, and in a leading article exhorts fishermen to do their duty. Mr Mikoyan made no bones about the fact that meat and butter supplies have fallen short of expectation (in fact, this is so for the second year running). He explained that farmers, encouraged by higher prices, are fattening their stock for the autumn.

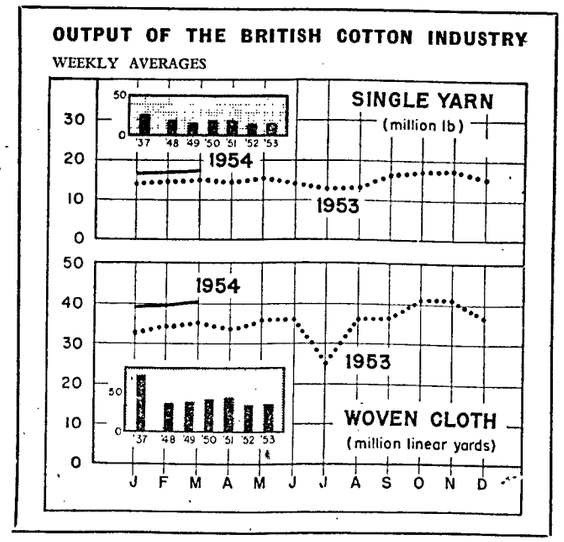
Thus, according to him, Nikita Khrushchev's policy of incentives launched last autumn has in the short run the opposite effect from the one for which it was designed: collective farms and farmers are temporarily holding off the market. Another possible explanation is that with the burden of taxation somewhat lightened the peasants have actually decided to consume more. Anyhow, shortage of meat seems a strange phenomenon after the announcement earlier this year of a tremendous increase in pig numbers. Moreover, whatever the reasons for this failure to reach the target of meat production, the government will certainly do everything in its power to step up supplies rapidly. Should the weeks of many Fridays extend well into the autumn, the Russians would take it as an unpleasant surprise to receive from the new regime.

German Industry and the EPU Credits

Federal Germany's surplus with the European Payments Union has now topped the $1,000-million mark, and the credit that is being extended to the Union by the reluctant Germans is now over $567 million. In these circumstances, there will probably be something of a tussle at the meeting of the OEEC Council of Ministers that opened this week which is discussed elsewhere in this issue (p. 471). Hostility to the British offer of part repayment of outstanding debts seems to be concentrated in the two ministries headed by Dr Erhard and Herr Blücher, who are representing Germany in Paris. And the Germans have evidently been briefed to argue against the OEEC's proposals that they should reduce their creditor position.

In point of fact, Dr Erhard should find it hard to refuse the OEEC's suggestion that Germany should import more and raise its standard of living, as that is precisely the policy he was vigorously advocating last year. But any attempt to remove quotas or lower tariffs on foodstuffs would mean changing the Bonn government's farm price policy, and antagonising the farm bloc. For its part, the German public, instead of clamouring for more imported goods, continues to save its money at a prodigious rate.

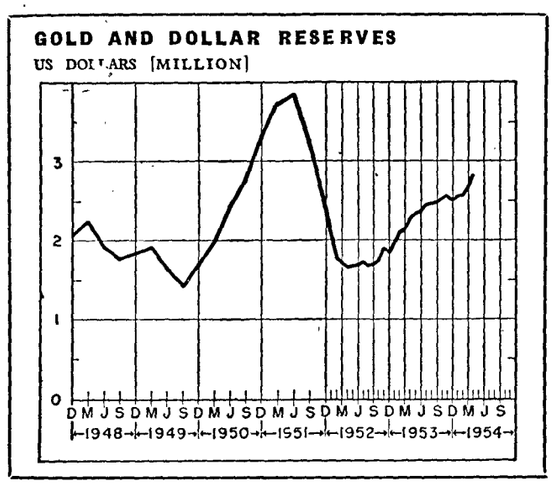
Moreover, Dr Erhard can do nothing that would hamper German exports, unless (as with export subsidies) he can prove that the British are doing the same. The Germans, claim, not unjustly, that they still have a long way to go before they gain the place in world markets that they held before the war. Their efforts are now concentrated upon modernising their plant in order to overcome competition. One of the most revealing statements of policy was made recently by an economic adviser of the *Bank deutscher Länder*, who declared that Germany would not go over to full convertibility until it was certain that Germans could meet the American export drive that would come with any recession in the United States. To make up for lost years, German industry has for some time past been crying for a revived capital market, in which risk capital can be raised or long-term funds borrowed at low interest rates. But this means that investors must be attracted by high dividend; and that in turn means several things that run counter to the OEEC's proposals for higher imports and accelerated repayment of prewar debts. It seems likely that German industrialists will insist that the Bonn ministries look after their interests first and foremost.



Half-cock in Honduras

As had been gloomily expected, the People's United Party, which has a strong anti-British and anti-colonial bias, won a sweeping victory in the elections in British Honduras last week. Under the new constitution, which came into effect this year, nine of the fifteen seats in the legislative council had to be filled by direct election. The PUP won eight of them. There can be no doubt about its claim to represent the 70,000 inhabitants of this poverty-stricken Central American colony. The poll was extraordinarily high, averaging as much as 70 per cent; and the PUP gained more than double the number of votes cast for its opponents.

This result will not have much immediate effect on the administration of the colony, since Mr Lyttelton has no intention of sanctioning the second instalment of constitutional reform—the admission of elected members into the Governor's executive council—unless there is a reasonable chance of their turning into responsible and loyal administrators. The Colonial Office may not have very high hopes of such a development. Certainly the PUP leaders' behaviour on the Belize city council is not a happy augury; and the evidence of connections with the Communist-infiltrated government of Guatemala, as revealed by Sir Reginald Sharpe's recent inquiry, must continue to disturb the authorities. But it is not entirely impossible that the prospect of the more exalted prize of executive office may sober the PUP; the proper attitude seems to be to fear that these people may continue as irresponsible Jagans, but to hope they may turn into responsible Nkrumahs—and meanwhile to remember that they cannot cause irreparable harm to Honduras while the constitution remains as it is.



Protection for Forestry?

The Secretary of State for Scotland and the Minister of Agriculture have set up a committee to investigate the marketing of home-grown timber; and last week several MPs told these Ministers what they want the committee to recommend. They want forestry to follow agriculture along the primrose path of protectionism; they want it to be shielded from the competition of imported supplies which has recently caused a sharp fall in timber prices. One suggestion is that a levy should be imposed on imported timber (which constitutes over 90 per cent of total supplies) to enable minimum prices to be guaranteed to home producers.

It can be plausibly argued that forestry has as much claim to Government protection as agriculture. Timber is bulkier to import than food in the event of war, and some timber imports cost dollars. Moreover judicious afforestation is an excellent corrective for the depopulation of the remoter rural areas, which otherwise might need public subsidies to prop them up. It is already Government policy to expand the production of timber as rapidly as possible. The main engine of expansion is the Forestry Commission. But private owners, whose woodlands have been extensively felled in the two wars, also have an important contribution to make; and they are asking for some incentive to make it.

Nevertheless, the present pressure should be resisted—especially as so high a proportion of supplies will always (except in war) be imported. Improvement grants are available to private owners who manage their woodlands in an approved manner; and this method is more likely to bring about the proper regeneration of devastated woodlands than would a guaranteed timber price. The useful advisory services rendered by the Forestry Commission should perhaps be put on a more formal basis; and as the commission becomes more directly competitive with private owners in the sale of timber, its regulatory functions should probably be separated from its business activities and transferred to other hands. Marketing improvements, such as the introduction of a proper grading scheme, are also desirable; but the departmental committee should set its face firmly against suggestions for the creation of another protectionist monopoly.

Eltham's Competition in Petitions

THE Minister of Education has reaffirmed that Eltham Hill School is to remain open. She announced this on Tuesday when she received a deputation from the London County Council. The deputation came to present a petition, signed by 5,000 people, protesting against her refusal to allow this well-known high school to be closed down, so that its pupils and staff might be transferred to the LCC's first new comprehensive school at Kidbrooke. This was a slightly larger petition than the one previously presented to the Minister, which had asked that the school should not be closed down, and which had prompted her intervention on its behalf.

Meanwhile, however, some interesting facts have come to light with the publication, in the correspondence columns of the *Kentish Mercury*, of letters from a former headmistress of Eltham and from the chairman of the parents' committee which organised the first petition. These letters assail the claim of Labour councillors that the staff and children at Eltham were ready and willing to move and that the opposition to closure was purely political. The staff, it appears, were not consulted about the original decision to close the school. It was only after they had been presented with an apparent *fait accompli* that they said they were prepared to go to Kidbrooke rather than to find another job, because they thought that they should stay with the children whose education they had begun. But once it was known that the school would not be closed, only one out of a staff of twenty-eight, and only four girls out of 467, have chosen to leave Eltham for Kidbrooke.

Since the interests of the children must come first, there can be little doubt that the Minister's decision is the right one. But the LCC is entitled to sympathy that it should have come so late. It may be years before Kidbrooke can fill all the 400-odd places that are thus left vacant. The Association of Education Committees has therefore joined with the LCC in trying to ensure that this should not happen again. They propose that if in future the establishment of a new school involves the closure of, or changes in, existing schools, combined notices should be issued on all the related proposals, and that the Minister should decide on the whole scheme at the earliest possible stage. Miss Horsbrugh has agreed that this would be a better procedure. Some means must certainly be found of avoiding similar *débâcles* over the other 66 comprehensive schools that the LCC, with extremist zeal, proposes to establish in its bailiwick.

Pressures on the Press Council

THE Press Council has had its first really difficult furrow to plough, and has come to the end of it by announcing that it "deplores" a recent action of Mr Herbert Gunn, the editor of the *Daily Sketch*. The case arose over the way Mr Tom Hopkinson's review of the film "Front Page Story" was treated by the *Daily Sketch* on January 22nd. Mr Hopkinson accepted a small alteration in his original text; but further changes, which cast a more favourable

light on the film than he regarded as warranted, were added without his knowledge. Mr Gunn, in a letter to Mr Hopkinson, is reported to have said that he added these sentences because the article as it stood did not do justice to a film with which he himself had been associated—an attitude the council did not regard as proper. Mr Gunn also explained that he gave orders for Mr Hopkinson's name to be removed from the article, but that his instructions were not carried out. He apologised privately to Mr Hopkinson, but the council thinks he should have made a public apology as well.

Mr Hopkinson allowed the whole affair to be ventilated in Mr Randolph Churchill's column in the *Daily Recorder* before giving the council a chance to pass judgment on it. By the time that the issued did reach the council, threats of legal proceedings were flying about; and Mr Gunn did not appear in person before it. The council is not a privileged body, and these rumours of possible invocation of the law must have made its quasi-judicial function doubly tricky. In the event all seems to have passed off smoothly, and the *Daily Sketch* published the eventual judgment with admirable grace. But the council cannot be sure that people who are criticised will always react like that. It is therefore in an unenviable position. Its job is to censure, but it can apparently be brought before the courts if it is unduly censorious.

Who Shall Be Master?

We cannot record the termination of the prolonged strife between the operatives and master manufacturers of Preston without a few words of comment, by way of what preachers call "improving the occasion." . . . The men had a bad cause to begin with; but we willingly confess that the mode in which they have conducted this cause has shown an improvement over former days, and has on the whole presented few points for blame. . . . But the great mistake they made, and the one which rendered their success impossible, was that [their] various demands were urged in a mode which left it obvious and undeniable that the contest was one less for money than for power. "No surrender," and "no dealing except with the committee of delegates," narrowed and defined the matter in dispute. What was really sought for, and even avowed by the more impulsive and incautious, was not so much an advance of wages as a victory which would have enabled them to dictate terms to their employers, and reduce them in future to carry on their business, as it were, under the supervision and control of a committee—not of their own workpeople, though that would have been bad enough, but—irresponsible delegates from trades' unions and operative associations. This made it absolutely essential for the master manufacturers, at any cost and by any means, to stand out to the last. To yield would have been to embrace a future of slavery, discomfort, and failures. This it was that secured them the wide sympathy and the liberal aid that enabled them to conduct the ruinous strife to a successful issue. It is possible enough that the masters have not always used their power well or kindly; that they have been sometimes harsh, sometimes inconsiderate, sometimes dictatorial; but it was necessary that they should remain masters, both for their own comfort and for the welfare of trade.

The Economist
May 6, 1854

Laboratory check on a magnetron intended for use in radar equipment.

PROGRESS IN ELECTRONICS

THE possibility of using radio to detect and locate unseen objects has intrigued scientists since the turn of the century, but it was not until the advent of the multi-cavity magnetron during the late war that the history of modern radar began.

Radar targets are located by a beam of radio waves which upon striking an object are reflected to the sender. The direction of the beam when it is reflected, and the time taken by the waves on their outward and return journeys, indicate the exact position of the target.

For the system to be sensitive and accurate, the range of the transmitted beam must be long and its width narrow. This requires a powerful source of radio waves of very short wavelength but, unfortunately, such "microwaves" cannot be provided by an ordinary electronic valve. Faced with these difficulties the early radar pioneers developed the multi-cavity magnetron — a special valve which proved to be more powerful by a factor of hundreds than any other microwave generator then available.

Today, magnetrons are playing an essential part in radar navigation. Ships and harbours are no longer hidden by fog and mountain peaks cease to be obscured by cloud. The cathode ray tubes of air and sea nagivators present pictures of the way ahead even when visibility is zero.

Radar science is still undergoing ingenious and complex development. In the field of meteorology it is used for detecting and "tracking" clouds, as well as obtaining upper air measurements of wind velocity. A different role is also being played by the magnetron in accelerating electrons for the production of high-energy X-rays. In these and other microwave applications Mullard are contributing to further progress with the large-scale manufacture of high quality magnetrons and similar electronic devices.

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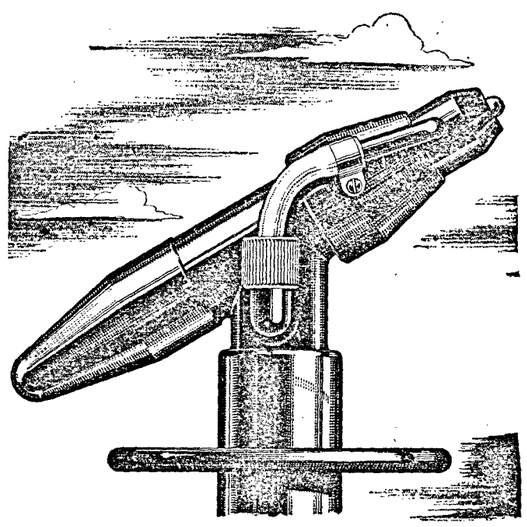

How far ahead?

No guided missile, but a new kind of welding torch made by the Arc Manufacturing Co. Ltd. Yet it *does* reveal the shape of things to come, for plastic materials are used almost exclusively in its construction. The handle, shield and the turned components at either end are of three different grades of BAKELITE Laminated. Here, tough and versatile, is a material available *now* that has the properties needed in the tools of tomorrow. It is one of the many successes of the Bakelite organisation, whose pioneering has been mainly responsible for making plastics a part of everyday life.

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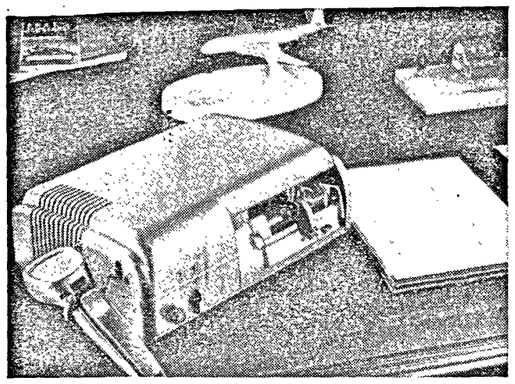

Should you call on Sir Miles Thomas, Chairman of British Overseas Airways, there are two things you would particularly notice on his desk: his beautiful and unusual jet-aircraft ashtray, and the slim grey elegance of his Dictaphone Time-Master.

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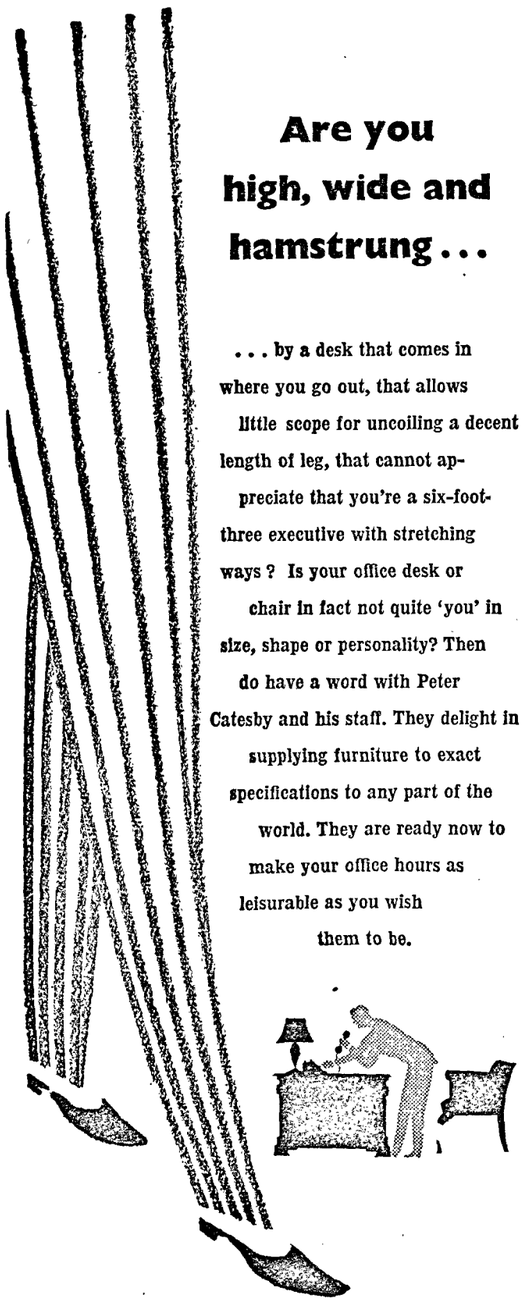

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Letters to the Editor

A Liberal Alternative?

SIR—Your article on the Liberals suggests, in effect, that in order to be different the Liberal Party should emerge as a party substantially to the right of the Conservatives. This would indeed be a distinctive line but the fact that it would involve a complete departure from the radical Liberal tradition, as it was developed from Asquith and Lloyd George through Keynes and Beveridge to the present, is apparently of no concern to *The Economist*.

It is undoubtedly true that a considerable body of frustrated Tory voters feel that their party has moved too far to the left but this is no reason why the Liberals, of all people, should offer them leadership. There may not be such a wide gulf between Mr Butler and Mr Gaitskell but how far are these two gentlemen typical of their parties? We all know that in the constituencies Labour is pretty solid for Bevanism. Powerful forces are at work aiming to pull Mr Butler and Mr Gaitskell apart and it never was more important for the Liberal party to develop its radical proposals for social reform without socialism.—Yours faithfully,

Radical Reform Group, DESMOND BANKS
Harrow, Middlesex

India and the Foreign Settlements

SIR—Among the many controversial statements contained in the article which appeared in *The Economist* of May 1st from your Bombay correspondent, there is one which perhaps more than any other calls for comment since it lends itself to misinterpretation. I refer to the passage at the end where, in support of the allegation that "the only place where Indians actually live under a police state is Goa," it is stated that "a Goan surgeon was deported to Lisbon for a nationalist remark made at a private tea party."

The true position is that the person in question is a Portuguese citizen born in Goa and a graduate of the Faculty of Medicine of Lisbon University, who, at a gathering of numerous people which included judges and other authorities, publicly protested at the statement that Goa is Portuguese territory. He was held to have infringed the provisions of paragraph 1 of Article 171 of the Penal Code which lays down penalties for crimes against the external security of the State, and was, in strict accordance with the law, arrested and conveyed to Lisbon where his case is undergoing due legal process and where he is to be tried before the competent ordinary Court.

Thus the case in question simply concerns the criminal responsibility of a Portuguese citizen in respect of an indictment for an act committed in Portuguese territory.—Yours faithfully,

ALBANO NOGUEIRA
Portuguese Embassy, W.1

Opening the Concertina

SIR—In the comment upon recent increases in coal prices on page 212 of your issue of April 17, you say that the NCB has shifted slightly from a price policy based on "scientific grading" towards ordinary commercial principles. I suggest that ordinary commercial principles cannot always be reconciled with an industry which is subject to planning in the national interest.

It will be noted that exceptional increases have been made in large coal prices, on the plea that these sizes are in exceptionally short supply. In ordinary commercial practice the Coal Board would seek to increase the production of its most paying products, and large coal is certainly one of these. But under national planning it has sought to produce the largest possible amount of coal, and has, no doubt rightly, used mechanised methods of mining to achieve its ends.

Mechanised mining produces more coal, but it produces much less large coal and much more small coal; so that the users of large coal, chiefly the domestic consumer and the railways, have suffered as a result. The Coal Board then rubs salt into the wounds of these consumers by discriminating against them in the recent price increases.

Surely it would have been fairer if those who have benefited by the fruits of mechanised mining were asked to bear an exceptional share of the burden, rather than those who have suffered?—Yours faithfully, JAMES W. STEWART
Coal Merchants' Federation of Great Britain, W.1

Quebec Picks a Quarrel

SIR—Although I am convinced that your Ottawa correspondent was sincere when commenting on the relations between the province of Quebec and the Federal Government, I am afraid that he missed the issue, at the end of his article. Whenever there is a difference of opinion between Quebec and Ottawa, many people in Canada and abroad see in it a revival of the old struggle between English- and French-speaking Canadians. It should be remembered, however, that Mr Duplessis is not a "nationalist"; he is fighting for his province when he believes that the provincial autonomy, by opposition to federal centralisation of powers, is endangered. This is where one is likely to fall into the trap and fail to draw the line between "nationalism" and "provincialism," the former without provincial boundaries and the latter circumscribed to a limited area.

When the Ontarian government disagrees with Ottawa, people recognise that it is generally defending the interests of the province. But when the same happens in Quebec, the past and the fact that approximately 80 per cent of the population is French-speaking confuse the outsider who sees a racial issue in it. This is understandable, perhaps, but most unfortunate, so much so that it does not help to keep cool heads and objective minds.—Yours faithfully, LOUIS C. ROY
Quebec City, Canada

Doncraile Fair

SIR—In your issue of May 1st, I note that "Local Government Official" is somewhat irritated at the views taken by certain English people on intolerance in Northern Ireland. He states that "charges of intolerance are always framed in the vaguest possible manner" and therefore hard to refute; he further declares that "persons of any religion are eligible for election to Parliament, to Local Authorities, or to any public office." Has he studied the statistics of Catholic representation in Parliament, in Local Government, and in public offices throughout the six counties? He might be interested to know that the Catholic minority get less than 5 per cent representation in the various Government bodies.

I will just take one example of deliberate misrepresentation in that portion of Ireland. In Belfast University one-fifth of the students are from the minority, yet not one of the principal offices—Chancellor, Pro-Chancellor, Registrar, Secretary or Librarian is held by a member of the minority. Only two of the 36 Professorships are so held, and not one of six Readerships. Of the 203 lesser posts, the minority hold 17. Of the administrative staff, the minority hold two posts out of 76; of the members of the Senate, three out of 41. Thus, of the whole personnel of this University, which serves an area with a 34 per cent Nationalist minority, that minority gets 6.4 per cent of the opportunities and not one of the foremost offices.—Yours faithfully,

London, S.W.10. W. J. GLEESON

Glasgow Chamber of Commerce

SIR—In your review of the "Scottish Journal of Political Economy" in your issue of April 3rd, you refer to the foundation of Glasgow Chamber of Commerce, which, you state, took place in 1873. No doubt this is simply a transposition of figures; the foundation of this Chamber took place on January 1, 1783.—Yours faithfully,

Glasgow THOS. CAMERON

Books & Publications

The Women's War

STUDIES IN THE SOCIAL SERVICES.
By S. M. Ferguson and H. Fitzgerald.
Her Majesty's Stationery Office and *Longmans.* 376 pages. 22s. 6d.

IT was an oft-repeated joke in the later stages of the war that to be sure of a maternity bed in a London hospital a woman had to book at least nine months ahead. The latest volume in the civil series of the official war histories shows that the joke was hard fact.

> From the records of voluntary hospitals, there emerged the astonishing story of women booking maternity beds before conception or during the first few weeks of pregnancy. Of twenty-seven voluntary hospitals in the County of London, four had their maternity beds fully booked for nine months ahead. . . .

These records refer to the early months of 1946. In the preceding six and a half years the emergency maternity service had developed from an improvised scheme designed to meet the needs of pregnant evacuated women into an essential supplement to the normal maternity services. Women went to the country for their confinement, not because of air-raids, but simply because it was the only way of obtaining a hospital bed. The authors of this history assert that the scheme proved to have been one of the Government's most successful wartime social ventures. It provided indispensable accommodation for mothers while the ordinary hospitals were expanding their services, and it stimulated progress in more backward areas where the maternity services had hitherto been neglected.

Nevertheless, the scheme did not always proceed smoothly. In the early days of the war, the mothers ignored it because they did not want to be evacuated. Then there arose the question of whether "local" mothers, that is, those who lived in the area of an emergency maternity unit, should be allowed to use it. Who should pay for the fare of a mother who came from a far city to be confined? Where should she stay immediately before and after her confinement? Who should look after her small children while she was away? And what about the growing numbers of unmarried mothers?

Contrary to experience in the first war, in the second there was a big rise in the number of illegitimate births—"I am inundated with small babies," wrote one probation officer. But the authors of this book emphasise that it is wrong to conclude from the statistics of illegitimacy alone that there was a big increase in immorality during the war. Through the Population (Statistics) Act of 1938 it had been learnt that "nearly 30 per cent of all mothers conceived their firstborn children out of wedlock. At ages under twenty this proportion was as high as 42 per cent." What happened during the war was that, for various reasons, the parents of a large number of babies, conceived out of wedlock, did not or could not get married before their children were born. So far from there being an increase in the proportion of irregularly conceived babies during the war, the proportion actually fell, compared with 1938-39, from one-seventh of all children born to one-eighth. Another interesting fact brought out by the authors is that when the irregularly conceived births are analysed according to the mother's age, the rate per thousand unmarried women under the age of 25 was lower throughout the war than in 1938-39. Even more astonishing is the big rise in the incidence among older women, the increase in the rate compared with 1938-39 being highest in the age-group 30-35.

Nine years after the war, all these statistics provide a salutary corrective to uninformed judgments about morality and immorality during 1939-45. At the time, however, the Ministry of Health was concerned, not with the extent of irregularly conceived maternities and extra-marital sexual relations, but simply with what—if anything—it should do about the large numbers of unmarried mothers. To have their babies, if they were away from home, they could use the emergency maternity service. But where should they go before and after their confinement?

So far as civilian mothers, especially war mothers transferred from their homes, were concerned, the question was never satisfactorily answered. The distress that occurred among them emerges clearly from these pages. The unmarried mother's last resort was public assistance; but even this might be denied her, for the local authorities in the reception areas were often only too willing to invoke the law of settlement and send her with her new baby back to her home town. Yet the Ministry of Health, though it had plenty of heart-searchings and inter-departmental conferences, barely nibbled at the problem. Such action as it did take was so rigidly and niggardly administered as to be quite unworthy of a social service department. Fortunately for the Ministry's good name its failure in this instance was in sharp contrast to its enlightened and humane scheme for unmarried mothers in the Services.

The introductory chapter says that the main concern of this volume of the war histories is the family. The social effects of the war on the family, already depleted in numbers by the low interwar birthrate and now losing its breadwinner to the armed forces, do indeed make up the thread running through the book. By day and residential nurseries, by hostels and in other ways, the Government frequently found itself taking action to bolster up the family's shrunken resources. In general, the lesson that emerged from Mr R. M. Titmuss's volume "Problems of Social Policy" (to which this is the successor) is driven home. As long as the Government relied on public assistance to resolve its problems, or when it based a new venture on a discriminatory principle (as in the tuberculosis allowances scheme), it was unsuccessful. Where it abandoned the poor law and discrimination and assumed wholehearted responsibility it helped to lay the basis of the welfare state.

But this book describes not so much the family's war as the war that women experienced. The pages abound in the problems that struck women with full force—particularly women as mothers but also women working with the voluntary or official welfare services or as nurses in hospitals. For this reason it is fortunate that it has fallen to two married women to give the story. Mrs Ferguson and Mrs Fitzgerald have a real appreciation of their theme. They write with insight and sympathy; and, with a fine sense of relevant detail, they convey to their readers a true and sometimes moving picture of the distress, worries and difficulties produced for so many women by six-and-a-half years of total war.

American Trade Unionism

AMERICAN LABOR FROM DEFENSE TO RECONVERSION.
By Joel Seidman.
University of Chicago Press (Cambridge University Press). 318 pages. 41s. 6d.

ALTHOUGH the American labour movement has a history of more than a hundred years, it did not begin to win its place in American life until the mid-nineteen thirties. In 1935 two important events occurred. The first was the passage of the Wagner Act, which gave labour its first effective protection against dictatorial and vindictive employers in the decade of the Depression. The second was the creation of the Congress of Industrial Organisations under the leadership of John L. Lewis, which was quickly to project the labour movement into the political arena. In the period covered by this book total union membership rose from less than four million in 1935 to fifteen million at the end of the war. But during the war-time years of its growth it had also to compete with a great deal of legislative activity, in the States and in Congress, which was overwhelmingly anti-union in spirit. Parallel, too, with labour's fight for recognition throughout America ran a struggle between the two great labour organisations: the American Federation of Labour, with its craft basis, and the Congress of Industrial Organisations, organised along industrial lines—with the story of the intrigues and political gyrations of that stormy figure John L. Lewis running like a highly-coloured thread through the whole pattern.

This book is a carefully documented account of the most formative period in the history of American trade unions. Mr Seidman is a sympathetic observer of the American labour movement, but he rightly recognises that the Taft-Hartley Act marked the end of an era. Just as in the 1930s it was public indignation against vindictive employers that led to the passage of the Wagner Act for the protection of unions, so in 1947 it was union indifference to public opinion that helped to create an atmosphere in which a restrictive Taft-Hartley Act was possible.

Mr Seidman has made a valuable contribution to the understanding of the recent development of the American labour movement. He has produced, in digestible form, a study of the major events and legislation of this period which is remarkably comprehensive for a book of this size.

A New Social History

SEX IN HISTORY.
By G. Rattray Taylor.
Thames and Hudson. 336 pages. 21s.

THIS is not, as the title might suggest, a *chronique scandaleuse* of the intrigues of great men's mistresses. It is a serious and ambitious attempt to trace throughout European history the shifting attitudes to sexual behaviour that were characteristic of society at each period. In Mr Taylor's view historians have almost entirely ignored sexual matters, not only in their interpretations of trends and influences, but even in recording facts. The Black Death and the Great Plague, for example, are described even in the simplest of school history books. But how many people know of the introduction of syphilis to Europe about the year 1495, presumably from the New World, and of the millions it killed in the next few years?

The author makes a courageous effort to redress the balance. He sweeps through medieval and modern history, pausing from time to time for a more extended discussion. He devotes a great deal of attention to the increasingly rigid moral code which the medieval Church attempted to impose, and to the harvest of hysterical symptoms and perverted forms of sexual behaviour it reaped; to the troubadours of Provence and Languedoc in the twelfth century; to the Cathars and the Manichean heresy; and to the Inquisition and the heyday of witch-hunting in the fifteenth century.

His description is vivid and lively. His interpretations, on the other hand, are expressed in orthodox psycho-analytical language and may for this reason alienate some readers. It would have been wiser, particularly, if he had avoided any comment on the causes of psychotic behaviour. Psychoanalytical theory is certainly weakest in this field and, many believe, positively misleading.

An attractive theme recurs throughout the book. The author describes two contrasting attitudes to sexual matters which have been in conflict or uneasy equilibrium for two thousand years: the first ascetic, inhibited, authoritarian, and moralist, for which the word "patrist" has been coined; the second spontaneous, liberal, indulgent, and permissive, which he terms "matrist." He traces the ebb and flow of these opposed attitudes and finds the patrist in the ascendant in the medieval Church and again in the times of Calvin, Luther and the Puritans. The matrist view prevailed to a large extent in Italy at the Renaissance and in Elizabethan and Jacobean England, and has again flowered in the last hundred years.

This book can best be read alongside a more orthodox social history; but anyone interested in the origin of our present legal and moral code will find it both novel and rewarding.

Founder of Modern Science

SIR ISAAC NEWTON.
By E. N. da C. Andrade.
Collins. 140 pages. 7s. 6d.

ISAAC NEWTON the man was not a romantic or lovable character, and the records of his life do not make a happy hunting ground for biographers. There was no sensational struggle against poverty in his youth; he was a bright schoolboy but not one who heralded genius; he was a retiring undergraduate who unobtrusively obtained a degree of no particular distinction; he did not devote his life exclusively to science; he was sensitive, reluctant to publish his work and petulant under criticism; he was indifferent to women; but he was not indifferent to money. Yet the achievements of this man were of astonishing originality and the virtue of this small book of Professor Andrade's (in the publishers' Brief Lives series) is that he manages to convey this in simple everyday language. He tells something about Newton's life but is concerned more with what he did and why it was so important to the growth of science.

In an age when every schoolboy takes it for granted that mechanics and physics are honest-to-goodness exact sciences with controlled experiments as their tools, it is not easy to explain the tremendous step that Newton took in first conceiving this approach. Mr Andrade does, however, succeed admirably in showing how Newton's notion of finding precise mathematical laws to explain observed phenomena was something entirely new from the muddled philosophy and unexplained laws which he inherited. In layman's language, this book conveys the wonder of the way in which, in some eighteen months of isolation at the time of the Great Plague when Newton was cut off from the stimulus of other intellectual minds,

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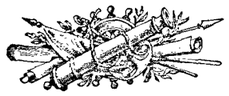

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were born the basic laws of motion, the law of universal gravitation, the methods of the calculus and the foundation of the theory of light. All this twenty years before their discoverer was induced to publish his findings in the "Principia."

Of Newton's later life as Warden of the Mint, President of the Royal Society, recipient of a knighthood, and quarreller with Leibniz, Mr Andrade writes straightforwardly. To the ordinary reader it is something that adds to the mystery of this great man that, in addition to the superb intellect which earned him the distinction of being the first modern scientist, he should have been such an efficient administrator and business man.

Operational Economics

ESSAYS IN POSITIVE ECONOMICS. By Milton Friedman.
University of Chicago Press (*Cambridge University Press*). 328 pages. 43s. 6d.

AS some artists are "painters' painters," so Professor Milton Friedman is an economist's economist—not only by reason of the rigour of his thought and the formality of its presentation but because of his concern with the standards, the procedure, and the intrinsic nature of the subject itself. A single thesis is expounded in his first essay, on "The Methodology of Positive Economics;" is briefly but firmly restated in the essays on "The Marshallian Demand Curve" and "The 'Welfare' Effects of an Income Tax and an Excise Tax;" is implicit in the six papers on a variety of monetary topics, and becomes explicit again in the two review essays (on "The Economics of Control" and on "Price Flexibility and Employment") with which the book closes. This is the thesis that economic theory should be "a positive tool for the analysis of concrete problems." It should not try to incorporate ethical judgments; but it should not, on the other hand, be "neutral" in the sense either of being merely descriptive or of providing an elegant, intellectually pleasing but non-operational system of mathematical abstractions. To many readers the elaboration of this thesis, the arguments which sustain it, and its wider implications for other social sciences, may well prove the most interesting element in the book.

Others will be more inclined to concentrate on the long essay on "A Monetary and Fiscal Framework for Economic Stability" or on that putting "The Case for Flexible Exchange Rates." Both are based on a deep mistrust for the discretionary powers of monetary authorities, a mistrust characterising the neo-classic school in general; but Professor Friedman worships none of the classical sacred cows. His "monetary and fiscal framework" is not constructed on the pre-Keynesian assumption that fluctuations would be rapidly self-righting if only Authority, trade unions, and monopolists would renounce their evil ways. His argument is rather that discretionary stabilisers are, for given reasons, likelier than not to be de-stabilising on balance; and that the automatic, built-in variety will be quicker-acting, more reliable, and less prone to overshoot their goal. His plea for flexible exchange rates (not variable official rates, but a freely moving price on an unrestricted market) is summed up, after close and serious argument, in a paragraph worthy of Sir Dennis Robertson. "Isn't it absurd," he asks, "to change the clock in summer when exactly the same result would be achieved by having each individual change his habits?" Of this essay, as indeed of several others, one may say that while its argument may not prove incontrovertible any opponent must, in future, tackle the job of controverting it if he wants to be taken seriously.

Neglected War

WAR IN THE EASTERN SEAS, 1793-1815.
By C. Northcote Parkinson.
Allen and Unwin. 477 pages. 35s.

IF Britain had been in an imperialist mood at the end of the Napoleonic wars it might have retained enormous prizes in the east which cost little to win. There was, however, a marked reluctance to extend the bounds of empire more than was absolutely necessary for the defence of trade. For such reasons alone the Cape, Mauritius and Ceylon were held, but Java and a number of other places were restored; the Philippines were not touched because they were regarded as too expensive to maintain; and when an admiral was asked to occupy Canton he refused to attack "this strange and almost totally defenceless rabble"—whereupon the Chinese proclaimed a naval victory. The government took so little interest in the east that for a time there was not even a warship stationed there. Nor was there any need for one, because the French had written off their possessions at the start. With Napoleon a more offensive spirit prevailed, but he had neither the ships nor the admirals to spare for any great undertaking.

Naval historians have followed the example of the Admiralty in their neglect of the East Indies station. Operations out there may have been small beer compared with what was taking place in European waters, but the issues at stake were very impor[illegible]t in terms of cash, trade and territory. Dr Parkinson is peculiarly well suited to tackle this neglected aspect of the long war with France. It is strange that his treatment of the conquest of Java is so cursory, because elsewhere he does not spare the reader the weight of his learning; nor does he include what should certainly come within his terms of reference—Napoleon's plans to annex part of Australia. But his description of the conditions under which the Navy fought and lived in the East is of the greatest value, and when he stands back from a somewhat overloaded narrative his judgments are forceful and his comments amusing.

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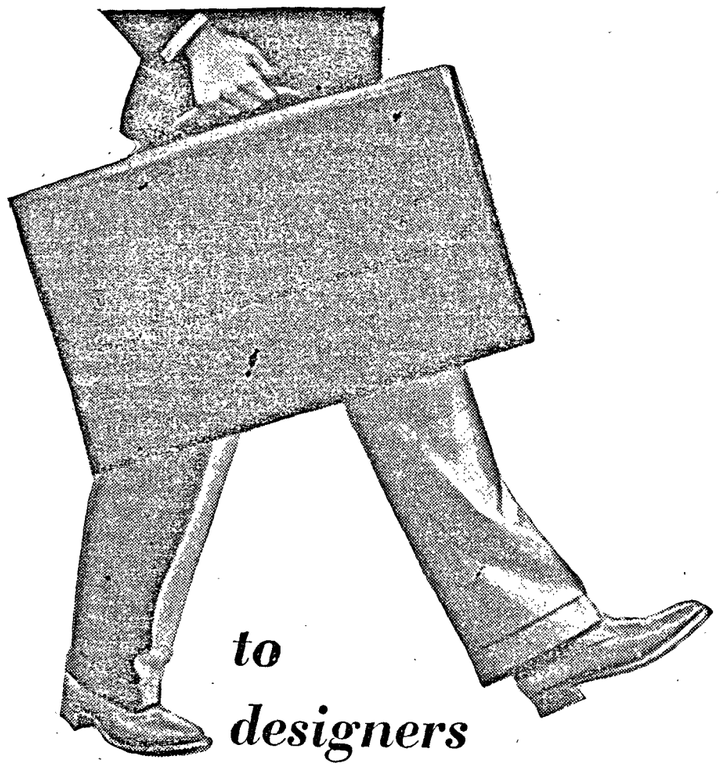

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American Survey

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

President and Press

Washington, D.C.

ON November 4, 1952, General Eisenhower was elected President with the support of a larger part of the press of the United States than almost any candidate has ever had before. Only three important newspapers supported his opponent and most of the rest gave Mr Stevenson less space and smaller headlines than they gave to Mr Eisenhower. On April 22, 1954, seventeen months and eighteen days later, President Eisenhower found it necessary to do what few Presidents have had the courage to do: he gave a lecture, not to the Washington reporters, but to an august meeting of their employers, on the present shortcomings of the press and on what he conceived its duties to be. He said to the American Newspaper Publishers' Association:

> I do believe most earnestly that the press should give emphasis to the things that unite the American people equal to that it gives to the things that divide them. News of events which divide may be more spectacular than news of developments which unify. But a free press can discharge its responsibility to free people only by giving all the facts in balance. . . . If the day comes when personal conflicts are more significant that honest debate on great policy, then the flame of freedom has flickered low indeed. . . . I know that . . . the haste of living discourages complete explanation and places a premium on clichés and slogans. We incline to persuade with an attractive label or to damn with a contemptuous tag. But catchwords are not information.

This homily was mild enough and it took no great intelligence to realise that, although no names were mentioned, the reference to "personal conflicts" was a reference to the conflict between Senator McCarthy and the Secretary of the Army, Mr Robert Stevens, which had that day begun its unlimited run before the television cameras in the Senate Office Building. But behind it lay a deeper irritation which is expressed less mildly in private by members of the Administration, and particularly by members of the White House staff. They have borrowed some lines from the Wisconsin Senator and complain endlessly about the "New Deal columnists" and "bleeding-heart left-wingers" of the Washington press corps, most of whom, as these presidential assistants have conveniently forgotten, were fervently supporting the Republican party eighteen months ago.

It is obvious that neither the President in his complaint, nor his assistants in theirs, understands the function of the press or the nature of news. As Mr Joseph Harsch explained to them in the *Christian Science Monitor*:

> To assume that the press created Senator McCarthy is to assume that the press has it within its power to resolve the problem of the Senator by ignoring him. But this is precisely what the Administration itself has attempted to do with markedly little success. . . . This attempt by the Administration to solve the problem of the Senator by pretending it does not exist has had the effect of leaving the positive headlines to the Senator.

Mr Walter Lippmann has pointed out that Mr McCarthy's charges of treason, subversion, espionage, corruption and perversion are news that cannot be ignored because they come from the chairman of one of the important Senate committees and "a politician, until recently at least, in good standing at the headquarters of the Republican party." He asked how the news of the McCarthy charges were to be "balanced," adding acidly, "not, I take it, with news of inspirational talks to the Girl Scouts." It appears to be the contention of many in the Administration that reporters employed by Republican newspapers should not ask embarrassing questions and that the newspapers themselves should either not publish unpleasant news, should hide it away on the back pages, regardless of its importance, or should invent good news with which to balance it. But, as Mr Lippmann says, it is from the President, more than from anyone else, that should come "the words and deeds which are the news that unites us." And so far the President, for his own reasons, has refused to make the news with which to balance Senator McCarthy. It is not enough to deplore personal abuse in generalities and to point out, as Mr Eisenhower has recently done, that Abraham Lincoln never indulged in it.

*

The Administration's disillusionment with the press began early with the publication of the news, provided by Republican Senators, that Mr Charles Wilson, who had been nominated as Secretary of Defence, believed that what was good for General Motors was good for the United States. It has grown as a result of incidents since and, to this day, many high Republican officials think that a press conference should be a function at which the reporters arrive, are given prepared statements containing more self-congratulation than hard fact, say "Thank You," and depart.

But the term "bleeding-heart" only began to be used about the Washington press corps after it started to ask searching questions about the "1,456 subversives" (a number subsequently changed as often as Senator McCarthy's original estimate of Communists in the State

Department) who had been dismissed from the government. It took some months of incessant pounding before the real figures were brought out bit by bit. There was nobody in government service whom the Justice Department had seen fit to prosecute, there were a few people against whom there was information indicating that they might be loyalty risks and the rest were an assorted batch of those who would, in happier times, have been got rid of for various unpleasant habits without being accorded the imposing title of "security risks." This whole episode, which will probably not be forgiven while there is a Republican in the White House, will long be remembered in Washington as one of the justifications, and the glories, of a free press. It also casts a sombre light on the President's complaint about the use of slogans and catchwords because there has never been an Administration which indulged in so many and so unnerved the country by their use.

And finally, how is it possible to demand that the press should print news about "the things that unite the American people" after the Attorney General had been authorised to divide them down the middle by accusing a former President of condoning treason? It was obviously unintended, but this handed the headlines back to Senator McCarthy, who was beginning to lose them but has never relinquished them again from that day to this. By doing what Mr Lippmann then called "a truly terrible thing"—using the secret files of the Federal Bureau of Investigation as political ammunition—the Administration started a train of events which it has quite evidently been unable to stop and which may well destroy the Republican party. But it was not the press who wrote the Attorney General's speech of November 6th; the press only reported it.

Fresh Start for Mr Dulles

AT his press conference last Wednesday the President, by reaffirming in the strongest terms his faith in his Secretary of State, and by insisting that satisfactory progress was being made with a "South East Asia security arrangement" and that the progress of the Geneva conference was at least not unsatisfactory, put the full support of his prestige behind Mr Dulles's expected attempt to get some firm commitment, or at least definite guidance, from Congress. It has become obvious that without something of the sort no further progress is to be expected, at least as far as the United States is concerned, either at Geneva or in the broader negotiations among America's allies. Together the President's calm statement and Mr Dulles's return to Washington also give an opportunity for a fresh examination of the whole confused question of how Indo-China can perhaps be saved.

Out of the fog of publicity that has surrounded Mr Dulles's alleged defeat and the network of conflicting accounts of policies and discussions in Washington and Europe, the development that finally emerged most definitely was Senator Knowland's attempt to put on British lack of co-operation the blame for something which he knew Congress would not agree to do, and which the Administration itself does not seem to want to do—yet, at any rate. Mr Knowland, who is not only the Republican leader in the Senate, but the recognised spokesman of those who refuse to consider any concession to Communism in the Far East, declared that, if other nations were also prepared to make a contribution (something which he claims Britain has refused), he himself would support a presidential request for authority to send American armed forces to Indo-China.

But the consultations that have taken place, rather belatedly and casually, with congressional representatives, have made it clear that in this election year Mr Knowland would be almost alone in supporting such a request. If the Administration had wished the United States to take an active part in the fighting, its only hope of getting congressional approval would have been to act first, as Mr Truman did in Korea, and ask afterwards. But to follow such an example would have been almost inconceivable, even if in its Far Eastern efforts the Republican Administration had not been the prisoner of the attacks which the Republican party made on its predecessor and of the promises which it made to the electorate. In fact, however, the President has now shown that, contrary to the impression given by other official spokesmen and by press reports both at home and abroad, he and Mr Dulles would both be glad to compromise not only with Congress but also with America's allies.

Too Easy Money?

WITH this week's new issue of four and three-quarter year notes at 1⅞ per cent, to raise $2 billion of new money, and offers of conversion, either into these notes or into 1⅛ per cent one-year certificates, to holders of about $7 billion worth of other issues which fall due shortly, the Treasury has completed its financing for the current fiscal year, which ends on June 30th. Contrary to expectations earlier this year, it has done it without furthering its ambition of adding to the proportion of long-term issues in the public debt, which would have enabled it to avoid going to the market every few weeks or months. The Treasury was helped to resist the temptation presented by the plentiful supply of money now available for such long-term borrowing by the exceptionally low rates of interest which prevail for shorter term issues. This week the yield of its 91-day bills fell to the record level of .773 per cent, and the interest rates on both the new notes and the new certificates are the lowest for comparable issues for several years.

But the Treasury's main desire was, as it has been all this year, to avoid any drain on private funds which might go into productive long-term investment at a time when the economy is "contracting"—the latest name for receding. The Administration is being most careful, for political as well as economic reasons, not to lay itself open to any further charges of having strangled prosperity by driving up the cost of money. The easy money which has now been officially encouraged for many months has ensured that construction activity, by private individuals and by state and local governments, has kept on rising while other types of economic activity have been going down.

But now that the situation is widely held, both officially and unofficially, to have been stabilised—the President this week went so far as to issue a warning against over-optimism—there are those who suggest that money may be becoming too easy, that the country may soon be driven into inflation again. This hardly seems an immediate danger, however, unless there should be a substantial increase in government spending on defence as a result of developments in South East Asia, or unless consumers should be driven into panic buying by a war scare.

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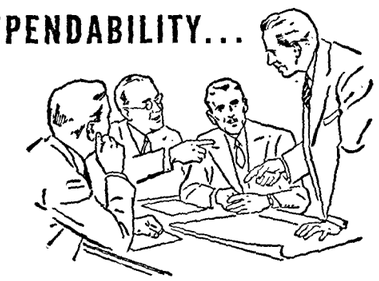

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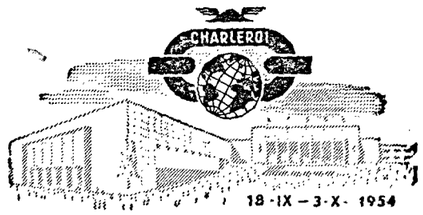

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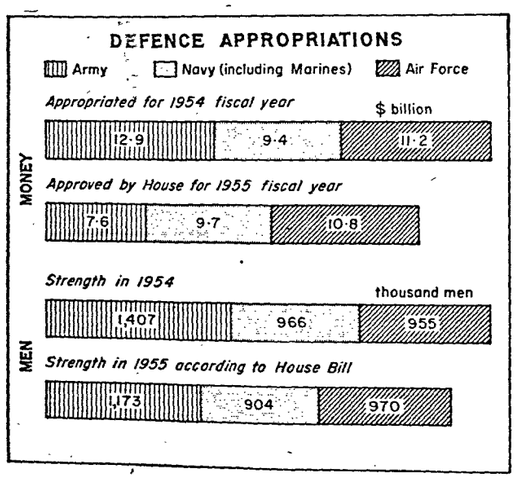
Dilemma in Defence

THE House of Representatives has given its blessing to the new defence appropriations and the Bill now goes to the Senate. The size and shape of the new authorisations (which cover the 1955 financial year beginning on July 1st) fit broadly into the contours of America's "new look" military policy. The House gave the President $1.2 billion less than he asked for in January, but more than half of this reduction was the result of second thoughts in the service departments themselves. The total sum, at $28.7 billion, is lower by $5.6 billion than last year's figure, but there is still a carryover from prior appropriations of about $48 billion. The cut in authorisations has fallen, as might be expected from the present emphasis on air power, almost entirely on the Army, with a small cut in Air Force appropriations offset by an addition to the Navy's budget. But the Air Force is still getting the largest share and the other services have accepted this, in public at least, with a grace that has in the past frequently been lacking.



An insight into the new American military tactics has just been provided at Fort Bragg, North Carolina, where Exercise "Flash Burn" and Air Force Exercise "Tic-Tac 54-7" have been staged in an atmosphere filled with nerve gases, biological agents, guided missiles and the rest—some of them, fortunately, only present in dummy form. "Getting so a soldier has to be a PhD to fight nowadays" was the comment of a participant, quoted in the *New York Times*.

In Washington meanwhile, some misgivings have been expressed as to whether concentration on "massive retaliation" is appropriate to the international situation as it is—and in particular to the war that might conceivably have to be fought in Indo-China. The Secretary of Defence, Mr Charles Wilson, has now admitted that the developments of the next few months may necessitate a new look at the "new look." The decision to reduce the strength of the Army was based on several assumptions which are already tottering. It was assumed that the European Defence Community would be ratified and Germany rearmed; that American troops in the Far East could be reduced by withdrawal from Korea; and that ground forces would not be involved in another "little war." The situation in Indo-China, the failure of the Geneva conference to produce a settlement in Korea and continued delay on EDC may force the Defence Department to think on new lines.

Sick of McCarthy?

WHETHER or not the average American realises the harm that Senator McCarthy has done to his country's reputation abroad, the President undoubtedly does. At his press conference this week he hoped, rather bitterly, that the United States might derive benefits at least comparable to its losses in international prestige from the current hearings on the dispute between the Senator and the Army. Mr Eisenhower had already shown his disgust with the proceedings by his manner when he wished that they might be concluded as quickly as possible. This wish is certainly shared by Mr Stevens, the Secretary of the Army, who has now undergone ten days of cross-examination. At this rate, however, the hearings will go on all summer, and the main issues will be lost in a mass of detail. But so far the investigating committee has failed in its attempt to work out some method of curtailing them, perhaps by examining only the two principals, Mr Stevens and Mr McCarthy.

The Democrats on the committee, and in Congress generally, have no desire for the proceedings to be cut short, for they feel that the longer a leading Republican Senator and a leading Republican administrative officer can be kept at each other's throats—and each other's reputations—in front of the voters, the better the Democrats are likely to do next November. Those in both parties who detest McCarthyism should also hope that the contest will continue, for it is bringing into millions of homes a clear picture of the Senator's overbearing and obscurantist methods. What at this stage look like two clear examples of tampering with the truth have been provided by the photograph of Mr Stevens and Private Schine, from which a third figure is said to have been removed, so that the picture gave an unjustified impression of friendliness between the two, and by the supposed copy of a report from the Federal Bureau of Investigation, of which no original appears to exist. The public are, however, it seems, already becoming bored with being disillusioned in this way, or with having their distaste for the Senator confirmed, and the television companies, unable to afford the loss of advertising revenue involved in giving so much time to a "public service" programme, are now covering the hearings less fully than they did last week.

Fair Trade at a Discount

New York

CUT price stores or "discount houses" are becoming so numerous in every large American city that the shop-keeper who adheres to the manufacturer's suggested retail price is in danger of being accused of overcharging. A discount house (which in this sense has no connection with the money market) is generally defined as a shop with a policy of selling goods at a discount of between 10 and 60 per cent off the manufacturer's list price. Some discount houses offer a wide range of goods, but the majority specialise in furniture and furnishings, heavy household appliances, such as washing machines, television sets and air conditioners, and small household articles, especially electrical goods. Owners of discount houses can afford to sell at these low prices because they can cut expenses drastically on advertising, salesmen, wrapping and delivery services, and can achieve a large sales volume and quick turnover at a smaller unit profit. There are now over 10,000 discount houses in the United States, and in certain major metropolitan markets they are already responsible for more than half of the total sales of some products.

Since resale price maintenance, known by the euphemism of "fair trade," is enforceable by law in forty-five of the forty-eight states, the rise of the discount houses is at first sight surprising. But, while recent federal legislation, and the subsequent refusal of the Supreme Court to hear an appeal against the constitutionality of the fair trade laws, has strengthened the legal position, it is still far from impregnable. Of greater significance than the loopholes in the law is the reluctance of all but a few manufacturers to enforce fair trade agreements; the General Electric Company and the Sunbeam Corporation are notable exceptions.

Enforcement is a difficult and expensive business, and the British alternative—a co-ordinated denial of supplies to price cutters—would be a violation of the anti-trust laws. Most manufacturers are afraid that the rise of discount houses may lead to a reduction in the total number of retail outlets for their products, either by eliminating small local shops or because retailers may refuse to stock goods unless the manufacturer protects them from "unfair competition." But it is no coincidence that the rise of the discount houses has been most marked in a period of business recession. This year many manufacturers, particularly the makers of household appliances, have been producing more than they can sell at list prices; while markets remain weak, the discount house provides a welcome opportunity for getting rid of burdensome stocks through the back door, without the need for a general price reduction. And the success of the discount houses shows that many consumers prefer lower prices to better service.

Labelling the Communists

Washington, D.C.

IS the American Communist party a "Communist action" organisation? The attempt to prove what would seem to be a truism has so far required five million words of testimony spread over three years of hearings. This exercise was initiated by the Subversive Activities Control Board, a quasi-judicial body set up under the Internal Security Act of 1950. The board, rather naturally, decided in the affirmative, but the Communist party retaliated by attacking the constitutionality of the Internal Security Act. Its case before the Court of Appeals of the District of Columbia has been completed and the decision is now awaited.

The purpose of the board is to investigate suspect organisations in public to determine whether or not they should be labelled "Communist action" or "Communist front" in character. Eight criteria have been established by which to judge a "Communist action" organisation; these concern the extent to which its views, finances and discipline derive from "the foreign government or organisation which controls world Communism." The four criteria applied to "Communist front" organisations establish the degree of communist domination and control of funds, officers and policies.

An organisation that is cited has the full rights of defence of an individual in court. But once one of these labels is formally stuck on it, that label must be used on all its propaganda, and a full statement of its finances must be lodged with the Attorney General. Also it must furnish the latter annually with the names and addresses of its members, if it is an "action" group, or of its officers only, if it is a "front" organisation. No person appearing on these lists can legally apply for or use an American passport, seek any office or employment under the government, or apply for a job in a defence industry without revealing his status. For every offence against these rulings a person can be fined $10,000 and sent to prison for five years; and every day that he breaks this law is a fresh offence.

While the Subversive Activities Control Board occasioned considerable public interest when it was first established as an instrument for dealing with "commies," it has tended to become overshadowed by demands for new legislation to outlaw the Communist party. However, Mr Brownell, the Attorney General, stated recently that he considered existing legislation—and particularly the Internal Security Act—provided an adequate framework for dealing with the Communist party. While the latter is the only "action" organisation in the dock, the Attorney General has started proceedings against twelve alleged Communist "fronts." The part of the Act dealing with the Subversive Activities Control Board was ingeniously drafted in an attempt to avoid all constitutional reefs; the Court of Appeals has now to decide whether in fact it was ingenious enough.

Hawaii's Expanding Economy

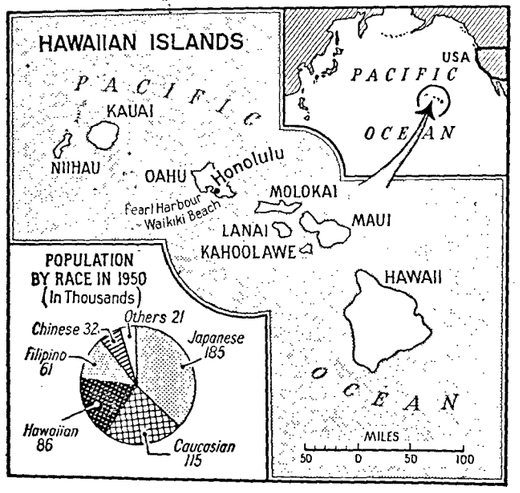
FROM A CORRESPONDENT IN HONOLULU

SINCE 1900, when the Hawaiian Islands first became a United States Territory, it has petitioned Congress 16 times for statehood and, since 1920, 37 Bills have been unsuccessfully introduced towards this end. Prospects for the current Bill, which at one time seemed so bright, are now decidedly dim. The addition of Alaska, by the Senate, to the Bill to grant Hawaii statehood seems to have brought the measure to a standstill. The background to the deadlock is mainly political: while the Republicans see an ally in Hawaii, Alaska would return Democrats to Congress. Arguments centre outwardly on whether these Territories are "ready" for statehood. Here Hawaii at least can put up a very strong case. In fact, on many of the points on which it has been judged inadequate, Hawaii can claim a better rating than can several of the states already in the Union.

When the first congressional committee visited the islands in 1935 to investigate the Territory's petition for statehood, it found a "modern unit of the American commonwealth, with a political, social and economic structure of the highest type." The committee noted that Hawaii's economic standards were high, with an "industrial and agricultural development forming a sound basis for the continued growth of the Territory." In the 19 years since that report was filed, Hawaii has lived up to the committee's prediction of

continued growth. Its half-million people of diverse racial ancestries enjoy a standard of living higher, probably, than that of any other island area in the world, and equal to that of the average American.

Visitors are usually surprised to find Hawaii a modern thriving community. Tourist publicity has tended to picture the islands as a tropical paradise where natives sing and dance their time away on balmy Waikiki Beach. A more realistic description would show that Hawaii has a billion-dollar-a-year, expanding economy. In 1952, retail trade alone was worth more than $500 million, and the Territory paid $135 million in taxes to the federal government last year—a larger sum than did nine of the 48 states. The income per head in 1952, at $1,721, was equal to the US national average and higher than that of 31 of the individual states, while agricultural wages in Hawaii are above those



on the mainland. There is one car to every three persons and one television set to every ten persons.

In the 176 years since the British navigator Captain James Cook discovered the Sandwich Islands (named in honour of the Earl of Sandwich), western influence has changed the face of these islands. From the simple agrarian economy of the early Polynesians, Hawaii has developed into a complex economy based on mechanised agriculture, military defence, and a tourist industry. Missionaries and whalers from New England started the evolution early in the nineteenth century. They and their descendants brought Yankee business methods to the bustling port of Honolulu. Later, the sugar planters imported labourers from the Far East to work in the cane fields; first the Chinese, then the Japanese and Filipinos were brought in.

Hawaii's population has grown steadily to approximately 500,000, larger than that of four states (Vermont, Delaware, Wyoming and Nevada). By race, the Japanese make up the largest segment, 37 per cent, followed by those of European stock (Caucasians), who contribute a further 23 per cent. However, classification by race grows less and less meaningful as a result of the increasing number of intermarriages. Eighty-four per cent of the population are native-born American citizens, and the common language of all these groups of diverse national backgrounds is English. Their loyalty to the United States has been demonstrated in two world wars and in the Korean conflict.

When Pearl Harbour, near Honolulu, became an important naval base, it brought millions of dollars of new "outside money" into the islands. Army posts and air bases further bolstered the economy. This growth was, and still is, concentrated on the island of Oahu, one of seven inhabited islands of the Hawaiian chain, where 70 per cent of the Territory's population live.

★

Revenue from abroad totalled $608 million in 1952. More than half of this—$368 million—was derived from "invisible" exports, from payments for the armed forces stationed in Hawaii, from tourists, and from shipping and airlines. Exports of sugar, pineapples, and other products were valued at $240 million. As well as being an important source of income, the federal government is at present the largest single employer in Hawaii, with a staff of 23,000 civilian workers and an annual payroll of $100 million. Federal spending has dropped since the Korean armistice but, so long as the "armed peace" prevails on the international front, the defence establishments in Hawaii can be expected to remain at a rather high level.

Last year some 78,000 tourists spent $43 million in Hawaii, and the Hawaii Visitors Bureau hopes this record will be increased to 100,000 this year. As the central Pacific port for shipping and airlines, Hawaii provides docks, airport and manpower for eleven airlines and steamship companies. The air age has brought Hawaii within eight hours of the mainland of the United States, and low-cost tourist fares between the West Coast and Hawaii have meant a great increase in turnover to the airlines. Travel between the Hawaiian islands is now done exclusively by air.

The growing and milling of sugar cane continues to be Hawaii's largest private industry. Hawaii supplies 24 per cent of the American sugar market under a quota system established by the government. Sales in pineapples brought in $100 million gross last year, but Hawaii's second largest private industry is facing an increasing volume of competition from foreign sources of supply. Twenty years ago, Hawaii produced practically all the pineapples required by the American market, but with increasing production in the Philippines, Cuba and Mexico, some 20 per cent of the American market is now supplied from other areas. Both sugar and pineapple production has become highly mechanised in recent years. Only by scientific mass production have these industries survived the economic pressures, particularly of high wages, which have beset them.

Having attained a high standard of living, Hawaii now faces the problem of continuing to support itself in the manner to which it has become accustomed. The islands import at present well over half their food requirements from the mainland of the United States at a total cost of $65 million annually. They are also dependent on imports for most of their construction materials and for many other essential goods. As an insurance against possible cuts in military expenditure in the islands, the civilian community is attempting to broaden their economic base by expanding the cultivation of coffee and tropical fruits and flowers and by promoting a clothing industry. Furthermore, there will be the need to assure enough jobs for the large number of youths who will be leaving the schools to seek employment during the next decade. These problems, although obscured by today's prosperity, are now being given serious attention by the territorial government and by private bodies.

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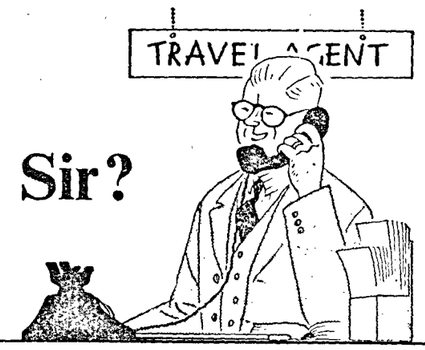

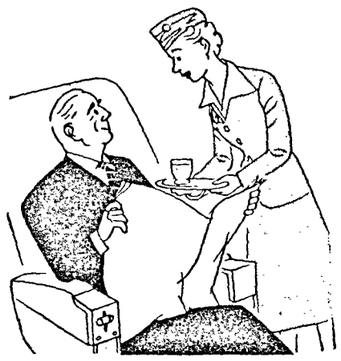

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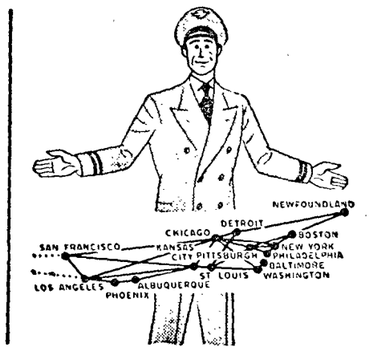

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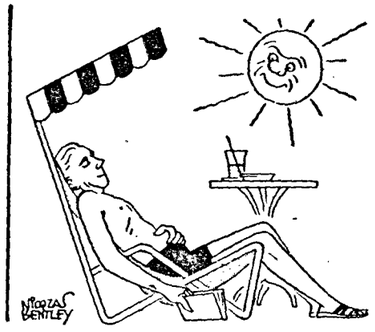

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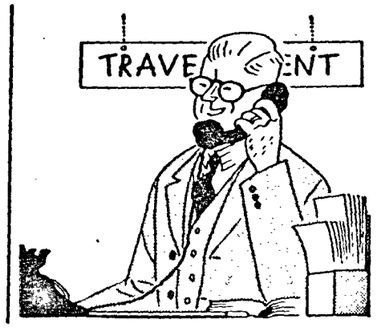

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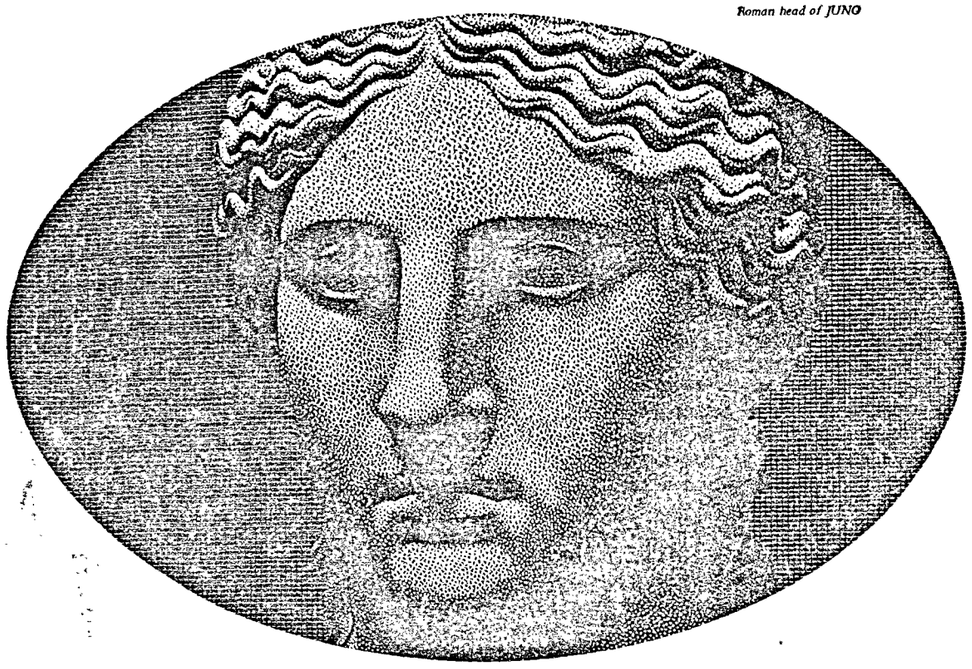

Roman head of JUNO

Opinion is the great lady that rules the world—

JAMES HOWELL (1594—1666)

The first requisite of a great nation is an exacting public opinion. It is the surest guarantee of high standards of its conduct; the verdict of the nation, sitting as a jury. For individuals, to be 'easy to please' is no great sin; but a nation that is 'easy to please' has seen the last of its greatness.

How is such an opinion formed? All have a share—the world of education, the press, the cinema and stage, literature, parliament . . . and the public house. On it rests the fate of governments, and the fate of film stars. Industry has a part of its own to play in its creation: by maintaining, and continually raising, the standard of its social and economic contribution to the community.

When opinion has ceased to be 'a Great Lady', and has become a satisfied drudge, we shall be the poorer.

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The World Overseas

Uganda Turns a Page

FROM A SPECIAL CORRESPONDENT IN KAMPALA

NO sooner had the Owen Falls dam and power station been opened here by the Queen than enthusiasts began to talk of the new dams planned for lower down the river. To foresee such a vast industrial expansion is certainly going rather fast, but there is firm confidence here that every kilowatt the existing dam can produce will be taken up as fast as turbine sets are installed: the first, started by the Queen, replaces the existing thermal station. By 1959 the Uganda Electricity Board believes that revenue will be sufficient to meet all costs, and the various loads will be:

	Kilowatts
Domestic and small power users	25,000
Calico printers' textile factory	9,000
Bulk supply to Kenya	35,000
Copper smelting scheme	6,000
TOTAL	75,000

This estimate leaves out of account a number of other potential uses for the electricity consumers, for example in the working of the niobium deposits. It rests on the assumption that Uganda's progress will be rapid. At present electricity is not cheap; the average present price of a unit sold is 21.76 cents (10 cents = 1¼d.), but it is confidently expected that by 1962 the average price will be 10.7 cents, and Sir Charles Westlake, the chairman of the Uganda Electricity Board, told your correspondent that the power tariff will be competitive with anything that can be offered in Britain. Since in any case the textile motive power component is less than 2 per cent of production costs, it is not felt that industrialists' decisions whether or not to start industries in Uganda will be unduly influenced by the cost of power, especially as that cost is likely to fall. In fact, the capital cost per kilowatt is expected to work out around £100, which is very reasonable in the circumstances; to date some £9 million has been spent on the dam and station, and the final cost is expected to reach about £15 million.

What are Uganda's industrial prospects? It is still early to say. At the moment, several firms that had been planning to set up plants in the territory are holding their hand owing to the political uncertainties. And local businessmen believe there is another reason for reluctance of outside enterprises to enter Uganda. Official statements, they point out, have foreshadowed tighter control of industry and trade by the government. Managements are not encouraged by the prospect of payrolls padded by obligatory schemes for training Africans, or of regulations which, although mainly intended to give Africans a fair chance by limiting the Indians' trading activities, may involve discrimination against British firms too.

But a growing commercial and industrial centre, serving five million people, at the end of 800 miles of railway has a good deal of natural protection even in regard to some kinds of manufacturing; and Uganda's mineral wealth is still largely unknown. Its agricultural prosperity in recent years is unquestioned, although the secondary effects of high cotton and coffee prices have not been wholly good. But the high living standard of the people gives grounds for confidence, and it has undoubtedly damped down the response to political agitation. People are too busy making money, say both moderate and Congress politicians with some asperity. More important, there is every possibility of considerable improvement in agriculture itself, and this will appear more clearly as the hard work being done by the Agricultural Department and Makerere College on improvement of peasant farming makes itself felt.

Thus material hopes are high; but the political situation remains uneasy. The power of the vernacular press in keeping people away from the ceremonies associated with the Queen's visit was noticeable, though there was quite an impressive turnout for the inauguration of the dam itself, 56 miles from the Buganda capital, Kampala. Congress claims to be gaining ground, but the influence of its leaders, without much in the way of members, is not appreciable. Three of the leading members of the Baganda delegation that is to meet Sir Keith Hancock to work out the constitutional relationship between the Kabakaship, the Lukiko and the Legislative Council and administration have recently resigned, and the deadlock persists; yet there seems nothing at issue which time, tact and patience cannot resolve. However, the Hancock mission, even if successfully concluded on an agenda agreed by all parties, is only the beginning of a final settlement which will restore the Baganda's confidence in their future in a self-governing Uganda, and restore the administration's confidence in the Baganda as wholehearted participants in its political development.

In spite of the assurances given in Parliament, suspicion persists, and indeed Baganda leaders lament the loss of the former happy relations with Europeans—and Asians. Nor are the Baganda alone suspicious; the Basoga, the third largest tribe, seem also a little uneasy. Though African leaders insist that they now support a vigorous programme of industrialisation under the safeguards now reiterated for progressive native control and ultimate ownership, the

feeling that Owen Falls is essentially for the white man's benefit remains. Intuition tells the African that industry means bigger changes in the social order, and it is essentially conservatism which animates the resistance to it. Thus the opening of the Owen Falls hydro-electric scheme marks a turning-point in Uganda's history. All the signs are that development will mean more politics as well as more electricity.

The Resources of Indo-China

WARS spread the knowledge of geography. In the last few weeks the names of obscure localities in Indo-China have leapt into the front pages. With various partition plans and truce lines concocted at Geneva and elsewhere, the economic geography of Indo-China acquires a new importance. How wealthy is the country, and where do its resources lie? What French interests are at stake in this conflict? Seven years of war and devastation make it difficult to answer these questions. Prewar production figures seem to give a better idea of potential development, though the ravages of war must obviously be kept in mind.

Indo-China is still almost exclusively a primary producer. Before the war raw materials accounted for almost all its exports, while almost three quarters of the imports were manufactured goods.

Agriculture is the predominant occupation of the mass of the population, and rice is the chief product. Five sixths of the cultivated land is under rice, and production is concentrated in the two deltas—the Tonking delta in the north and the Mekong delta in the south. The latter, more sparsely populated, is the chief surplus producer and exporter. Before the war, with shipments averaging 1.5 million tons a year, Indo-China was the world's third rice exporter, and rice accounted for half the value of its exports.

INDO-CHINA NAMESMANSHIP

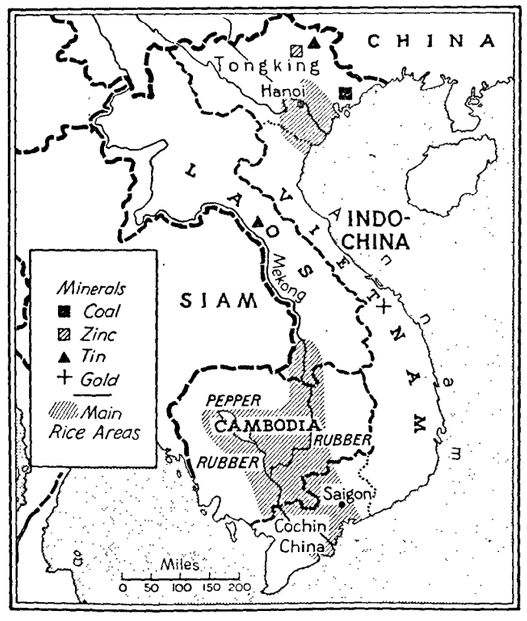
The three *Associated States*—associated with France in the French Union—are *Vietnam, Cambodia* and *Laos*. Together they make up Indo-China, but their peoples differ in language, racial origin and culture. Vietnamese culture derives largely from Chinese; the Laotians are close cousins to the Siamese (Thais); and Cambodia (anciently Khmer) retains clear Hindu affinities.

Vietnam itself comprises three formerly separate territories (sometimes called "the three *ky*"): *Tonking* in the north, *Cochin-China* in the south, and *Annam*, the narrow coastal plain which links the other two. The Vietnamese all speak a basically common language, usually called Annamese, although its Tonkinese and Cochinchinese forms vary considerably. Tonking centres on the *Red River* delta, Cochin-China on that of the *Mekong*.

As in Korea, confusion may arise in Vietnam because both the government recognised by France, Britain and most other countries, and the Communist rebel government, headed by Ho Chi Minh, use the name of Vietnam. The Communist regime terms itself the People's Democratic Republic of Vietnam; but it is more often, and more easily, termed the *Viet Minh*, its own name for its supporting movement.

Rubber plantations, introduced by the French, are limited to the basaltic red soil of Cochin-China and to a lesser extent of Cambodia. Prewar French holdings were valued at $45 million, and exports reached nearly 70,000 tons in 1939, but production and exports have always fluctuated greatly. Rubber exports last year nearly recovered their prewar level, but their earnings are much smaller because of the lower world prices.

Maize is another widespread culture and used to be Indo-China's second export item. The French have introduced coffee, but production has scarcely kept up with the growing internal demand. Output of pepper in Cambodia averaged about 4,000 tons before the war and was almost entirely exported. Sugar plantations are to be found in many parts of the country, but high costs have prevented large scale exploitation.



On the whole, however, rice and rubber are the chief sources of agricultural wealth and Cochin-China the main surplus area. On the other hand, the main mineral resources are to be found in the north, mainly in Tonking.

Of the mineral resources which are being developed coal is by far the most important. Rich deposits of high grade anthracite (similar to that of South Wales) are exploited in north-east Tonking, near the Along bay. More than 2.5 million tons were extracted in 1939, and four fifths of it were exported. It was estimated at the time that output could be easily expanded without fear of running down the reserves. Last year's output was less than one million tons.

Zinc is found in Upper Tonking and extraction reached more than 60,000 tons in 1926, but it never recovered after the prewar slump. Tin took its place as Indo-China's second mineral. Its two main centres are in North Tonking and in Laos (at Nam Patene). Before the war annual production of tin averaged 1,500 tons (metal content).

Among the deposits of secondary importance are wolfram (prewar annual output, 300 tons), lead, antimony in Tonking and North Annam and some manganese in the same regions.

(Some estimates have put the manganese deposits at as much as 25 million tons). Good iron is apparently to be found both in Cambodia and in Tonking but the deposits have never been fully surveyed and prewar output did not exceed 30,000 tons. Gold is also to be found in many places, but has been seriously exploited only in Central Annam.

These brief notes show that a division of the country would leave the rich rice and rubber surplus lands in the south, but most of the still undeveloped mineral resources are to be found in Tonking.

French capital in Indo-China has been estimated at rather less than 300 billion francs. Apart from rubber, it is chiefly invested in coal, tin, copper, zinc and cement works. Some companies have already recovered part of their capital through war damage payments, but there is little hope of returning to the prewar pattern. France then enjoyed a closed market, in which its manufactures and capital reigned supreme. Whatever the outcome of the war France has little hope of recovering this monopoly position.

NOTES FROM AUSTRALIA

These notes are contributed by or based on messages from our Correspondent in Australia

Election Month

THE government has to lose only eight seats to give Labour a victory in the general elections due on May 29th. The Liberal and Country parties now have 68 seats in the House of Representatives, against Labour's 53. A public opinion poll taken in February indicated that Labour might win 52 per cent of all votes; but, since then, political tipsters have been suggesting that the tide has changed. The personalities of the Prime Minister, Mr Menzies, and of Dr Evatt, the Leader of the Opposition, count for much; and until the beginning of April there seemed little promise of an election campaign fought on fundamental issues.

In the government's last term, the administration has been generally colourless. The Menzies-Fadden coalition took office in 1949 pledged to check the trend to socialism, to "put value back into the pound," and to outlaw Communism. Less than two years later it again went to the country to get a majority in the Senate, and since then has governed without Labour obstruction in the Upper House. It may have checked the trend to socialism, but Communism is still legal and the pound has lost more of its value.

However, Australia now stands at a peak of prosperity, with high employment and business buoyant. The threat of recession after the collapse of the wool boom in 1951 was met by drastic restriction of imports, which led to a spectacular improvement in the balance of trade. The government has therefore regained much of the ground it lost owing to fears of a recession two years ago; these fears, expressed in state elections, were partly responsible for the fact that five of the six states now have Labour governments, South Australia being the odd man out. Last September's budget gave general pleasure by substantially reducing taxation of both companies and individuals; the sizable cuts in sales tax also helped to hold down living costs. On the other hand, organised labour naturally reacted against the Arbitration Court's rulings in December and March, which "froze" both basic wages and margins for skill. In campaigning against a government that stands on a record of prosperity, the Labour party will have to offer the voters an expensive bait—such as the ending of the means test for pensions, which could cost £100 million a year.

★ ★ ★

Petrov and the Polls

THE revelation of the existence of a Soviet spy ring involving Australian undercover men must be accounted a most valuable asset to Mr Menzies in the elections; for he has long sought to declare the Communist party illegal, and was frustrated only by the loss of a referendum on this issue. The announcement on April 13th and the subsequent developments in the Petrov case will convince many electors that the Prime Minister's fears were well founded, and that the outlawing of the Communist party could have done much to check Soviet espionage in Australia. All the assurances that the Petrov case will be kept outside party politics cannot prevent it from influencing the elections, perhaps decisively.

Dr Evatt lost no time in accusing the government of using the affair as an instrument of propaganda. A brisk campaign of personal recrimination between government and opposition leaders developed at once. Although the Labour Party has offered its full co-operation "in every legitimate attempt to expose and punish all who are guilty of treason, sedition or subversion," it can hardly present a bold front on the general issue of Communism, for it opposed Mr Menzies's referendum project. Before April 13th, Communism did not look like being a live issue at the hustings; it had not been prominent in the political picture since the referendum, and there has been little serious industrial unrest in the last three years. But now the picture has changed and, if the sparring over Petrov is any indication, the election will be fought wtih more bitterness than could have been predicted a few weeks ago.

It has been emphasised several times since Mr Menzies's first disclosures that the lists provided by Petrov contained the names of no persons whose activities were not either known or suspected by the Australian security service.

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Trade with Japan

JAPAN last year was Australia's second best customer, the second largest buyer of its wool, and the largest buyer of its barley. In all, Australia sold £84 million worth of goods to Japan in 1952-53, and took only £4.7 million worth in return. The federal government knows full well the value of Japanese support at wool sales, and is endeavouring to relax the rigid restrictions against the entry of Japanese goods into Australia without provoking too much opposition from manufacturers. It has just lifted restrictions on 41 groups involving a possible addition of 15 per cent to Japanese imports, which are now running at an annual rate of less than £6 million.

Trade with Japan is likely to be a lively election issue, for it concerns the sharply conflicting interests of manufacturers, importers, and woolgrowers. But a further relaxation of restrictions on the entry of Japanese goods seems inevitable, for, as the Prime Minister said recently,

"If Japan stopped buying Australian products tomorrow our income and our standard of living would fall." The government apparently does not fear a flood of low-priced Japanese goods in prewar fashion, reasoning that the post-war rise in the Japanese price structure makes it more difficult for Japan to compete.

* * *

Where to Put the Wheat?

AUSTRALIA is faced with the prospect of a carry-over of wheat of 100 million bushels when the new season's grain begins to arrive at railway sidings on November 30th next. This problem has developed almost overnight with a serious fall in the export demand for wheat consequent upon record crops in North America. Australia faces a possible decline of at least £25 million in receipts from wheat this year, based on an estimated fall of 40 million bushels in disposals. The country is witnessing the paradoxical spectacle of the chairman of the Australian Wheat Board, Sir John Teasdale, exhorting farmers to switch to animal husbandry for the next two or three years while big wheat surpluses continue. This makes strange reading when matched against the federal government's appeals two short years ago for farmers to grow more food for Britain.

Wheat stabilisation promises to be a Labour Party plank in this month's elections. Dr Evatt, the party leader, recently announced a ten-year plan designed to give wheat-growers a minimum home consumption price of at least 14s. a bushel for the first five years and a guarantee of 1s. 5d. a bushel above production costs for the remaining five years. In addition, all wheat exported would be given a guaranteed price based on cost of production. Unless there is a spectacular clearance of this season's crop before the end of November, Australia will not be able to find bulk storage for its new crop. Wheat will have to be held on farms at enormous waste, while farmers hope for crop failures in other countries.

* * *

Cost of Living Paradox

FOR the first time since 1944, the retail price index has recorded a fall in the cost of living in Australia. The cost of living fell by 0.4 per cent in Melbourne in the first quarter of the year, which would have reduced the basic wage in Victoria if the basic wage were still automatically adjusted to the cost of living. Last year the Commonwealth Arbitration Court suspended this adjustment in an endeavour to halt the spiralling of prices and costs of the previous three years. The decision was bitterly criticised by unions, but paradoxically this latest quarterly cost of living figure, which would have lowered the weekly wage in Melbourne, is having no effect on Arbitration Court awards. State employees will, however, lose a shilling a week, because the Victoria government decided that its workers should continue to be affected by changes in the index.

The extent of the galloping inflation in postwar Australia is shown by the 156 per cent increase in wages between June, 1945, and December, 1953, compared with a rise of 61 per cent over the same period in Britain, and 73 per cent in the United States. Australia "imported" a sizable dose of inflation in the wool boom, which reached its peak in March, 1951. Prices have eased since then, but the country now has a high cost structure.

A Home for the Queen

THE Royal visit has led to suggestions that the Queen might return for informal visits every five years or so. Successful as the tour was, cities and towns claimed much of the Queen's time, and she got only a fleeting glimpse of Australia's great outdoors. If, therefore, a real "home" could be built for her on, say, a farming property in a typical Australian setting, the Queen could return when she pleases without being considered a visitor among her own people.

The Prime Minister, who is understood to be very enthusiastic about the idea, has indicated that no decision will be made until after the elections. He has made it clear, however, that the aim would be to facilitate visits of an informal nature. If visits of the Queen or other members of the Royal family are always treated as formal organised tours, such a residence would receive little use. The government could hardly consider a site outside the Australian Capital Territory, as the six states would almost certainly be unable to agree upon any other choice. There are, however, a number of pleasant station properties within 25 miles of Canberra, any one of which could be adapted to become a home for the Queen. She could, in such a setting, enjoy official duties and at the same time see brief freedom from [illegible] something of the real Australia.

* * *

Fears of Overseas Borrowing

THE Australian Labour Party feels that development should not be financed by overseas loans, and accordingly has taken a stand to oppose further borrowing abroad. This decision reflects the lurking fear in many people's minds that heavy borrowing abroad, as in the 1920s, might again precipitate a depression. It is true that Australia found it difficult to meet its interest obligations when prices fell in the early 1930s, but it is generally realised now that it was the loss of export income, and not the free borrowing abroad, that produced the economic crisis.

Australia has obtained virtually no new money from London since the depression days. Development has been financed from internal borrowings, with the exception of $204 million recently obtained from the International Bank. Indeed, a case can be made that Australia is now "underborrowed," having regard to the debt obligations normally accepted by a rapidly developing country. In 1929-30, for example, the interest bill on its London and New York debt was equal to 6.8 per cent of total exports of £125 million. But in the year ending on June 30th last, the interest on £412.8 million of external debt amounted to only 1.6 per cent of exports of £872.2 million. Export income could fall a long way before Australia would find difficulty in servicing its overseas debt.

The fact that domestic borrowings have recently fallen far short of works programme estimates is proof that the country cannot develop without outside aid at the speed demanded by state premiers, most of whom head Labour ministries. This year, for example, the Commonwealth of Australia underwrote state works programmes of £200 million. Two loans have yielded £118 million, leaving the Commonwealth government to find the balance from its own resources—probably by the issue of treasury bills. It savours a little of bravado for Labour politicians to wipe their hands of overseas loans, as it were, for they might well find London less willing than before to provide finance for development works. If loans could have been raised in London in the last five years, they would undoubtedly have eased the inflationary strain on Australian resources.

* * *

Threat to Black Coal

BLACK coal is in grave danger of being ousted from its traditional position as the basic fuel of Australian industry by the development of oil, gas and electricity. A few years ago, it looked as if coal production in New South Wales would for a long time fall short of the minimum needs of Australian industry, and all manner of expedients were adopted to step up output. Now, the chairman of the NSW Joint Coal Board says that the coal industry no longer enjoys the semi-monopoly of a sellers' market and is likely to be faced with a shrinking market unless it can effectively meet the competition of other fuels. Not only is oil directly competing with coal as a source of power, as in the railways where diesel locomotives can be operated for about half the cost of coal-burning engines, but the use of residual fuel oils, a by-product of the rapidly expanding oil refining industry, is certain to lower the cost of town gas.

Victoria long ago reduced its dependence upon NSW black coal for electricity generation by establishing its main power plant near the great brown coal deposits at Yallourn. The state's gas and fuel corporation has plans to treat this brown coal by the Lurgi process and to pipe the gas to Melbourne, 90 miles away. The two great hydro-electric schemes in Australia—the Victoria government's 263,000 kW Kiewa undertaking and the giant Snowy Mountains project—will further reduce the demands of industry for black coal. Power is now about to be made available from the Snowy Mountains project, initially to the extent of 60,000 kW; but by the end of 1962 capacity may reach 660,000 kW. Cost is acknowledged by the Joint Coal Board as the main reason for the drift from coal. But another important reason has been the determination of other states to free themselves from the domination of their economic life by the New South Wales miners.

Mr Dutt's Empire

BY A CORRESPONDENT

"EMPIRE Conference's Call: For a Mighty Alliance of Our Peoples" ran the headline in the London *Daily Worker* last week. Some of its dwindling band of regular readers must have thought they had picked up the wrong newspaper. But there was no mistake. The British Communist party was holding an Empire Conference: more officially, a Conference of Communist and Workers' Parties in the Sphere of British Imperialism. Hardly reported in Britain except by the *Daily Worker*, firmly ignored by Moscow, it nevertheless deserves to be noticed.

Not even the most skilful presentation could make the conference look impressive. The "delegations" were a scratch lot, some of them one-man bands, some improvised from among students in London who clearly represented nobody but themselves. The organisers tried to plug the more obvious gaps by reading "reports" from parties who failed to send a spokesman. They also cast their net as widely as possible. The Empire (the party spurns the word Commonwealth) was defined as still including such countries as Ireland, Iraq, Jordan and Egypt. India was told that it had yet to free itself from British imperialism; Canada and Australia were also pictured as struggling in Whitehall's toils. Disraelian diehards who lament the decline of imperial glory may take comfort from these unexpected assurances. But their real interest lay in the unusually frank revelation that "imperialism" can be made to mean whatever the party chooses, detected in any part of the world (except the Soviet sphere), and used as justification for whatever policy is currently favoured by the Communists.

For the purposes of this conference, American and British imperialists were considered to be firm allies, regardless of the orthodox Communist dogma that they are tooth-and-nail rivals. The basic slogan was "All peoples in the struggle against British and American imperialism." The allied imperialists, it was announced, "threaten every people in the world." The postwar Labour government was tarred fully as black as the Tories; Mr Palme Dutt's verdict on Indian independence was that Britain had never made a single concession to any subject people except in the face of revolt, and the Gold Coast was mentioned only as a scene of uprisings and repression. The heroes of the conference were the Mau Mau: "the whole world has seen with admiration the heroic struggle of the Kenya African people against the armed onslaught of British imperialism." But both General Neguib and the Revolutionary Council in Cairo ranked as villains, and Mr Nehru was carefully denied either praise or blame.

"A voluntary association of free and equal peoples" was the ultimate shape proposed for the Empire. But in the arrangement of the conference itself there was no nonsense about equality. From start to finish it was dominated by the British party. Reports from other countries were censored by the British leaders (it was they who deleted all criticism of Mr Nehru from the drafts submitted for approval by the Indians). Speeches by colonial party members got no more than one-sixth of the space devoted to the proceedings by the *Daily Worker*. Mr Pollitt alone got more than that, and many other veteran Britons, including Mr Ivor Montagu and Mr Andrew Rothstein, got their word in or at least walked on carrying a spear. The mention of Mr Pritt's name drew the wild applause that was withheld from Mr Nkrumah, Mr Nehru or Seretse Khama. The British party, in fact, treated its colonial "equals" in much the same way as it in turn is treated by Moscow.

The star of the show was, naturally, Mr Palme Dutt, the British party's vice-chairman and, for practical purposes, superintendent of all the colonial parties. The main purpose of the conference was, indeed, not to confer but to enable Mr Dutt to rally his scattered flock. He drew up the manifesto and dominated the discussion on the "political report"—that is, on his own statement, from which nobody dissented. His points, which will now be widely circulated in the "sphere of British imperialism," included the following:

The Chinese Communists' successful manipulation of a "united independence front" (which means hitching bourgeois nationalists to the party waggon until the time comes to ditch them) must be studied and copied. Solidarity in "struggling for immediate needs" would open the way for "final liberation." (That is to say, the Communists

aim to infiltrate all local nationalist or reform movements and to emerge as their leaders.) "Upsurge in Africa" is the "most significant" current phenomenon. The time will come when all Africans will "fight in unity." But the fight for "independence" will spread not only in Africa but also in countries, like Britain itself, that were "previously independent." British, Canadian and other workers must join the colonial peoples in the common struggle against British and US imperialism. Above all, "the fight for peace is the principal task and governs the conditions for national liberation." (Put more plainly, colonial Communists must serve Soviet policy first and their own people's aspirations second.)

The Kremlin is evidently still content to let Mr Dutt do most of the ideological whip-cracking over the heads of the colonial parties. The time is not yet ripe for more overt direct guidance from Moscow—or Peking. But, for the present, it is China that is the more openly praised of the two holy lands of Communism—which suggests that the party still finds the exploitation of anti-white feeling a more profitable approach than honest Marxism.

Journal of Geneva—II

APRIL 29th. Mr Casey, the Australian Minister for External Affairs, opened the day's debate with a speech proposing all-Korean elections under UN supervision. Criticising the Communist proposals, he asked how free elections could be ensured without international supervision. He recalled Mr Rhee's opposition to all-Korea elections, but hoped he would agree to them to obtain a settlement.

Mr Molotov spoke of Soviet sympathy for Asian "liberation" movements, regretted that more Asian governments were not represented at Geneva, and denounced American policy towards China and the American project of a South East Asian alliance. A British spokesman later commented that Britain had done far more to establish the independence of Asian states than had Russia.

April 30th. A sub-committee of nine set up by the sixteen UN members that fought in Korea held its first meeting. Its members are Britain, France, the United States, Australia, Colombia, Philippines, South Korea, Siam and Turkey. They discussed the Australian proposal for all-Korean elections and other matters.

Mr Eden and some of his staff lunched with Mr Molotov and Chou En-lai. The desirability of discussing Korea in closed meetings of a smaller body than the plenary conference was discussed.

The plenary session of the day lasted a bare half hour. After Turkish and Siamese delegates had affirmed their support for the UN action in Korea and called for the completion of the UN task, no more speakers came forward and the session was closed.

May 1st. The four sponsoring powers, with China, South and North Korea, met in private committee and discussed, inconclusively, Korean matters including a compromise plan for the holding of elections in the North first and in all Korea later.

Mr Dulles again saw Mr Molotov, and the American reply to a Soviet note of April 27th on the Eisenhower atomic energy plan was delivered.

May 2nd. Mr Dulles and the Australian and New Zealand foreign ministers held a meeting, called by the former under the terms of the Anzus treaty, at which they were reported to have discussed relatively long-term matters.

Mr Nguyen Quoc Dinh, the Vietnamese foreign minister, arrived in Geneva.

May 3rd. After a meeting between the foreign ministers of Vietnam and the western governments, it was announced that Vietnam had agreed to the representation of the Viet Minh rebels at the Indo-China talks.

At the Palais des Nations in the afternoon, Mr Eden, who was in the chair, drew attention to the request of the five Asian prime ministers that the conference should note the passage on Indo-China in their joint Colombo communiqué. The South Korean foreign minister then criticised the Communist proposals for Korea on the ground that, while excluding the United Nations, they nevertheless implied foreign intervention; this meant that the UN would be superseded by an international body chosen by the Communists. The all-Korean commission proposed was likewise meant to supersede the authority of the South Korean government.

General Nam Il then repeated the North Korean proposals, elucidating one point by saying that the joint commission's decisions would be adopted only by agreement between its South and North Korean members. Chou En-lai followed him, with a demand that the 48,000 prisoners of war "illegally" released in Korea must be returned.

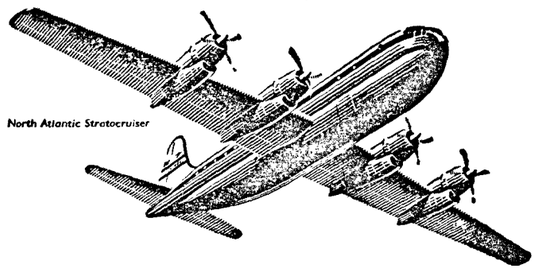
Mr Dulles and Mr Casey left Geneva to return home.

May 4th. Mr Lester Pearson pointed out that other nations shared Mr Molotov's sympathy for Asian freedom, but that they wanted that freedom to be more real than that of the Soviet satellites in Europe. As to the charge that the United States was aggressive and imperialist, if that were true Canada, its nearest neighbour, would not today be independent. Mr Pearson asked if Chou En-lai's denunciation of foreign bases in Asia applied to the Russian base at Port Arthur in China. Nam Il's revelation that the all-Korea commission he proposed must take decisions by agreement meant that the Communists would obtain a power of veto. The Colombo communiqué was important and constructive; Mr Pearson hoped that the free Asian states would take some responsibility for a peaceful settlement in Asia, and he noted the importance they attached to the United Nations. Failure at Geneva might compel those nations that felt increasingly threatened to discuss further means of meeting the threat.

For the Netherlands, Mr Luns said that the general debate had not made the task of the conference easier; he begged the Communists to abandon their "dogmatic blueprints" and join the other powers in narrowing discussion down to relevant issues. Recalling Chou En-lai's attempts to show that the Asians' interests were opposed to those of the West, Mr Luns quoted from UN resolutions that had been supported by all the non-Communist nations.

A Viet Minh delegation arrived in Geneva, led by Pham Van Dong, a deputy premier in Ho Chi Minh's government.

May 5th. A French spokesman announced that it was hoped that the Indo-China talks could begin on May 7th or 8th. M. Chauval of the French delegation discussed this question and also that of the chairmanship of these talks with Mr Gromyko, and apparently no disagreement emerged. No plenary session of the conference was held, but private talks between delegations continued.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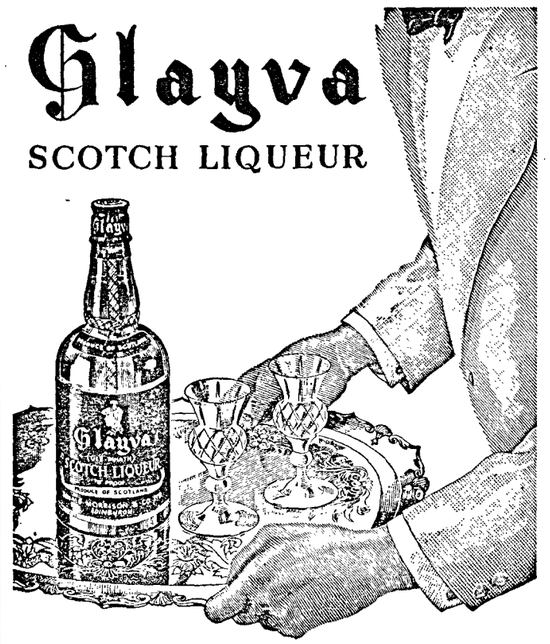

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all non-speculative ; it can safely be assumed that most of those who switch funds for the sake of a turn in interest rates simultaneously cover their exchange risk by a forward transaction. The first two types of transfer can also be regarded as virtually non-reversible. Whereas the interest arbitrage funds will be withdrawn as soon as renewal transactions cease to offer a sufficient profit-margin, the working capital balances will be maintained so long as London retains the ground it has won in world markets.

Superimposed upon these three types of business, however, are two further kinds of transfer. When the demand for working capital and interest arbitrage in London had lifted sterling to its upper limit, there was increasing discussion, both in London and overseas markets, of the possibility that the Bank of England might seek to restrain the pressure by widening the permitted range of fluctuation. So long as the authorities adhere to the IMF rules, they could widen the present range only very slightly from the present range of $2.78-82 to $2.77¼-82¾. But last week it was rumoured that Britain was intending to go beyond these limits and had, indeed, already opened discussions with the IMF. These rumours have since been categorically denied ; and it has also been implied that there is no intention to take advantage of the small additional latitude still left by the IMF rules.

The strength of the rumour, however, had made it highly influential. The expectation of a further rise in sterling sharply intensified the demand, though not in time to find reflection in the April gold figures. These additional demands were necessarily speculative. But it seems improbable that any large volume of international funds is free to move for speculative financial purposes as such ; the major international banks do not run unnecessary exchange risks and would be unlikely to gamble on a change in British policy, however strongly rumoured. The main source of "speculative" demand for sterling almost certainly came from the sudden anxiety of commercial and other interests to cover their normal future commitments in sterling. It should be noted that the purely speculative transfers may be reversed, whilst the commercial speculation definitely will be—in the sense that Britain is benefiting now by receiving payments not yet due, but later will be selling goods without further benefit to the reserves.

There is, unfortunately, no means of gauging the relative strengths of these several influences ; indeed, there are complex inter-relationships between them. The inter-relationship can best be illustrated by the interesting fluctuations that have occurred recently in the scope for interest arbitrage between New York and London. Early this year, when the forward rate for the dollar was almost at par, a New York banker who bought spot sterling and re-sold it three months forward could reap virtually the whole of the wide margin between the rates obtainable from, say, US government and British Government Treasury bills. But in the first three months of this year, partly because of these very transactions, the forward dollar moved to a wide premium ; hence, although the New York Treasury bill rate fell further, the additional interest that could be earned in London was substantially offset by the cost of obtaining the forward cover. That still seemed to be true of the rate pattern obtaining at the middle of last week ; for the London Treasury bill rate, under threat of a revival of demands of this kind, had eased ten days before from about 2⅛ to 2 3/32 per cent. If any perceptible scope for switches between these two markets still remained, it might have been expected to show itself in a further rise in the premium on forward dollars. But in fact, on Thursday and Friday of last week, the premium contracted sharply.

This sudden narrowing of the premium, coming so soon after the sterling rumours, is almost proof that the principal new factor in the market at that point was a sharp increase in the "speculative" commercial demand—the demand for forward sterling. Because of this drop in the forward dollar, the margin for interest arbitrage was opened up again, and at this point the impact on the London market was very clearly seen. In expectation of increased competition at last Friday's tender for British Treasury bills, the London discount houses again raised their tender prices ; the volume of applications for bills mounted sharply to the new high record of £437½ million, which suggests that there must have been a considerable "outside" demand, even though the official tender was known to have been large ; and the upshot was a fall in the average rate of allotment to £2 os. 11.36d. per cent, its lowest since March 7, 1952, when Bank rate still stood at 2½ per cent.

Even at this level, however, there remained a net margin for arbitrage transactions. This week's denial of the sterling rumours did not have any pronounced effect upon the exchange market—though it did, perhaps, arrest a further easing of the forward dollar. More significant still, the U.S. Treasury bill rate dropped still further at last Monday's tender ; the average allotment rate of 0.773 per cent, the lowest for more than six years, compared with 0.886 per cent in the previous week and with 1.066 per cent three weeks previously. At these levels, the margin between the yields in the two markets was at least ⅝ per cent more than the cost of covering the exchange risk.

For this reason, and because the easing of London rates strengthened the hopes of a fall in Bank rate, the pressure upon Lombard Street was intensified—with the result that bill rates eased still further. But on Thursday Bank rate was left unchanged. Given the prevailing bullishness in stock markets and the sharply falling trend of unemployment—to which the Chancellor himself drew attention on Monday—the "green light" signal of a cut in Bank rate could be dangerous. But if the authorities do intend to maintain the 3½ per cent Bank rate, they would do well to take more vigorous steps than have lately been seen to mop up surpluses in the money market. Otherwise, the frenzy of anticipatory dealings is likely to recur as each Thursday approaches.

New Thinking on EPU

THE main items on the agenda of this week's Ministerial Council of the Organisation for European Economic Co-operation were the future of the European Payments Union and the parallel problem of the further liberalisation of trade between the member countries. The two problems are obviously and inextricably intermingled. Only if member countries of the Union can maintain their balances of payments in reasonable equilbrium will the liberalisation of their mutual trade bear much promise of further progress. The elimination of the chronic unbalance, whether as creditor or debtor, of some countries' EPU accounts is one of the conditions for the continued satisfactory operation of the Union itself. The problem, therefore, is not only one of dealing with the relics of past disequilibrium in the form of large accumulated surpluses and deficits in the European Payments Union but also of ensuring that such excessive positions do not recur in future. The experts who have prepared for the present meeting and the Ministers who have been to Paris this week do not have to be reminded that it would be waste of time to display ingenuity in devising the mechanics for dealing with the present symptoms of disequilibrium if, at the same time, nothing were done to ensure that disequilibrium is not recreated in a matter of months.

The discussions of the terms on which EPU might be extended after June 30th next were begun last November and have since been debated almost continuously within the Managing Board of the Union. The report of the Managing Board, completed in March, contained two proposals put forward by the creditor countries in EPU. The first was that creditors earning surpluses beyond the level of their quotas should receive in settlement a higher proportion of gold than the 50 per cent they now receive. The second was that countries that had been in debt to the Union for an extended period—eighteen months was one suggestion—should fund part of that debt, withdraw it from the Union and make an immediate start in repayment. The extreme version of the creditor case was that put by Germany. It was strongly supported by the Netherlands, and less strongly by the two other creditor countries, Belgium and Switzerland. Throughout the discussions these two countries have taken a much more lenient attitude, both in the matter of "hardening" the EPU and of funding debts outstanding for more than a certain length of time.

The extreme debtor case was that put forward by the Scandinavian countries. They demanded an extension of EPU on exactly the same terms as those that obtain at present ; but this proposal was found so unacceptable to the creditors that it has been withdrawn in favour of certain compromise proposals made by the United Kingdom. It is these British proposals, tempered by some amendments made on Swiss initiative, that have held the centre of the stage at this week's ministerial discussions in Paris.

The view of the debtors as voiced by the United Kingdom has adamantly opposed any suggestion of hardening the EPU mechanism by increasing the ratio of gold payments to excessive creditors. It should be emphasised in this context that the proposals made by the creditors were not that the whole range of proportional gold payments should be increased for debtors and creditors alike, but only that the gold payments to creditors should be raised and then only where those creditors exceeded their EPU quotas. Even in this strictly limited form, however, the suggestion has been opposed because it was deemed that it would bring the Union nearer to the principle of full settlements in gold. It has been assumed that Germany will continue to build up surpluses with the rest of the Union and that under the formula proposed by Germany a time would soon come when the whole of those surpluses would, in effect, be payable in gold. The United Kingdom and the other debtor countries argued with considerable force that such an amendment of EPU could lead only to an immediate curtailment of intra-European trade and would, therefore, be hostile to the whole philosophy of expansion on which the OEEC and the EPU were conceived. The objection to the creditors' proposals was also based on the reasoning that such an increase in gold payments to the creditors, without corresponding adjustments of the gold obligations placed on debtors, would tend to denude the Union of gold and convertible currency, which might be needed later for assistance to certain countries when the present EPU mechanism makes way for a more convertible and multilateral system of payments.

*

On the second suggestion of the creditors, namely that long-term debtors should remove part of their overdraft from the Union, the United Kingdom came forward with a considerable concession that the United Kingdom would make bilateral arrangements with the creditors to repay its EPU debt and would earmark £30 million in gold as an immediate down-payment. This offer raises complex issues of both principle and technique. On the technical side it immediately poses the problem whether a debt removed from the EPU and funded in this manner should automatically be reconstituted in the facilities available to members of the Union through their quotas. The accountancy problems that would be created by the funding arrangements (which would immediately affect the positions of both creditors and debtors in EPU) and by the subsequent repayment of the loan bilaterally

(and therefore by payments that by-passed the EPU mechanism) are horrifying. Some hint of their complexity—mirrored, incidentally, in the more than usually obscure jargon that has surrounded them—is provided by the manner in which a Swiss loan of Sw. Frs. 100 million has recently been made to Italy. This particular loan has been handled through EPU and has, therefore, affected the Swiss and Italian cumulative positions in the Union, whereas the repayment of the loan over the proposed five-year period will be effected by direct transfers from Italy to Switzerland. In order to maximise the impact of this loan operation on the respective credit and debit positions of the two countries in EPU, the gold payments that would normally flow from the change in these positions are being temporarily waived and will take place only if and when the creditor and debtor positions of Switzerland and Italy are reversed. The device by which this result is achieved has been christened the "non-reversible sandwich tranche." It is presumably this technique that would apply to the proposed funding of the long outstanding debts owing to EPU. The matter is mentioned here only to illustrate the appalling complexity into which EPU accounting is now drifting, and to evoke the hope that the day may soon dawn when the movement towards convertibility will have caused EPU to wither away. For all the Union's good work, that final demise will not be an occasion for sorrow or regret. But the day of release is not yet and must still be shaped to accomplish the substantial work that still lies before it.

*

Assuming that the British offer of an immediate downpayment is accepted, it will then remain for Britain and the other debtors concerned to make bilateral arrangements with creditors for funding and repaying the balance of the debts due to them. By far the most important of these bilateral arrangements will be that between the United Kingdom and Western Germany. In envisaging its general character (a matter that will certainly have been discussed during Mr Butler's visit to Bonn at the end of this week), it will be well to bear in mind that it was only last year that an agreement was reached under which Western Germany was allowed to stretch the repayment of its external prewar and postwar debts over the generous period of twenty years. Germany has now asked that the EPU debts due to it should be repaid over a period of three or seven years. Any such settlement would be extremely hard to swallow and leave an unpleasant Schachtian taste in the mouth. Germany would be well advised not to press this matter too far—or, alternatively, to adjust the period over which it is prepared to repay its own external debt to that which it is demanding for the repayment of the debt to it.

This is but one of the matters of principle that will have to be discussed in the context of Britain's conditional offer for the funding and repayment of its debt to EPU. That offer depends on assurances from the creditors, mainly Germany, that they will follow a "good creditor policy" and take action that will reduce their current and future surpluses with EPU to manageable proportions. A creditor's *vade mecum* has recently been drawn up for Germany by the Economic Committee of OEEC. It makes many constructive suggestions for solving the problem of Germany's growing surpluses, including the accelerated repayment of Germany's external debt to which reference has already been made. It also suggests that Germany would be justified in adopting a more expansionist credit policy. This does not mean that Germany should inflate because its neighbours and colleagues have been so ill-advised as to do so (indeed, whether they have done so, and to what extent, are matters for argument). The proposal rests on the fact that it is difficult to reconcile Germany's persistent surpluses on its balance of payments with the established facts of that country's penal rates for commercial credit, its resort to artificial export incentives and, last but not least, its relatively low levels of nutrition. If Germany persists in its present ultra-hard credit and fiscal policy it should accept the logical sequel, namely, a substantial upvaluation of the Deutschemark. That would rapidly provide a cure for Germany's chronic surplus.

The differences that have been discussed in Paris this week symbolise not merely the traditional clash between creditors and debtors, but also that between the predilection of many Continental countries for formal and rigid agreements and Britain's tendency to lean on informal and flexible arrangements. A satisfactory compromise between these differences will assuredly be found, since all members of EPU are convinced of the continuing usefulness of the system in the months that lie ahead. The achievement of a satisfactory solution will be aided if all concerned will bear in mind the temporary and makeshift character of the Union and realise that, thanks to the increasing use of sterling in intra-European trade, a large part of the Union's work in clearing intra-European balances has already disappeared.

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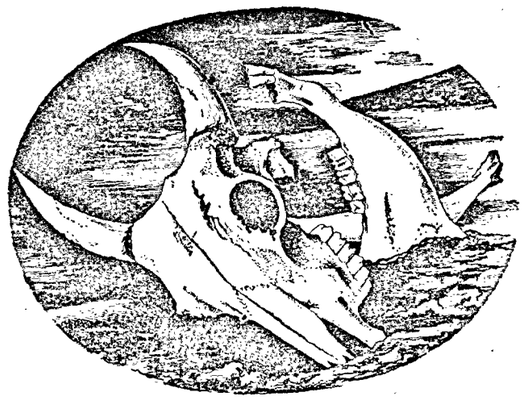

No Man's Land

GREAT TRACTS OF AFRICA remain today much as Livingstone found them—silent, often beautiful, potentially fertile, but without human inhabitants. No man lives here, for he cannot survive without his beasts, and in those regions even the hardiest cattle are struck down by a deadly disease—trypanosomiasis—which is carried by the tsetse fly. Today, modern science is mounting a powerful offensive against trypanosomiasis. The spearhead of its attack is aimed at the malady itself, by providing drugs to cure the disease or prevent it developing in animals living in tsetse-infested areas.

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Unilever Across the World

UNILEVER rounds off its revenue account and balance sheet figures to the nearest thousand pounds; there are few other groups that do so, or would be justified if they did. What matters in Unilever is not the last three noughts, but the figures in front of the *millions*—turnover £1,310 million in 1953, itself up nearly £100 million; capital employed £355 million, up £20 million; trading profit £62 million, up £23 million; and taxation £34 million, well over half the profit and £12 million more than in 1952. These figures have a significance stretching far beyond the 192,000 stockholders in the "Limited" leg of the Unilever giant and the unknown number of members of "NV," who hold bearer shares. They are the cause and consequence of trading operations stretching across the whole of the free world, in fats, detergents, a wide range of foods, chemicals, general merchandising and shipping. Unilever will make and sell artificial cream in Finland, plywood in Nigeria, petroleum cracking catalysts in Warrington; it will can hams in Holland and export them to America, spend £129,000 on tea-bagging machinery for the Lipton business in the United States, now hitting new records, and lift its sales of animal feeding stuffs from £90 million to a record £104 million to celebrate their decontrol.

Calendar years: £000's throughout	Limited		N.V.		Unilever Group	
	1952	1953	1952	1953	1952	1953
PROFITS, PROVISIONS AND DIVIDENDS						
Depreciation	8,467	7,796	8,358	7,358	16,825	15,154
Trading profit	**25,262**	**27,525**	**13,659**	**24,127**	**38,921**	**61,652**
Taxation	14,154	20,079	8,026	13,781	22,180	33,860
Net profit	**13,343**	**16,891**	**7,713**	**8,933**	**21,056**	**25,824**
Ordinary dividends	1,253	1,486	2,439	2,837	3,692	4,323
Ordinary dividends (%)	13¼	15¾	12	14	—	—
Profit retained	9,807	13,014	4,180	5,005	13,987	18,019
ASSETS AND LIABILITIES						
Fixed assets, *less* depreciation	81,330	84,984	81,595	84,825	162,925	169,809
Net current assets	120,961	131,015	51,581	54,098	172,542	185,113
Stocks	102,190	101,891	80,146	84,466	182,336	186,357
Ordinary capital and reserves	101,320	114,334	63,978	68,804	165,298	183,138

All the trees in the Unilever forest are so tall that a few shafts of intense sunlight must serve to illuminate its complexities. The accounts are, as ever, a *tour de force*—about as simple as they could be made for an immense group consisting of its two partners, linked so far as ordinary dividend rights are concerned, with an indissoluble bond of twelve guilders to the pound and engaged in manufacturing and marketing on a global scale. Picking his way through the figures and narrative, the stockholder will mark the solid benefits of expanding turnover and firm but not extravagantly rising prices. There were no fortuitous profits from rising stock values last year; the £62 million trading profit that emerged (say, 4½ per cent on turnover, compared with just over 3 per cent in 1952) was full measure with no inflationary froth. The current year's sales and profits so far are described as "satisfactory"; on present signs, the outturn for the whole year may deserve a more enthusiastic word.

It had been widely expected that Unilever would revalue its fixed assets at the end of 1953. It has done so, and has also decided to consolidate all foreign assets and liabilities, fixed, permanent, or current, at the end-year rate of exchange without distinction. This will send accountancy students muttering to their textbooks, yet it has the logic of simple consistency. As for the revaluation, it discloses a much smaller understatement of fixed asset values in the books than might have been expected—about £13 million against £130 million of net fixed assets. This is not a revaluation that splits hairs over index numbers of replacement costs; it rests on broader judgments of efficient use and earnings potential. At the same time, the directors, having been forced to the conclusion that there was no clear way of revaluing the very real asset of goodwill, decided to eliminate it and this £61 million item has been written off largely from capital reserves (including the £34 million of additional depreciation that had been set aside to the end of 1952). The upshot is that fixed assets at the end of 1953 stood in the books at £157 million, after deducting £67 million of accumulated depreciation provisions; and the latest year's provision of £15.2 million, being based on current asset values, needs no supplement. Unilever has thus secured that full provision, as near as may be, is available for the replacement of fixed assets, and that goodwill, intangible but immensely valuable, no longer appears in the balance sheet.

Spending on new capital projects at the rate of over £20 million a year, and faced this very weekend with the finding of £15 million to re-enter the British margarine market as a principal instead of being a mere Ministry agent, as in the past fourteen years, Unilever's cash requirements are heavy. The consolidated balance sheet shows evidence of some preparation to meet these demands, for Limited's investments (mainly short-term, presumably) have risen from just over £1 million to £10¾ million, and the combined net current assets of the group are up from £172½ million to £185

million. Evidently last year's comparative stability of prices must have given a useful breathing space from the earlier pressure to find finance for stockholding at inflated prices.

★

Giants, like ordinary mortals, have their aches and pains. The Lever Brothers business in the United States lost money last year, largely because the disappointing Harriet Hubbard Ayer cosmetics subsidiary was sold at a loss. Other toilet preparations in the American market were disappointing too, and profits from soap and detergents in the United States showed no advance, although Lever's obtained a larger share of the synthetic detergent market. Between the lines of this report, the inference seems to emerge that the Lever business in the United States, though not so troublesome a child as it was a few years ago, has still to fight its way against the keenest competition into satisfactory profits. There are other places nearer home where the battle for markets is sharp—in Germany, for example, where for a time last year presents were given away with every packet of margarine, and in Holland where there was "no reasonable relationship" between the volume of margarine sold and the profits earned. Perhaps this suggests a question mark about what the stork will bring in Britain when it arrives next Monday.

It seems, indeed, that there are two contrapuntal themes in this report. The strains of gross inflation have eased, and with this relief the problems of finance and trading policy have shrunk to a more normal scale. But in markets across the world, the consumer has again become sovereign, and Unilever, for all its power and efficiency, recognises itself as the consumer's subject. From all the evidence of expanding prosperity in many of its markets, Unilever should enjoy a good year in 1954. It will always be subject in a marked degree to the changing tides of world prices and economic progress, but at present, at any rate, these are flowing favourably and not violently. It is on the expectation that present trends should be good for the rest of this year that Unilever ordinary stock has risen this week to 68s. 9d. and may justify its yield of £4 11s. 8d. on last year's dividend, for unless strange things happen, 1954 should produce more.

Business Notes

Return of the Bulls

INVESTORS have returned in strength to the share markets; as was widely suspected last week their change of mood proved no more than temporary—a healthy shake out after a long period of uninterrupted advance. They have bought gilt-edged substantially and industrials spasmodically; the settlement reveals that a "bull" account has been built up here and there, but it exists mainly in a few speculative favourites of the stores group. It is not possible to prove that the market as a whole is overbought, though it is legitimate to suspect that the advance is now entering a more dangerous phase. The vital indices meanwhile continue to rise steadily. *The Financial Times* industrial ordinary index reached 146.9 on Thursday compared with 145.2 at the end of last week; the fixed interest index rose to 114.02 compared with 113.54. The sun has come out again to shine on those who wish to make capital issues—particularly of fixed interest stocks.

Most important of the new issues is the £6 million 3¾ per cent stock 1970-1972 of Birmingham Corporation, offered at 98½. The terms, when the announcement was made, were none too generously adjusted to the market, the gross redemption yield to 1972 being £3 17s. 4d. per cent compared with £3 17s. 7d. per cent on the Glasgow 3¾ per cent stock to redemption in 1973. The further advance since last Monday's announcement has made the issue more inviting. Of the seven British corporation issues made in the last two years, Birmingham's Labour-controlled council thus accounts for two. Also of the type which may appeal to large investors is the issue of £3½ million unsecured loan stock 1971-74 at par in Metal Box Company. It is to be made only to existing preference and ordinary stockholders.

Strong markets are thus fulfilling a useful function in allowing refinancing projects to proceed. What is sustaining their strength? Fewer influences from foreign money have been apparent in the last few days in the long-te. investment markets. Talk of an early revision of the official upper and lower limits for the sterling exchange rate has also been hushed for the moment. One carrot which leads the donkey on is renewed speculation about a possible fall in Bank rate. The notion is proved wrong as often as it is raised; but if the donkey were allowed to eat the carrot might he not lose his taste for running?

The Golden Flood

THE gold and dollar reserves of the sterling area rose by more in April than in any other month since detailed figures were first given in January, 1952. The increase totalled $135 million, and brought the reserves to $2,820 million, or just over £1,000 million. American aid accounted for only $9 million, and receipts from the European Payments Union in respect of the March surplus to $7 million. The surplus on the residual gold and dollar account was thus also easily a record, at $119 million. The picture was further brightened by the announcement of a surplus of £28.2 million with EPU in April, which falls to be settled 50-50 in gold and repayment of credit in the middle of this month. This is far and away the largest surplus achieved with Europe since the end of 1952, when it was swollen by the officially sanctioned arbitrage scheme in dollar commodities; and it follows a long run of months in which the surpluses that were achieved were attributable mainly to non-commercial factors.

TREND OF DOLLAR SURPLUS

($ million)

	Gold payments (−) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	Net surplus or deficit	EPU settlements†	Residual gold and dollar balance			
Jan., 1953....	+ 88	+ 58	+ 30	+ 44	+132	1,978
Feb., 1953....	+ 92	+ 18	+ 74	+ 33	+125	2,103
Mar., 1953....	+ 34	+ 19	+ 15	+ 29	+ 63	2,166
April, 1953....	+ 87	+ 11	+ 76	+ 20	+107	2,273
May, 1953....	+ 35	+ 21	+ 14	+ 13	+ 48	2,321
June, 1953....	+ 18	+ 10	+ 8	+ 28	+ 46	2,367
July, 1953....	+ 53	+ 2	+ 51	+ 36	+ 89	2,456
Aug., 1953....	− 6	− 6	Nil	+ 19	+ 13	2,469
Sept., 1953....	− 11	− 15	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 21	+ 6	+ 15	+ 13	+ 34	2,520
Nov., 1953....	+ 17	− 15	+ 32	+ 24	+ 41	2,561
Dec., 1953....	+118	+ 4	+114	+ 20	− 43*	2,518*
Jan., 1954....	+ 10	− 4	+ 14	+ 15	+ 25	2,543
Feb., 1954....	+ 9	+ 7	+ 2	+ 31	+ 40	2,583
Mar., 1954....	+ 88	+ 2	+ 86	+ 14	+102	2,685
April, 1954....	+126	+ 7	+119	+ 9	+135	2,820

* 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.

The influx of foreign exchange has depleted the sterling resources of the Exchange Equalisation Account; a further issue of £300 million is accordingly to be made to the account, bringing its total resources to £975 million.

There has naturally been considerable conjecture about the extent to which this striking increase in both portions of the dollar surplus has been caused by the inflow of foreign funds; the nature and effects of this movement are fully discussed in a leading article on page 469 of this issue. The Chancellor has this week affirmed that the movement in the reserves was attributable to "commercial and financial transactions of a normal character." This statement does of itself suggest that an appreciable part of the inflow of exchange resulted, not from larger exports and smaller imports, but from financial transactions such as the building up of working balances in sterling in the gold and exchange market. To the extent that such transactions reflect the wider scope for international arbitrage that now exists in the London market they do not of course detract from the significance or usefulness of the increment in reserves. But, as the article on page 469 points out, some of the favourable factors now playing on the reserves are not only non-recurring but also self-reversing.

Britain and Schumania

IT seems unlikely that the discussions upon British association with the European Coal-Steel Community, for which the Government has invited M. Monnet to visit London, can begin before June. The Government has not quite completed its own discussions with the British coal and steel industries upon the subject; M. Monnet, too, may be pre-occupied with the meeting of the Community's assembly this month and with arrangements concerning the American loan of $100 million to the Community.

The British reply, which was published this week along with M. Monnet's skilfully drafted original letter, was roughly what had been expected; non-committal, though possibly warmer towards the idea of "intimate and enduring association" than some people in the two industries concerned would have preferred. It agreed that "a mutually acceptable system of association," if one could be worked out, "would be politically desirable and should enable economic advantages to be obtained" by both parties; and that association should lead to "the development of trade in an expanding world economy." But it proposed to M. Monnet merely discussions over the precise form that association might take.

M. Monnet's original proposals, which were offered in some detail as a basis for discussion, included:

Reducing or eliminating restrictive measures which impede coal trade, as well as the reduction or elimination of quantitative restrictions and customs duties on steel.

The application of "certain rules" to exchanges between the British and European markets; the High Authority would seek such rules "along the lines of those provided for in the Treaty constituting the Community."

Continued exchange of information, particularly before taking "important actions"; and

Establishment of a "Council of Association" to watch over the operation and development of the association.

The British Government "would like to examine" these suggestions—which, it may be noted, go rather beyond anything that any politician or industrialist has yet proposed in this country.

Houses on the Cheap

PLANS for reducing the down payment that an owner-occupier has to make for his house have at last been announced by Mr Harold Macmillan, Minister for Housing and Local Government, on the eve of this week's building society meeting. Two schemes are offered, both within the framework of existing legislation, and both encouraging building societies to lend a higher percentage of the valuation of the houses concerned than they would normally do. The risk attached to the additional advance is shared equally between the building society, the local authority and the

Treasury. Both schemes are limited to small dwellings; scheme "A" has an upper limit (purchase price or valuation, whichever is lower) of £2,500; the normal building society advance is taken at 70 per cent and the new maximum advance is to be 90 per cent on a 25 year mortgage at 4½ per cent. On scheme "B" applicable to dwellings built since 1918 of a maximum value of £2,000, the "normal advance" is assumed to be 66⅔ per cent and the new maximum advance on a 25 year mortgage at 4½ per cent is 95 per cent.

The Minister's motives in commending these plans to the local authorities (he has no power to compel) are all praiseworthy. He wants to encourage home ownership; he wants to do something for the £11 to £14 a week income group; and he wants to stop the steady increase of £6 million a year in housing subsidies on council houses. He supplements the plans by urging local authorities to lend more freely for improvements. But there are possible consequences that may not be so advantageous. It is reasonable to start with a limit in value a little above the present cost of council houses but if the limit is kept low there may be a tendency for better-type houses to be cut down to it, at a sacrifice of quality and appearance. It is also clear that the building societies have been allowed to drive a forceful bargain. Their "normal advance" has been surprisingly taken as 70 per cent under scheme "A" and 66⅔ per cent under scheme "B." The real practice has been to advance up to 80 per cent and sometimes even more on valuations under £2,000. Therefore, part of the field over which they receive a two-thirds indemnity against loss is one which in the normal course of business they cover without assistance. As the mortgage is repaid the guarantee to the building society is discharged, but not until the outstanding debt drops to the low figure of 60 per cent of valuation or cost under scheme "A" or 50 per cent under scheme "B." These concessions give generous compensation to the societies for taking a greater risk than normal.

Financial losses are not likely to be heavy, for the plans embody two wise decisions. First, there has been no interference with the practice of basing advances on the lower cost or valuation (often a very different figure from cost), and, secondly, the building societies retain the right to accept or reject the borrowers. They will use that power to discourage a man from taking on an excessive burden. Normally they do not like the charge for building society payments and rates to exceed one-fifth of the family income.

Building with "Hot" Money

THE speech with which the chairman of the Building Societies Association, Mr Hubert Newton, opened this week's conference in London must have gladdened the heart of Mr Algernon Denham, president of the Halifax Building Society. Just over a month ago Mr Denham raised the cry of "hot" money, issued a warning against the acceptance of temporary deposits from limited companies, and urged the association to set a limit to the intake of investments from any one source. Mr Newton gave a strong expression of official disapproval for the limited company type of investment in building societies: "We have to guard against what may be short-term borrowing since our main task is in long-term lending. These considerations must come before the making of new records for the annual balance sheet."

New records have certainly been made; the official estimates for 1953 by the Registrar of Friendly Societies shows records for 1953 in total assets, mortgage advances and on all the essential building society statistics save one. The exception is the number of building societies in Great Britain which each year declines mainly through amalgamation, and last year fell from 755 to 743. The general showing of the Registrar's figures for 1953 is slightly below the estimates made in *The Economist* a fortnight ago; the official figures are given below:

BUILDING SOCIETY GROWTH
Registrar's Figures
(£ million)

	1951	1952	1953
Total assets	1,357	1,478	1,642
Due to shareholders	1,057	1,186	1,339
Due to depositors	208	197	202
Due on mortgage	1,158	1,263	1,396
Advanced on mortgage (during year)	268	266	298
Number of shareholders (mn.)	*2·36*	*2·47*	*2·62*
Number of depositors (mn.)	*0·62*	*0·60*	*0·59*

The building society movement has a fine record behind it and with the new Government housing plans announced, big possibilities in front of it. Mr Newton's emphasis on stability of interest rates and the appeal to long-term savers provides a fitting footnote to this story of achievement and promise. Interest rates on shares and deposits, he declared, should be kept as stable as possible, and interest on mortgage advances as low as possible; and frequent changes of interest rates should be avoided.

Gateway to an Atomic Industry

THE Department of Atomic Energy has this week opened a door to the Windscale plutonium factory in Cumberland, production centre of the country's fission materials. The appearance of visitors in such a plant is a tangible sign that atomic energy is advancing from secret weapon to the status of a new industry. The most striking single impression that the plant makes at close quarters is the radical difference between the atomic industry and all others. The Windscale project is not a plant so much as an industrial site holding a number of separate inter-related plants. It covers more than 300 acres, and dominates the surrounding countryside with its two atomic piles and their 400-foot cooling towers. In these piles, atomic fission gradually transforms uranium metal into plutonium, the major atomic explosive material and the starting point of many phases of atomic development. Other plants on the site separate the plutonium from the uranium, a dangerous and difficult chemical operation; purify waste uranium so that it can be re-processed at the Springfield uranium metal factory; purify crude plutonium; and convert it into metal for use by the Department's other plants.

There is no discernible evidence in the plant that any of this processing actually takes place. Nothing moves outside the concrete shielding that surrounds the piles and the chemical plants; and there is no movement in any conventional sense going on inside them either—only the lethal activity of radiating atomic particles moving on a blind set course, colliding with and being diverted or destroyed by other atoms, joining with or being divorced from chemicals of the most dangerous kind. The only sound to be heard is the noise of fans blowing cooling air through the piles, and the occasional clucking of an electronic counter assaying radioactive samples. Against a static background of elegant white shapes of the plants and the occasional soaring chimney uncontaminated by smoke, the only tangible reminders of the reactions in the plant's core are the ritual safety precautions against the invisible hazard of radiation. It is as if those employed on the site are all on speaking terms with a ghost that the visitor cannot see.

Windscale and Beyond

THE design and building of the Windscale works was a major act of faith. The engineers, chemists and physicists commissioned to set up a full-scale plutonium plant had no information about the American plant. As it turned out, they overrated the difficulties of running a plant of this kind—and in one or two cases made new difficulties by underrating them. It was assumed that once the plants were working, the key sections would be surrounded by too much radiation to permit normal repair and maintenance. In practice it has proved possible to enter the plants and to carry out repairs under carefully controlled conditions. Scientists count this as a major advance in operating techniques; men are gradually coming to terms with nuclear technology and its attendant phenomenon of radiation, and are finding that quite heavy doses of radiation can be harmless, provided that the average safe dose over a period is not exceeded. The safety precautions in a plant of this kind are based on strict discipline; no shoes, clothing or food that might become contaminated are allowed across the barriers in the change rooms that divide the safe from the possibly contaminated sections of the plant; and close watch is kept on the amount of radiation to which each worker is exposed, so that the effects of an over-dose can be offset by a temporary change of work to a non-radioactive part of the plant.

The task of enforcing these precautions for each of the 3,000 workers employed at Windscale is a major administrative feat, and it gives a foretaste of problems peculiar to the new industry. Housing is likely to be another difficulty. Windscale is a typical atom site on a remote part of the Cumberland coast; since work began in 1947, a thousand new workers have been brought into the area and more than 700 houses built for or allocated to them. When the breeder reactor is built at Dounray, in the north of Scotland, communications, housing and social problems will be even more serious.

The next step at Windscale will be the completion of the Calder Hall power station; this may well be the world's first atomic generating plant. Construction work on the first of the two piles is approaching completion and foundations are being prepared for the second. When these piles are finished, they will provide heat for steam-raising, and will also double Windscale's output of plutonium. It is difficult to grasp the fact that these enigmatic structures, with their sheer concrete walls, are the producing units of a new industry and not a new Stonehenge. Windscale as it is today is undoubtedly the forerunner of many similar plants and the Department of Atomic Energy, caretaker for the new Authority, has done well to show, for the benefit of the public, that these plants can be run on a normal daily routine that demands a high degree of individual concentration but is in essence no more complicated than the watchful care required in an oil refinery.

Saudi Arabia's Tankers

A ROYAL decree is reported to have been issued in Saudi Arabia confirming the agreement by which M. Aristotle Onassis, the Greek-born shipowner, who is now an Argentine citizen, secures the right to ship all Arabian oil that is not shipped in the tankers of the four American companies that are partners in the Arabian American Oil Company. A tanker company, apparently to be owned by the Government and M. Onassis, is to be set up; M. Onassis, described as "a minority shareholder," is to make available 25-30 modern tankers, mostly unlaunched as yet, with a total tonnage of some 500,000 tons dw. Aramco, which has been carrying about 40-50 per cent of the oil shipped from Arabia in its own tankers, will be precluded from enlarging the fleet that it was operating on December 31, 1953; moreover, it will not be permitted to replace these vessels as they go out of service. An exclusive right to carry all the oil shipped from Arabia by sea, it would appear, might thus eventually accrue to the new company; and in the meantime it would have the sole right to ship additional tonnage as the country's oil output continues to grow.

M. Onassis's tankers, under the agreement as reported, are to carry any oil belonging to the Saudi Arabian Government free;—which presumably refers to oil that the government may take in lieu of cash royalties. He is to pay the government a royalty of 1s. 6d. a ton on all the other oil—produced by Aramco—that his tankers carry. At present Saudi Arabian output is about 42 million tons a year. About 15 million tons a year goes out through the pipeline to Sidon on the Eastern Mediterranean, and a roughly similar amount is piped to the refineries at Ras Tanura and Bahrein, from where it is distributed as products. Some 10 million tons of crude, therefore, are shipped by sea from Arabia, plus the refined products from Ras Tanura; it is still undisclosed whether this agreement refers only to crude shipments or includes refined products. The tankers initially planned for the new company would probably carry not much more than 3½ million tons a year—"10 per cent of the country's output" has been mentioned. To take full advantage of its expanding "second priority" it would presumably need to acquire or charter extra tonnage.

This new exercise in discrimination is deplorable and potentially dangerous to all international oil companies in the Middle East, apart from the restrictions it places upon tanker operators and purchasers of Arabian oil. It may not formally cut across Aramco's concession; but this

restriction upon the marketing of the company's oil, the substantial royalty payments from which already constitute most of Saudi Arabia's national revenue, will presumably be strongly opposed. As an example, this attempt to exact a share of marketing as well as production and refining products by a Middle Eastern government will inevitably attract envious attention nearby.

BIF's New Look

THIS year's British Industries Fair, which opened on Monday, is the last to be organised under the supervision of the Board of Trade. Just before the Fair opened, the formation of the new company, British Industries Fair Ltd., was announced, with Sir Arthur Smout as its chairman. This company will take over general responsibility for the BIF and will organise the London sections, while the Birmingham section will remain under the control of the Birmingham Chamber of Commerce.

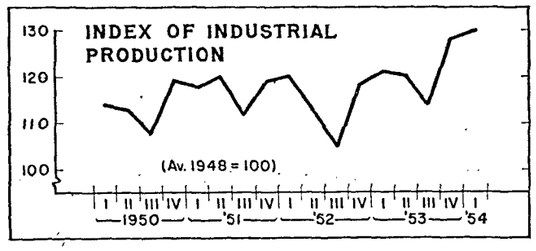
Exhibitors at this year's fair show a touching confidence in the ability of the new management to restore the BIF to some of its old glory, but the malaise from which the Fair has been suffering during the past three years has not been wholly due to its organisation. The new company will have the advantage of continuity of management, which was impossible under a civil service system of promotion, but its main task will be to pursuade companies, and in some cases whole industries, that a site at the Fair is worth the heavy expense incurred. Big companies are now in constant contact with their foreign markets, and it is only the small manufacturers who still find the Fair a useful occasion for establishing contact with foreign buyers. Even their needs are being met to an inreasing extent by special trade fairs. The Birmingham section of the exhibition, which has consistently shown a profit, has, indeed, much of the character of a trade fair for the engineering industries.

The problem is, therefore, how to win back support for the London light industry sections. New industries, like boat-building, pre-fabricated houses and caravans can, as this year's fair shows, only partly fill the gap left by defaulters in the textile and pottery industries and other once stalwart supporters of the Fair. The new company, however, is likely to get the support of many of this year's truants. It will then be up to the management to attract enough interest in the Fair at home and abroad, to justify this confidence. One obvious improvement could be in the general lay-out of the London sections of the Fair. The beautifully mounted Commonwealth section this year shows how great a difference can be made by coherent planning in a group of exhibits.

Output Records at Home and Abroad

DURING the first quarter of this year industrial output in Britain rose to a level never reached before. The production index for February is estimated provisionally at 130 (1948 = 100), and the March figure is expected to be 132-133; this quarterly average, 130, is about 1½ per cent better than that of the preceding three months, which are often the boom period of a year, and fully 7½ per cent better than in the first three months of 1953. Seasonal adjustments are not necessarily reliable, but in certain of the post-war years the level of production in the first month or two of the year approximated closely to the eventual average; should the present quarter similarly prove a true key to 1953, it would suggest that British industry as a whole will have made up for the leeway lost during 1951-52, and have regained the upward trend that was interrupted during 1951. Manufacturing output, during January and February, was not quite at the record levels of October and November last year; but it was 4 per cent higher than in January and February last year.

The industries that are breaking the records so far this year are iron and steel, certain building materials, sulphuric acid, gas and electricity, and the motor industry. Textile and clothing output has continued to increase, and production of many metal consumer goods has risen; the picture for machinery and capital plant is more patchy. Though unemployment is continuing to shrink, the rise in industrial employment has not matched the rise in output; productivity, therefore, has risen, and for industry as a whole perhaps as fast as earnings, so that labour costs are still fairly stable. An official estimate this week put the increase in "output per head of the working population" at 14 per cent in the last five years (which would seem two or three points too high, though it is not clear which indices were being compared). But it went on to compare this figure with increases of 20 per cent in Sweden in these five years, 27 per cent in "France and the Netherlands," 60 per cent in Italy, and 100 per cent in Germany. Whatever the qualifications to the figures, there is no getting away from the significance of those comparisons.



Sharp Rise in Bank Deposits

THE credit contraction experienced in the early months of the year has now been sharply reversed. In the five weeks to April 21st, net deposits of the London clearing banks rose by £78.6 million. This is indeed the season in which Government borrowing from the banks is normally resumed, as receipts into the Exchequer drop from their high level in the peak tax-gathering season. Deposits have in fact fallen only once in April in the past twenty-two years, and that was last year. This year's expansion was particularly large; and although at least two-thirds of it, and perhaps appreciably more, was attributable to the increased demands of the public sector on the banks, it is difficult, on the basis of the Exchequer's published receipts and outgoings, to account for this increased rate of Government borrowing.

The explanation almost certainly lies partly in the Government's need for sterling to finance the purchase of the foreign exchange that has been flowing into London for many weeks to build up foreign banks' and dealers' working balances. The expansion in the banks' assets that represent, directly or indirectly, lending to the Government —cash, call money and Treasury bills—was just £49 million in the five weeks; and in addition a sizable portion of the banks' net purchases of £10.5 million of investments may well have been made, directly or at one remove, from the Government. The Government's apparent needs in the nearest comparable five weeks, after taking into account finance from small savings, tax reserve certificates and the increase in the note issue, were no more than about £3 million. But the discrepancy of something over £50 million between apparent borrowings and apparent needs can hardly have been wholly accounted for by increased purchases of foreign exchange. It seems likely that there were distorting factors connected with the difference in dates of the Exchequer accounts and bank statements; in March the discrepancy was in precisely the opposite direction.

LONDON CLEARING BANKS

	April 21, 1954		Change on Month	Change on Year
	£ mn.		£ mn.	£ mn.
Deposits	6,377·5		+134·3	+318·0
"Net" deposits*	6,088·5		+ 78·6	+266·6
	£ mn.	%†		
Liquid assets	*2,112·0*	*33·1*	*+ 54·1*	*+149·9*
Cash	534·6	8·4	+ 22·8	+ 36·3
Call money	489·2	7·7	+ 21·5	+ 35·0
Treasury bills	999·8	15·7	+ 4·7	+ 61·6
Other bills	88·3	1·4	+ 5·1	+ 17·0
Investments plus advances	*4,051·9*	*63·5*	*+ 22·3*	*+118·2*
Investments	2,279·9	35·8	+ 10·5	+160·5
Advances	1,772·1	27·8	+ 11·9	− 42·3

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

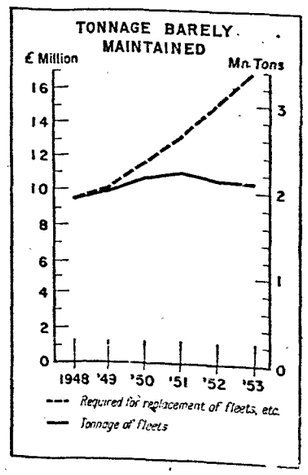
The expansion of finance of the private sector was, for the second month in succession, smaller than in the corresponding period of last year (but, this time, the comparison is with a four-week period). Commercial bill portfolios again expanded faster, but the increase in advances was perceptibly smaller, at £11.9 million against £16 million in 1953. Moreover, no fewer than five of the eleven banks registered a fall in advances. The National Provincial was again responsible for the bulk of the expansion; of the increase of £66 million in the total advances of the clearing banks in 1954 indeed, the National Provincial has accounted for some £30 million.

Pensions and the Future

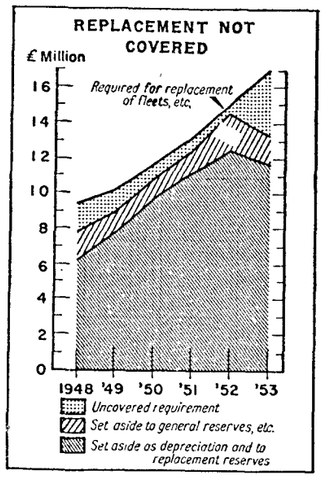
THE report which a panel of actuaries has prepared on the growth of pension rights and their impact on the national economy will require longer discussion than a mere note; but attention must be called at once to its path-breaking elucidation of the facts and to the high quality of its argument. Five million men and 1,300,000 women are covered by existing pension schemes, into which £240 million pours in annual contributions (£90 million from employers and £150 million from employees) and another £210 million goes into the National Insurance Fund.

Pensions at present being paid amount to £105 million for schemes covering public servants and employees under private schemes, and in round figures to a total of £600 million when national insurance and war pensions are swept in. But in thirty years' time, the report suggests, the total

Maintaining British Shipping



TODAY if a shipowner places an order with a British yard he does not even know the price. But he can guess that it will be more per ton than he has ever paid before. Peninsular and Oriental Steam Navigation Company is a rich, conservative shipowning group. It has kept its shareholders on ration and tried to plough back, not the statutory one twentieth of the original cost of the fleets, but one twentieth of the group tonnage at current prices. Presumably in practice it replaces with faster and more economical ships, so the test may be unduly stringent. But the P. and O. report reveals a gallant failure to attain such heroic standards. The directors conclude: "The outstanding position of British shipping today . . . is due largely to its rich inheritance from the past." The charts are from the P. and O. report, analysed on page 485.



expenditure on pensions comprised under existing schemes may reach 1,200 million; and the potential extension of pension schemes, given certain plausible assumptions, might raise the total outpayments by that time to £2,100 million. So from the present four per cent, the burden of pensions could easily rise to 14 per cent of the national income, if it remained unchanged.

The report then examines the possibilities of increasing the national income, taking an assumed increase in productivity per head of 1½ per cent per annum, and assuming that the terms of trade will remain "at least as favourable" as they were in 1952. This may be optimistic, for past history suggests that 1952 was a beneficient year at least in this respect. The increase in productivity that is assumed is not repugnant to observation and commonsense, but some part of the increase is already mortgaged for social welfare and certainly another part will be claimed by labour. The projection of advancing productivity at 1½ per cent per annum gives an increase of over 50 per cent in the national income in thirty years, which would leave room for an increase in the standard of living and also for the growing claims of dependency. This sounds a cheerful conclusion. But it is not too early to be considering, as the Phillips Committee is now doing, whether claims to future pensions are being created at a rate that may involve future economic and social strains.

Coal Prices and Steel

THE increases in coal prices that came into effect this week will cost the steel industry about £4½ million more a year, and the increase has brought a concerted protest from the Joint Iron Council, which represents the foundry pig iron makers and the iron foundries. The British Iron and Steel Federation, in its latest statistical bulletin, comments more circumspectly that the wide variations in price increases charged for coal from different areas, which may raise iron-making costs by as much as 9s. a ton more in one steel-producing district than in another, have introduced an element of great uncertainty that is more disquieting than the extent of the average increase.

The ironfounders have criticised some of the reasons given by the National Coal Board for this latest increase. They argue that provision should not at present be made to offset any of the board's accumulated deficit (which, on the new prices, might seem possible in 1955), and that the consumers should not have to bear either Profits Tax—"a transfer between Government departments"—or losses on imported coal. These arguments, which would drive the board further and further from considerations of commercial efficiency, are highly dubious.

But both the ironfounders and the steelmakers are concerned primarily with the Coal Board's departure from the strict "scientific principles" upon which, in 1951, it began to base its prices. Those principles implied that coal would be priced primarily according to its calorific value, and that supply and demand were quite secondary considerations. It is surely in the interests of efficiency that the coal industry, like others, should take more and more notice of "commercial considerations" in setting its prices. But the shift of policy has certainly inconvenienced consumers who were planning on the basis of the earlier policy. Moreover, the Coal Board's pricing policy is still a compromise of technical and commercial elements, and to the consumer it appears wholly arbitrary; when the whole policy is undergoing a change, more detailed explanations seem desirable.

Guarantees for Brazilian Credits

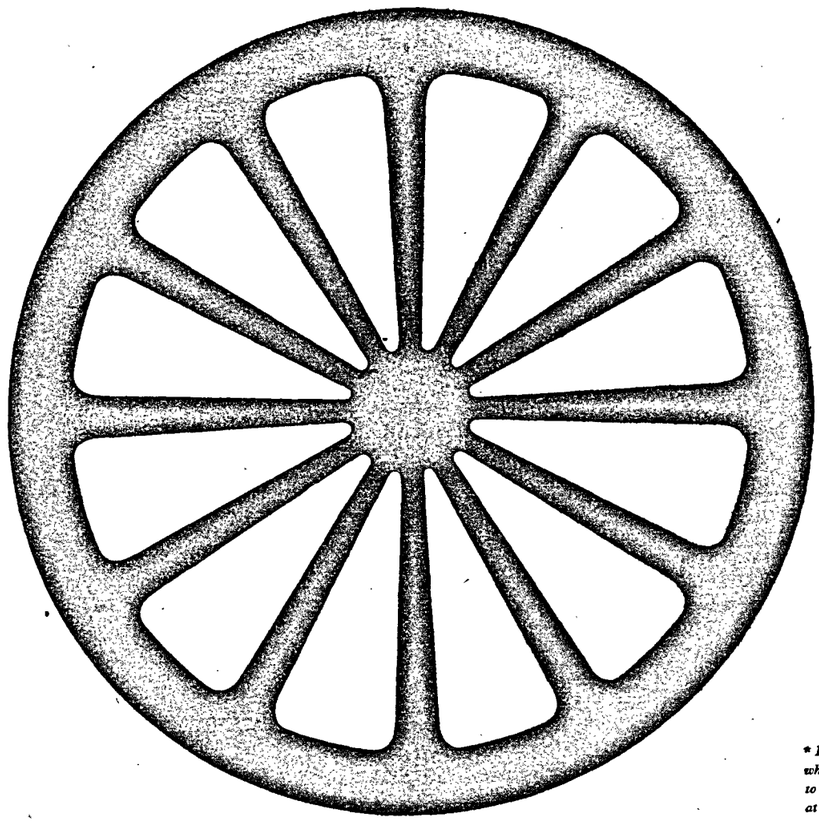
THE decision of the Export Credits Guarantee Department once again to insure exports to Brazil simply revives the machinery for encouraging British trade against the time when Brazil again makes sterling available for imports. After burning its fingers two years ago, the ECGD is proceeding warily, and so perforce must exporters. The department will cover 80 per cent of the credit granted, compared with the 90 per cent normally covered, and claims will not be met until twelve months after default. The normal period—to allow for official delays in permitting remittances—is six months. Goods produced outside Britain will not be eligible for cover. The chief safeguard is that exchange sale notes must be produced for all payments due. These notes, issued by the Bank of Brazil solely for imports deemed to be of national importance, oblige it to deliver sterling at a fixed rate of exchange within specified time limits. No sterling notes have been issued since the foreign currency auctions were introduced last October, because Brazil has little sterling to spare. Most of its present meagre earnings are earmarked for payments against the British commercial debt agreement, for invisibles and for oil. This debt originally amounted to £63 million, and when in May 1952, the ECGD suspended all fresh cover for Brazil, except for spare parts, its gross liabilities were £32 million.

The debt has since been reduced to about £40 million, by special exchange transactions in raw cotton, which have now ceased, and by direct payments of about £12 million, of which £10 million was loaned to Brazil by the International Monetary Fund. British exports to Brazil have dropped to a trickle of about £1 million a month, representing the sterling licences which Brazilian importers had outstanding when the currency auctions began. Brazilian exports to Britain have recovered slightly to about £2.5 million a month since cotton shipments have increased. Even allowing for a further rise in sales of cotton, and possibly for some sales of cocoa, the future supply of sterling notes can hardly provide for more than a small quantity of British goods. The issue of these notes, which should also protect exporters against a possible devaluation of the cruzeiro, will set an upper limit to the volume of British exports. The actual volume depends on how far the department's new terms of cover for Brazil attract exporters. And the department would no doubt withdraw cover again if it considered that sterling notes were being issued beyond Brazil's capacity to honour them.

Safety at 80 per cent

HAIR slides, tie clips, automatic bird scarers and wooden coffins may be imported freely from Western Europe next week. These and another eighty or so minor items are

A lot of spokes in our wheel*



** It is unnatural for any wheel connected with Crompton Parkinson to remain still. Blink steadily at this one and watch it revolve.*

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factories themselves to employ the men who were working on the Comets; but such a suspension is bound to entail heavy cost even if, as must be hoped, it proves temporary.

It is clear from the accounts themselves that the two tragic accidents occurred at the time when the group was in full stride. Profits were rising; new money, from the preference and ordinary share issues, had been introduced; the net book value of fixed assets had risen from £2.9 million to £5.3 million; and stocks had increased from £17.9 million to £20.4 million. If the accidents had not occurred all these changes would have been reckoned as signs of strength. Now they are overshadowed by a gigantic question mark.

The group's future prosperity is becoming increasingly dependent upon the production of civil aircraft. The chairman, Mr F. T. Hearle, justifies the company's conservative dividend policy by referring to the "more difficult times" that the industry may have to meet. He adds that "in the period to follow the passing of the peak of home rearmament business much will depend on the success of the latest military types and the further sales of the later versions of the Comet airliner." The market for military aircraft, both here and abroad, may soon begin to contract, and Mr Hearle adds that while "civil orders are substantial, yet the flow is not so great as it was."

	Years to Sept. 30, 1952	1953
Consolidated earnings :—	£	£
Trading profit	2,332,404	3,920,105
Depreciation	682,450	999,597
Taxation	1,053,175	1,799,112
Net profit	*597,109*	*820,768*
Ordinary dividends	172,677	226,125
Ordinary dividends (per cent)	7½	7½*
Retained by subsidiaries	282,179	321,256
General reserve	250,000	250,000
Added to carry forward	93,228	20,241
Consolidated balance sheet :—		
Fixed assets, *less* depreciation	2,885,613	5,307,255
Net current assets	7,105,546	12,941,391
Stocks	17,936,170	20,406,032
Cash	477,566	795,021
Bank overdrafts	4,294,552	3,201,429
Reserves	5,937,900	7,485,830
Ordinary capital	4,385,459	8,770,918

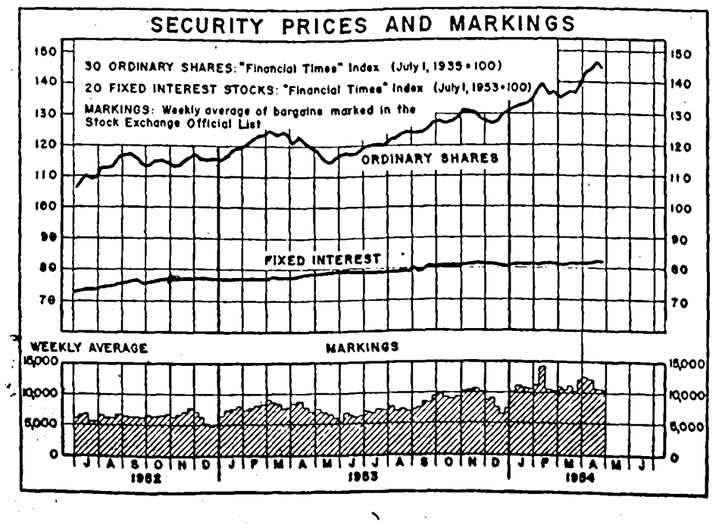
£1 ordinary stock 24s. 6d. yields £6 2s. per cent.

*7½ per cent dividend declared on old stock of £4,385,459 and one quarter of that rate (1¼ per cent) on new stock of £4,385,459.

★

ASSOCIATED PORTLAND CEMENT. The boom in the building and construction trades has had the apparently paradoxical effect of reducing the profits of the "Blue Circle" group of cement manufacturers. The explanation is that demand ran ahead of capacity. The group had therefore to reduce its profitable exports of cement and, as demand was swollen by the need for cement in the flood damaged areas, had to import large quantities of cement from the Continent. This high cost cement was sold by the "Blue Circle" companies at ordinary home trade prices, which were considerably lower than purchase prices. The losses on these sales led to the slight decline in the trading profits of Associated Portland Cement from £4,172,379 to £4,036,510. Its two subsidiaries, Alpha Cement and British Portland Cement, also reported slight falls in their trading profits, from £1,270,021 to £977,440 and from £3,401,334 to £3,164,710 respectively.

The directors of these companies are, however, obviously confident that the decline in profits is due to temporary factors. Shipments of imported cement have already declined and the group has already set in train projects to increase capacity. Hence, they have not hesitated to put the ordinary dividend of Associated Portland up effectively from 15 to 17½ per cent. In 1952, a total dividend of 6s. 0h each £1 stock unit was paid on a capital of £4 million; for 1953 a total dividend of 3s. 6d. on each £1 unit will be paid on a capital of £8 million, as increased by the 100 per cent share bonus. At the current price of 75s. 6d. these units offer a yield of about 4¾ per cent.



LONDON STOCK EXCHANGE

Next Account begins: May 19th.
Next Contango Day: May 19th.
Next Settlement Day: May 11th.

GILT-EDGED stocks stole the limelight again in the market this week, but industrial equities also advanced. The strength of the Funds affected both short and long dated stocks; it was based upon the strength of sterling, the good showing of the gold and dollar figures, and renewed suggestions that Bank rate would be reduced. Bank and discount company shares appreciated in sympathy with this movement. With buying interest concentrated upon gilt-edged and industrial issues, the foreign bonds were neglected and only fractional movements were occurred.

Almost all the leading equities shared in the advance in the industrial market, which carried the *Financial Times* ordinary share index up to 146.2 by the close on Wednesday. Brewery shares took part in the rally, while store shares (particularly Marks and Spencer and United Drapery Stores) made some handsome gains. Throughout this period Unilever remained strong, closing on Wednesday at 68s. 9d. Cement shares were also prominent following the statement by the chairman of Rugby Portland Cement; the shares of that company put on 2s. 9d. to 33s. 6d. while the shares of the "Blue Circle" group were bought in advance of the dividend, Paper shares rose after the preliminary statement of Albert E. Reed, whose shares on Tuesday gained 2s. 9d. to 72s. 6d. Rayon shares were also in demand, partly in response to the announcement of the new Courtaulds factory. In a firm market for engineering shares, BSA gained 3s. 6d. to 55s. following strong buying in the Birmingham market. The only groups which did not take part in the rally were tobacco issues and shipping shares, which were unsettled by the P. and O. report. That company's deferred shares fell 3s. to 76s. Oils were firm, but rubber shares were dull. Little business was reported in Kaffirs, which, after closing the old account on a dull note began to pick up again when the new account opened.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
April 28	144·2	113·26	3·81	5·18
„ 29	144·5	113·39	3·78	5·17
„ 30	145·2	113·54	3·75	5·14
May 3	146·0	113·84	3·69	5·12
„ 4	146·2	113·97	3·68	5·11
„ 5	146·2	114·00	3·67	5·11
1954, High	147·1 (Apr. 23)	114·00 (May 5)	Total bargains 1954	
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	Apr. 28	9,930
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 29	9,303
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 30	9,556
			May 3	12,352
			„ 4	11,837
			„ 5	11,891

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to May 5 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, April 28, 1954	Price, May 5, 1954	Net Yield, May 5, 1954 §	Gross Yield, May 5, 1954
					£ s. d.	£ s. d.
100	99	Exchequer 2½% 1955	100	100	0 14 1	2 0 1
103	101	Exchequer 3% 1960	102	103	1 2 8	2 10 1
102	99	Exchequer 3% '62-63	101	102	1 9 6	2 17 8
99	99	Serial Funding 1½% 1954	99	99	1 4 6	1 19 7
100	99	Serial Funding 2½% 1957	99	100	1 3 11	2 4 0
101	100	Serial Funding 3% 1955-56	101	101	0 17 6	2 3 11
100	100	War Bonds 2½% '54-56	100	100	0 19 9	2 4 5
101	100	Funding 2½% '52-57	100	101	0 18 6	2 6 2
101	100	Nat. Def. 3% '54-58	101	101	1 3 6	2 12 3
102	100	War Loan 3% '55-59	101	102	1 5 3	2 12 3
102	101	Savings Bonds 3% '55-65	97	98	1 17 5	3 5 5
98	95	Savings Bonds 3% '55-65	98	99	1 10 7	2 13 5
99	97	Funding 2½% '56-61	93	94	2 2 0	3 10 0
94	92	Funding 3% '59-69	95	95	2 0 5	3 9 0
95	93	Funding 3% '66-68	101	101	1 17 5	3 13 2
102	100	Funding 4% '60-90	92	93	2 3 2	3 11 9
93	90	Savings Bonds 3% '60-70	91	92	2 1 5	3 5 0
92	90	Savings Bonds 2½% '64-67	102	102	1 19 10	3 15 11
103	101	Victory 4% '20-76	89	90	2 4 2	3 13 3
90	87	Savings Bonds 3% '65-75	94	96	2 6 1	4 4 2
96	93	Consols 4% aft. Feb. '57	87	89	2 3 3	3 18 9
89	84	Conv. 3½% aft. April '61	99	99	1 19 4	3 11 5
99	99	Conv. 3½% 1969	65	67	2 0 7	3 13 10
68	63	Treas. 2½% aft. April '75	77	78	2 2 0	3 16 5
78	74	Treas. 3% aft. April '66	95	96	2 2 9	3 15 10
96	92	Treas. 3½% '77-80	95	96	2 2 10	3 15 9
96	92	Treas. 3½% '79-81	85	86	2 2 7	3 12 5
86	83	Redemption 3% '86-96	86	88	2 3 7	3 19 3
89	84	War Ln 3½% aft. Dec. '52	65	68	2 0 5	3 13 8
68	63	Consols 2½%	90	91	2 4 4	3 13 1
91	88	Br. Elec. 3% '68-73	89	90	2 3 10	3 12 9
90	87	Br. Elec. 3% '74-77	104	105	2 1 0	3 18 5
105	103	Br. Elec. 4½% '74-79	95	95	2 2 7	3 14 10
95	93	Br. Elec. 3½% '76-79	86	88	2 3 4	3 13 4
88	83	Br. Trans. 3% '78-88	90	91	2 4 5	3 13 2
91	88	Br. Trans. 3% '68-73	102	102	2 1 5	3 18 0
103	100	Br. Trans. 4% '72-77	85	87	2 2 4	3 12 0
87	84	Br. Gas 3% '90-95	98	99	2 0 1	3 12 2
99	96	Br. Gas 3½% '69-71	102	102	2 0 4	3 16 7
103	99	Br. Gas 4% '69-72				

Prices, 1954 Jan. 1 to May 5 High	Low	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, April 28 1954	Price, May 5, 1954	Yield, May 5, 1954
		% %				£ s. d.
			STEEL & ENGINEERING			
53/9	41/4½	12½ c	B.S.A. £1	50/-	53/9	5 11 7
18/6	13/1½	15 c	Cammell Laird 5/-	15/3*	14/-	7 19 0h
59/10½	49/9	10 b	Guest Keen N'fold £1	59/3	59/3	5 1 3
24/11½	22/1½	2½ a	United Steel £1	24/6	24/6	7 6 11o
60/9	47/6	12½ b	Vickers £1	57/-*	57/-	5 5 3
			TEXTILES			
39/3	32/-	4 a	Bradford Dyers £1	38/-	39/-	7 13 10
29/-	24/9	12 6 a	Brit. Celanese 10/-	26/9	28/6	5 12 3s
62/9	49/4½	7½ b	Coats (J. & P.) £1	58/-	57/6	4 6 11
28/9	25/2½	6½ b	Courtaulds £1	28/-	28/6	4 18 3h
58/7½	47/4½	5 a	Lancs. Cotton £1	56.10½	57.3	5 4 10f
72/3	64/-	20 c	5 a	Patons & Baldwins £1	70/9	71/-	6 12 8
			ELECTRICAL			
49/-	41/9	7½ a	7½ b	Assoc. Elect. £1	48/6	48/6	4 12 9s
44/4½	38/-	2½ a	r7½ b	B.I.C.C. £1	41/-*	41/6	4 16 5
45/3	38/6	5 a	6½ b	English Elect. £1	43/9	45/-	4 8 11m
43/9	37/9	7½ b	3½ a	General Elect. £1	42/6	42/6	5 5 11
			MOTOR & AIRCRAFT			
20/6	18/6	3½ a	6½ b	Bristol Aero 10/-	19/4½	19/9*	5 1 3
8 0½	6/3½	6½ b	4 a	British Motor 5/-	7/9*	7/9	6 15 6
30/3	23/4½	7½ c	12 c	De Havilland £1	24/-*	24/6	6 2 5
58/10½	35/9	7½ c	12 c	Ford Motor £1	56/10½	57/6	4 3 6
60/6	47/7½	6 a	9 b	Hawker Siddeley £1	58/6	60/-	5 0 0
97/-	80/6	25 c	25 c	Leyland Motors £1	91/3	91/3	5 9 7
75/9	66/-	10 b	5 a	Rolls Royce £1	71/3	73/9	4 1 4
6/9½	5/5½	12 c	12 c	Standard Motor 5/-	6/4½	6/4½	9 8 3
			SHOPS & STORES			
26/0½	22/9	20 c	10 a	Boots Pure Drug 5/-	25/6	25/3	3 19 2
36/10½	32/-	15 b	7½ a	Debenhams 10/-	34/6	36/6	5 9 7ω
81/3	53/3	37½ b	15 a	Gt. Universal 5/-	75/-	75/6	2 16 4
101/3	92/9	17½ b	5 a	Lyons (J.) "A" £1	99/9	100/-	4 10 0
93/6	73/10½	35 b	20 a	Marks & Spen. "A" 5/-	88/9	91/9	2 19 11
77/3	64/-	20 a	40 b	Woolworth 5/-	75/3	77/-	3 17 11
			OIL			
11 1½	8 1½	30 b	5 a	Anglo-Iranian £1	10½	11¼	3 3 4
£45½	£33½	4 a	12 b	Royal Dutch 100 fl.	£42½	£44½	3 7 2
117/3	93/4½	5†a	10†b	Shell Reg. £1	111/3	115/-*	4 14 10
22/3	17/6	6†a	15†b	Trinidad L'holds 5/-	21/3	21/9	4 2 8x
31/1½	25/3	...	...	Ultramar 10/-	29/9	29/3	Nil
			SHIPPING			
44/-	37/9	16 c	2½ a	Cunard £1	39/6	38/-*	8 8 5
55/3	44/-	15 c	16 c	Furness Withy £1	35/6	34/-	7 1 2
40/-	33/10½	6 b	16 b	P. & O. Def. £1	79/6*	77/6	5 13 7
43/3	36/3	12½†c	4½†a	Brit. Amer. Tob 10/-	39/6*	39/6	5 15 1
$47½	$38½	3 a	3 b	Canadian Pacific $25	$43½	$43½	6 4 0
39/9	32/6	35 c	5 a	Decca Record 5/-	36/-*	38/3	4 11 6
23/6	18/5	17½ c	17½ c	Dunlop Rubber 10/-	21/9	23/3	5 1 4y
60/10½	53/-	6 a	9 b	Imp. Chemical £1	59/6	59/3*	5 1 4
58/7½	49/8½	8½ a	11½ b	Imp. Tobacco £1	51/-	51/-	7 16 10
$72½	$63½	$2·60c	$2·35c	Inter. Nickel n.p.v.	$71½	$71½	5 17 8
59/6	51/6	7½ a	9 b	London Brick £1	58/9	58/9	4 15 4m
66/-	63/6	12½ b	12½ b	Tate & Lyle £1	66/6	66/6	4 16 3
68/-	63/6	3½ a	7½ a	Tube Investments £1	64/-	65/-	4 12 4
68/9	60/6	7½ b	15 b	Turner & Newall £1	76/-	79/6	4 8 1
80/-	69/-	2½ a	9½ b	Unilever £1	65/9	68/9*	4 11 8
69/6	57/6	6 a	7½ b	United Molasses 10/-	36/-	36/3	6 1 6q
38/3	32/3	4½ a					
			TEA & RUBBER			
33/9	28/-	Nil c	Nil a	Cons. Tea & Lands £1	31/6	31/-	Nil
2/3	1/10	35 c	10 c	London Asiatic Rbr. 2/-	2/2½	2/2½	9 2 11
49/3	37/9	5 a	15 b	United Sua Betong £1	48/1½	46/3*	8 13 0
			MINES			
6 7/8	5 1½	20 a	40 b	Anglo-Amer. 10/-	6½	6 7/8	4 19 0
83/-	68/3	80 a	120 b	De Beers 5/- Bearer	79/3	80/6	12 8 6
101/10½	56/6	...	...	Free State Geduld 5/-	83/1½	79/4½	Nil
76/3	54/9	8½ c	10 c	Randfontein £1	57/6	58/6	3 8 5
6 3/4½	4/10½	20 c	22 c	London Tin 4/-	5/10½	5/10½	14 19 7
21	16½	175 b	50 a	Rhokana £1	20½	20½	10 18 2

Prices, 1953 High	Low	Prices, 1954 Jan. 1 to May 5 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, April 28, 1954	Price, May 5, 1954	Yield, May 5, 1954
							£ s. d.
92	84½	93½	90½	Aust. 3½% '65-69	93½	93½	3 16 9
98½	98	102½	98½	N. Zealand 4% '76-78	101½	101½	3 18 0
...	...	97½	97½	Ceylon 4% '73-75	97	97½	4 4 0
73½	66½	76½	71½	L.C.C. 3% aft. 1920	76	76*	3 18 11
95½	90½	96½	95	Liverpool 3% '54-64	95	95	3 12 2
81½	73½	83	80½	M.Wtr. 'B' 3% '34/2003	81½	82½	3 16 10
104	101½	103½	101½	Agric. Mort. 5% '59-89	103	103	4 6 5e
102	65	142	102	German 4½%	129	127½	...
139½	119	159½	132½	Japan 5% 1907	148½	148	...
176	136	186½	168½	Japan 5½% Conv. 1930	137½	172½	...

New York Closing Prices

	Apr. 28	May 5		Apr. 28	May 5		Apr. 28	May 5
	$	$		$	$		$	$
Balt. & Ohio	20½	20⅜	Am. Smelting	33½	33½	Inter. Paper	67½	68½
Can. Pac.	23½	23½	Am. Viscose	32½	31½	Nat. Distill.	17½	17½
N.Y. Cent.	21½	22	Cel. of Amer.	16½	16½	Sears Roebuck	63½	63½
Pennsyl.	16½	17	Chrysler	58	58½	Shell	49½	49
Amer. Tel.	166	168½	Gen. Elec.	118½	119½	Std. Oil of N.J.	86½	88*
Stand. Gas.	12½	12½	Gen. Motor	68½	71	U.S. Steel	45½	45½
United Corp.	5⅛	5⅛	Goodyear	62½	65½	Westinghouse	69½	70½*
W. Union Tel.	37½	35½	Inter. Nickel	39½	39½	Woolworth	40½	40½*

* Ex dividend.

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (i)(s) 12% paid for 9 months; yield basis 16%. (f) Also 5% Coronation bonus, not included in yield. (k) Yield basis 7%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 22% gross. (t) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (y) Yield basis 11½%. (z) Yield basis 11½%.

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being restored to open general licence. Specific licences will still be needed to import air guns, fireworks and egg timers; these and many other articles are still confined by the quotas that date from the emergency import restrictions of late 1951 and early 1952. The new quotas announced by the Board of Trade for such imports from Western Europe are substantially unchanged in value, at £13 million for the second half of this year. Lest it requires an undue feat of imagination to visualise the threat to Britain's balance of payments in freeing the remaining goods, the official viewpoint may help.

This year Britain liberalised 80 per cent of imports on private account from Western Europe, and some risks were taken in reaching that figure. The real increase in British overseas expenditure following the relaxations of March, 1953, has probably been masked by the fall in imports of textiles, and the relaxations made at the end of last year have not had time to show their effect. There have also been further relaxations on imports from dollar sources. Although many of the items in the groups still on quota appear trivial enough, past experience, and the fact that the existing quotas are being fully taken up, suggests that decontrol might result in an appreciable rise in expenditure. No increase in imports is expected to result from the items now freed; some of these quotas were not being fully used, and the inclusion of other items merely removes anomalies in the previous lists. So no additional risk is being accepted now, be sterling as strong as it may.

SHORTER NOTES

Against the strongest of competition from America and Germany, Metropolitan-Vickers has succeeded in obtaining the contract to build 94 diesel-electric motors for the Irish railways. The electric equipment will be made by Metropolitan-Vickers at Manchester and Sheffield, the diesel engines by Crossley Brothers of Manchester, and the mechanical parts by Metropolitan-Cammell Carriage and Wagon at Birmingham. The contract is worth £4¾ million.

★

Dunlop Rubber Company announces a 12 per cent dividend and 2 per cent cash bonus, making 14 per cent for 1953, payable on a capital increased by a 50 per cent scrip bonus last February. This compares with a total of 17½ per cent a year ago on the old capital. In terms of the present capital the comparison is between the equivalent of 11⅔ per cent for 1952 and 14 per cent. Group net profits after tax have risen from £3,497,825 to £4,068,426.

★

The issue of 780,000 new 10s. ordinary shares to shareholders of African and European Investment Trust at 45s. is being made in the ratio of one for three, and not one for ten as stated in *The Economist* of April 17th.

Company Notes

PENINSULAR & ORIENTAL. From the full accounts of P and O Steam Navigation Company the investor will gain a broad insight into the problems of shipping, for the group is one of the wealthy giants of the industry; it operates passenger liners, cargo liners and tramps and the directors' report is richly informative. He will probably also gain three impressions. First that even a wealthy giant of the shipping business does not carry anything like as much surplus wealth as is widely supposed; secondly, that a hard struggle lies ahead; and thirdly, that for the moment P and O appears to have passed the peak of its new shipbuilding programme though it remains to be seen whether Mr Butler's investment allowance will give it new impetus.

As a group P and O disclose their full consolidated profit and do not use the shipping exemption from the rigours of the 1948 Companies Act. The consolidated balance sheet includes some hidden reserves dating from before 1950 and individually the accounts of the subsidiaries use the escape clause in striking their profits (though these are adjusted to the full figures on consolidation). In discussing the preliminary figures on April 24th *The Economist* therefore gave the wrong impression. The fall in group net profits before tax for the year ended September 30th from £13.9 million to £8.5 million tells the full story. The 22 per cent deferred dividend is still handsomely covered by net profits; but the directors are evidently much impressed by the continued need to make large retentions of earnings in excess of statutary depreciation and give the broadest of hints that the one for one deferred share bonus may not lead to a more liberal distribution policy. "If the physical resources of the group are not to shrink, enough must be set aside each year to replace its existing physical assets, and in spite of all the companies' efforts they are not doing this." Indeed, formidable sums in addition to statutary depreciation are being ploughed back. Last year out of a consolidated net profit of £5.4 million, compared with £6.9 million, £2.1 million (compared with £3.4 million) was added to fixed assets replacement reserve, and £1.4 million (against £1.8 million) retained in the subsidiaries.

The report explains that the group has suffered most from lower freight rates applicable to the tramp trades and to bulk commodities. Except on the Eastern routes where the group suffered from Japanese competition the cargo liner trades fared less badly than the tramp section. Passenger trades actually showed some recovery after the set-back of 1952, but as each new vessel comes into service the depreciation charge grows substantially and the directors find no reduction in operating expenses as a whole.

The group's shipbuilding programme appears to have begun to run off. The estimated cost of ships under construction is down from £23.2 million to £18.6 million, the shipbuilding bills payable from £1.8 million to £900,000 and the capital commitments for ships ordered but not laid down at September 30th from £15.9 million to £12.3 million. The deferred units at 77s. 6d. yield 5⅛ per cent on the basis of a maintained 22 per cent dividend.

★

DE HAVILLAND. A slip of paper in the full report of de Havilland Aircraft Company explains why shareholders cannot use this report to assess the future of the company. It states that "since the report and accounts were put into the printer's hands there has unfortunately been a further Comet accident, with regrettable loss of life. The Certificate of Airworthiness for the type has been withdrawn pending the investigation of the cause, and at this stage it is possible only to express the hope that the cause will be quickly determined and rectified." Shareholders will have to wait until the annual general meeting to see how far the suspension of work on the Comet I and Comet II will affect the company's fortunes. It seems, however, that there is enough work on hand in the de Havilland

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 Consumption	April 10th	Production and Trade	This week
Manpower	April 17th	British Commonwealth	April 10th
External Trade	May 1st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	April 17th
Industrial Profits	April 24th	United States	May 1st
		World Trade	April 24th

Prices and Wages

	Unit	1951	1952	1953	1953			1954			
		mid-June			April 21	April 28	May 5	April 13	April 20	April 27	May 4
WORLD PRICES											
Commodity Price Indicator: (1)											
All items	1952=100	126	99	89	90	90	90	99	99	100	99
Food	,,	114	100	93	95	95	95	120	120	120	119
Fibres	,,	167	99	87	84	84	84	88	88	90	89
Metals	,,	99	100	80	78	79	79	84	83	83	82
Other items	,,	131	96	96	105	103	104	94	93	97	93
		Monthly averages			1953			1954			
BRITISH WHOLESALE PRICES		1951	1952	1953	Jan.	Feb.	March	Dec.	Jan.	Feb.	March
Old series:											
All articles	1938=100	315·0	323·3	323·5	323·2	319·0	323·6	321·4	321·2	321·6	324·2
Food and tobacco	,,	253·9	292·0	314·6	304·0	306·7	308·6	309·1	309·2	312·5	317·4
Materials used in:	June 30, 1949=100										
Non-food manufacturing		193·3	162·1	145·8	151·9	150·5	151·0	141·7	140·8	140·3	141·7
Mechanical engineering	,,	134·3	149·9	145·7	148·6	148·1	147·9	147·6	147·1	146·3	146·7
Electrical machinery	,,	151·9	165·4	155·2	162·2	161·3	160·4	157·3	156·3	155·1	155·7
Building and civil engineering	,,	125·6	133·6	130·4	131·2	131·0	131·0	130·0	130·0	129·7	130·4
House building	,,	123·0	130·6	128·7	129·0	129·0	129·2	128·4	128·6	128·6	129·3
Commodities:											
Cotton, raw	,,	223·2	171·9	140·6	142·1	142·1	138·3	143·3	144·7	149·1	155·8
Wool, raw	,,	252·3	147·9	171·1	161·1	161·6	168·1	167·0	163·6	159·3	160·4
Rubber, No. 1 RSS, one month future	,,	499·1	282·8	199·1	245·2	227·0	219·2	173·1	167·5	163·6	163·9
Softwood, imported	,,	143·5	158·0	144·1	151·7	151·3	151·3	138·9	140·5	142·0	142·0
Copper, ex-warehouse (2)	,,	187·5	220·7	217·6	242·6	242·6	241·7	199·6	195·1	197·3	204·3
UK RETAIL PRICES											
Interim index:	June 17, 1947=100										
All items		125	136	140	138	139	140	140	140	140	141
	Jan. 15, 1952=100										
All items		...	102·6	105·8	104·4	104·7	105·4	106·6	106·8	105·6	106·6
Food	,,	...	105·4	111·3	109·2	109·6	110·7	109·6	110·2	109·5	111·6
All items	1938=100	202	221	228	225	225	227	227	228	227	229
Food	,,	191	221	233	229	230	232	230	231	229	234
Rent and rates	,,	119	122	129	124	125	125	131	132	132	132
Clothing	,,	249	259	253	251	252	253	255	254	255	255
Fuel and light	,,	177	197	207	203	203	208	214	215	216	217
Household durable goods	,,	288	294	286	291	290	290	286	285	285	285
Drink	,,	318	255	256	256	256	256	257	257	257	257
Tobacco	,,		386	387	386	387	387	387	387	387	387
Purchasing power of £ (based on all consumer spending)	1938=100	48	45	44	44	44	44	44	44	44	45
UK TERMS OF TRADE (4)											
Import prices:											
All items	1953=100	117	113	100	103	102	102	98	98	97	96
Food, drink and tobacco	,,	100	104	100	99	99	100	99	99	99	99
Basic materials	,,	140	123	100	102	101	101	100	98	97	96
Export prices:											
All items	,,	98	103	100	101	101	101	99	99	99	99
All manufactures	,,	98	103	100	101	101	101	99	100	100	99
Metals	,,			100	104	103	104	97	96	97	96
Engineering products	,,	89	99	100	101	100	101	99	100	100	99
Textiles (excluding clothing)	,,	117	112	100	100	100	101	101	101	102	101
Terms of trade:											
Ratio of import to export prices	,,	118	109	100	102	101	101	99	99	98	97
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952=100	...	100·0	77·5	79·3	80·0	83·2	71·5	71·9	77·6	77·4
UK WAGES											
Weekly wage rates:	June 30, 1947=100										
All workers		120	130	136	134	135	135	138	139	139	139
Men	,,	119	129	134	132	134	134	136	137	137	138
Women	,,	123	133	140	138	138	139	143	143	143	144
Weekly earnings: (5)											
All workers	s. d.	141 1	151 11	160 1	...	...	...	...	...	...	...
Men	,,	166 0	178 6	189 2	...	...	...	...	...	...	...
Women	,,	90 1	96 4	102 5	...	...	...	...	...	...	...
	Oct., 1938=100										
All workers		265	285	301	...	...	...	...	...	...	...
Men	,,	241	259	274	...	...	...	...	...	...	...
Women	,,	277	296	315	...	...	...	...	...	...	...

(1) From August, 1953, the index has been revised to show a more representative wheat price. (2) Figures up to July, 1953, relate to delivery prices and subsequently to ex-warehouse prices of H.C. electrolytic copper. (3) The index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (4) Annual figures are based on unit values and are therefore influenced by changes in the composition of trade as well as price movements. (5) Surveys made twice a year: annual figures relate to October survey.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938	118	82	77	90	193	132	76	101	89	81	67	63
1952	181	114	117	131	231	171	124	147	130	133	110	133
1953	...	114	119	125	252	193	...	161	144	139	111	...
1953, September	197	117	130	124	265	207	139	167	153	149	115	...
,, October	205	117	128	128	271	223	...	180	161	148	122	...
,, November	206	118	128	133	282	229	...	174	151	152	121	...
,, December	...	117	119	135	266	229	...	173	152	137	121	...
1954, January	...	...	115	133	246	224	...	...	146	...	116	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn drachmas	mn. £	'000 mn lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
IMPORTS (c. i. f.)												
1938	50	1,922	135	3·84	505	1·2	3·45	0·94	118	99	174	12·5
1952	1,163	10,252	550	132·64	1,350	432·9	14·35	120·48	694	520	746	129·7
1953	1,106	10,094	573	121·52	1,334	592·6	15·28	124·75	738	543	680	124·3
1953, October	1,[illegible]	10,642	635	110·80	1,432	676·8	18·44	120·95	803	541	730	134·7
,, November	1,[illegible]	10,407	610	122·37	1,475	862·2	16·22	122·47	806	559	738	130·9
,, December	1,361	10,585	606	118·79	1,581	815·9	17·04	130·30	833	680	777	159·5
1954, January	1,207	9,796	576	135·20	1,313	772·2	15·74	132·30	840	540	709	94·9
,, February	...	...	...	127·91	1,214	...	...	...	...	...	...	105·6
EXPORTS (f. o. b.)												
1938	30	1,806	128	2·55	468	0·9	2·02	0·88	87	65	154	12·1
1952	900	10,212	483	118·04	1,409	149·9	8·41	72·02	660	337	674	84·7
1953	1,099	9,414	508	117·24	1,542	282·1	9·50	77·50	717	303	637	92·4
1953, October	1,249	10,308	574	123·95	1,725	635·6	10·68	86·03	806	344	740	91·3
,, November	1,267	9,664	599	135·38	1,645	504·7	9·11	84·45	737	307	737	111·0
,, December	1,367	9,874	521	125·06	2,096	469·6	10·00	94·79	681	321	709	139·6
1954, January	1,040	9,593	477	120·17	1,502	441·3	8·14	75·38	758	303	585	73·8
,, February	...	...	...	130·61	1,508	...	...	...	...	...	...	76·8
BALANCE												
1938	− 20	− 116	− 7	− 1·29	− 37	− 0·4	− 1·43	− 0·06	− 31	− 33	− 20	− 0·4
1952	− 263	− 39	− 67	− 14·60	+ 59	− 283·0	− 5·94	− 48·46	− 34	− 183	− 72	− 45·0
1953	− 7	− 680	− 65	− 4·28	+ 208	− 310·5	− 5·78	− 47·25	− 21	− 240	− 43	− 31·9
1953, October	+ 157	− 334	− 61	+ 13·15	+ 293	− 41·2	− 7·76	− 34·92	+ 3	− 197	+ 10	− 43·4
,, November	+ 4	− 743	− 12	+ 13·01	+ 170	− 357·5	− 7·11	− 38·02	− 69	− 252	− 1	− 19·9
,, December	+ 6	− 711	− 85	+ 6·27	+ 515	− 346·3	− 7·04	− 35·51	− 152	− 359	− 68	− 19·9
1954, January	+ 167	− 203	− 99	− 15·03	+ 189	− 330·9	− 7·60	− 56·92	− 82	− 237	− 124	− 21·1
,, February	...	...	...	+ 2·70	+ 294	...	...	...	...	...	...	− 28·8
VOLUME OF EXTERNAL TRADE (3) (1948 = 100)												
IMPORTS												
1938	266	93	118	102	249	...	29	92	118	100	94	91
1952	217	121	147	129	241	...	98	158	132	128	118	220
1953	210	122	169	130	271	...	110	174	157	141	117	219
1953, September	185	126	169	125	284	...	96	170	166	138	112	213
,, October	202	131		122	306	...	130	181	170	144		234
,, November	224	130	187	130	310	...	113	186	174	151	133	253
,, December	256	132		133	335	...	120	187	187	169		295
1954, January	220	...	...	146	282	...	...	...	...	143	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	123	111	107
1952	202	138	186	209	670	...	164	140	256	140	134	150
1953	270	144	207	221	783	...	185	152	292	144	142	183
1953, September	296	148	200	193	783	...	223	149	349	149	149	143
,, October	302	150		235	900	...	199	170	366	170		186
,, November	309	153	229	260	849	...	175	169	341	151	164	209
,, December	339	154		246	1,079	...	209	184	313	151		275
1954, January	263	...	...	231	783	...	...	...	...	145	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade; Belgium includes Luxemburg. (3) Average of third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 1st, there was an "above-line" surplus (after allowing for Sinking Funds) of £5,823,000 compared with a deficit of £22,351,000 in the previous week and a surplus of £21,827,000 in the corresponding period of last year, bringing the cumulative deficit to £58,904,000 (£26,576,000 in 1953-54). Net expenditure "below-line" absorbed £9,265,000, raising the total cumulative deficit to £68,935,000 (£49,979,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to May 2, 1953	April 1, 1954 to May 1, 1954	Week to May 2, 1953	Week to May 1, 1954
Ord. Revenue					
Income Tax	1800,000	128,534	107,127	23,277	23,096
Sur-tax	132,000	9,800	9,900	1,600	1,500
Death Duties	164,375	19,000	14,300	3,300	2,500
Stamps	55,000	5,300	5,300	1,300	1,300
Profits Tax & EPT.	172,000	15,300	10,500	2,500	2,100
Excess Profits Levy	60,000	2,900	4,700	300	600
Special Contribution and other Inland Revenue	1,000	110	100	—	—
Total Inland Rev.	2384,375	180,944	151,927	32,277	31,096
Customs	1062,500	94,171	96,778	21,424	22,738
Excise	719,000	53,430	45,480	37,240	26,265
Total Customs and Excise	1781,500	147,601	142,258	58,664	49,003
Motor Duties	77,000	4,080	4,891	799	630
Broadcast Licences	21,000	1,000	1,250	1,000	1,250
Sundry Loans	24,000	54	106	—	—
Miscellaneous	245,000	11,915	7,550	214	609
Total	**4532,875**	**345,595**	**307,982**	**92,954**	**82, 588**
Ord. Expenditure					
Debt Interest	570,000	74,747	71,834	18,863	16,495
Payments to N. Ireland Exchequer	51,000	2,938	3,424	—	1,712
Other Cons. Fund	10,000	567	440	43	24
Supply Services	3855,399	292,371	289,464	51,521	57,894
Total	**4486,399**	**370,624**	**365,162**	**70,427**	**76,125**
Sinking Funds	36,000	1,547	1,725	700	640
"Above-line" Surplus or Deficit	— **26,576**	—	— **58,904**	+ **21,827**	+ **5,823**
"Below-line" Net Expenditure	23,403	10,031	10,930	+ 10,930	9,265
Total Surplus or Deficit	— **49,979**	—	— **68,935**	+ **32,757**	— **3,442**
Net Receipts from:					
Tax Reserve Certificates	24,661	26,496	16,560	16,022	
Savings Certificates	6,600	400	1,800	100	
Defence Bonds	−7,696	−3,764	−1016	−678	

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
May 2	3,010·0	1,478·8	256·6	...	4,745·4
1954					
Jan. 30	3,060·0	1,442·6	243·4	...	4,746·0
Feb. 6	3,040·0	1,362·5	236·5	...	4,638·5
„ 13	3,040·0	1,303·8	265·7	...	4,609·5
„ 20	3,040·0	1,331·9	293·5	...	4,665·4
„ 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
„ 13	3,080·0	1,345·5	301·7	0·3	4,727·4
„ 20	3,100·0	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·5	315·0	...	4,884·5
May 1	3,230·0	1,350·2	287·2	...	4,867·4

THE MONEY MARKET

THE influx of funds to London was reflected in last Friday's Treasury bill tender, at which total applications rose by £22 million to £437.5 million, more than £20 million above the previous record level reached a fortnight earlier. The market had in anticipation raised its bid by 2d., to £99 9s. 9d. per cent for the 91-day bills; it bid at £99 9s. 8d. for the 92-day bills offered on account of the incidence of August bank holiday. Its applications for these bills were allotted in full and for the 91 day maturities at 34 per cent; the upshot was a fractional increase in its average "proportion" from 38 to 38½ per cent. The average rate of discount on all bills fell by 8d. to £2 0s. 11.36d.—the lowest rate since the increase in Bank rate in March, 1952.

In Lombard Street the week has been characterised by a superfluity of credit and sagging bill rates. By Wednesday the rate for July maturities was down to 1⅛ per cent and that for June maturities to 1⅞ per cent. Throughout the week money was lent against bonds at down to 1½ per cent.

The gold market has had a less active week. As the table below shows, prices at the fixing hovered round 249s., though on Tuesday there was some dealing after the fixing at 249s. 2d.

The Bank return shows, rather unexpectedly, a sharp fall in bankers' deposits, by £13.8 million to £275.5 million, mainly on account of an increase in public accounts and an effective fall in Government securities.

LONDON MONEY RATES

	%		%
Bank rate (from 4%, 17/9/53)	3½	**Discount rates**	
Deposit rates (max)		Bank bills: 60 days	2⅝
Banks	1½	3 months	2⅝
Discount houses	1½	4 months	2⅝–2 11/16
Money—Day-to-day	1½–2½	6 months	2¾
Short periods	1½–2½	Fine trade bills:	
Treas. bills 2 months	2	3 months	3 –3⅛
3 months	2 1/16	4 months	3 –4
		6 months	3⅛–4⅛

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	May 6	April 28	May 5
Issue Department:*			
Notes in circulation	1,516·5	1,612·6	1,613·5
Notes in banking dept.	33·8	12·8	12·6
Govt. debt and securities*	1,546·7	1,621·7	1,621·8
Other securities	0·8	0·8	0·1
Gold coin and bullion	2·9	2·9	2·1
Banking Department:			
Deposits:			
Public accounts	14·4	11·7	15·4
Treasury special account	39·5	6·6	13·1
Bankers	269·0	289·3	275·5
Others	65·3	67·1	69·3
Total	388·2	374·7	373·3
Securities:			
Government	321·5	355·6	353·1
Discounts and advances	13·2	7·5	9·6
Other	35·7	14·0	13·8
Total	370·4	377·1	376·5
Banking department reserve	35·7	15·5	14·1
"Proportion"	% 9·1	% 4·1	% 3·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

TREASURY BILLS

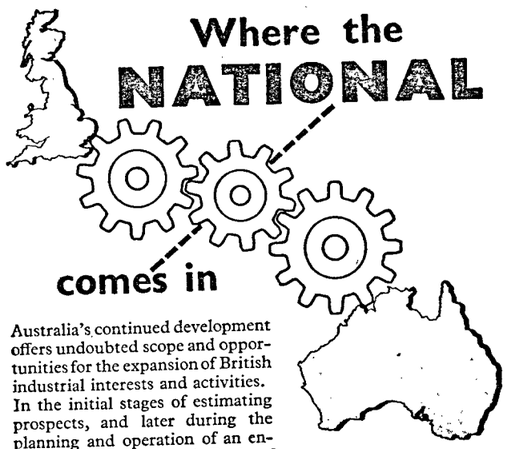
Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate %*
1953					
May 1	210·0	351·1	210·0	47 7·37	34
1954					
Jan. 29	220·0	382·0	220·0	41 11·04	36
Feb. 5	220·0	386·4	220·0	41 3·68	49
„ 12	230·0	369·9	230·0	41 4·00	58
„ 19	240·0	398·9	240·0	41 3·56	45
„ 26	250·0	400·8	250·0	41 3·37	46
Mar. 5	270·0	412·9	270·0	41 3·83	53
„ 12	270·0	414·6	270·0	42 2·61	45
„ 19	260·0	365·6	260·0	42 3·64	60
„ 26	270·0	405·2	270·0	42 3·62	52
April 2	270·0	399·0	270·0	42 4·01	58
„ 9	270·0	392·2	270·0	42 4·05	59
„ 15	230·0	417·2	230·0	41 7·41	44
„ 23	230·0	415·4	230·0	41 7·34	38
„ 30	230·0	437·5	230·0	40 11·36	38½

* On April 30th tenders for 91 day bills at £99 9s. 9d. secured about 34 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £240 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 5	Market Rates: Spot: April 29	April 30	May 1	May 3	May 4	May 5
United States $	2·78–2·82	2·81⅞–2·82	2·81⅞–2·82	2·81⅞–2·82	2·81⅞–2·82	2·81⅞–2	2·81⅞–2·81⅞
Canadian $	...	2·78–2·78⅛	2·78–2·78⅛	2·78⅛–2·78⅛	2·77⅞–2·78	2·77⅞–2·77⅞	2·77 15/16–2·77 15/16
French Fr.	972·65–987·35	986⅛–986⅞	986⅛–986⅞	986⅛–986⅜	986⅛–986⅜	986⅛–986⅞	986⅛–986⅞
Swiss Fr.	12·15 3/16–12·33 3/16	12·24¼–12·24½	12·25⅛–12·25⅛	12·25–12·25⅛	12·25⅛–12·25⅛	12·25⅛–12·25⅜	12·25–12·25⅛
Belgian Fr.	138·95–141·05	140·65–140·75	140·65–140·75	140·65–140·75	140·65–140·75	140·70–140·80	140·70–140·80
Dutch Gld.	10·56–10·72	10·65⅛–10·65⅜	10·65⅛–10·65⅜	10·65⅜–10·66	10·65⅛–10·65⅜	10·65⅜–10·65⅜	10·65⅛–10·65⅜
W. Ger. D-Mk.	11·67 3/16–11·84 1/16	11·75⅜–11·76	11·76⅛–11·76⅜	11·76½–11·76⅝	11·76⅜–11·76⅝	11·77⅛–11·77⅜	11·77⅛–11·77⅜
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37⅛–14·59⅛	14·56⅜–14·57	14·57⅛–14·57⅜	14·57⅛–14·57⅜	14·57⅛–14·57⅜	14·57⅛–14·57⅜	14·57⅛–14·57⅜
Danish Kr.	19·19½–19·48⅛	19·44–19·44½	19·44⅛–19·45	19·44⅜–19·45	19·44⅛–19·44½	19·44–19·44½	19·43⅛–19·44
Norwegian Kr.	19·85–20·15	20·01–20·01⅛	20·01⅛–20·02	20·01⅛–20·01⅜	20·01⅛–20·01⅜	20·01⅛–20·01⅜	20·01–20·01⅛
One Month Forward Rates							
United States $		⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par	⅛c. pm–par
Canadian $		⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis	⅛–⅛c. dis
French Fr.		1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis	1⅛–3⅛ dis
Swiss Fr.		2-1c. pm	2-1c. pm	1⅝–⅝c. pm	1⅝–⅝c. pm	1⅝–⅝c. pm	1⅝–⅝c. pm
Belgian Fr.		¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par	¼ pm–par
Dutch Gld.		2-1c. pm	1⅛–⅛c. pm	1⅛–⅛c. pm	1⅛–⅛c. pm	1⅛–⅛c. pm	1⅛–⅛c. pm
W. Ger. D-Mk.		1⅛–¼pf. pm	1pf. pm–par	1pf. pm–par	1pf. pm–par	¼pf.pm–¼pf.dis	¼pf.pm–¼pf.dis
Swedish Kr.		3–1⅝ pm	3–1⅝ pm	3–1⅝ pm	3–1⅝ pm	3–1⅝ pm	3–1⅝ pm
Danish Kr.		1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis
Norwegian Kr.		1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis	1⅝ pm–1⅝ dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/–	248/11½	...	249/–	249/0½	249/1

Where the NATIONAL comes in



Australia's continued development offers undoubted scope and opportunities for the expansion of British industrial interests and activities. In the initial stages of estimating prospects, and later during the planning and operation of an enterprise, The National Bank of Australasia is in a good position to help the wheels go round much more smoothly. 'On the spot' information, gathered from over 715 branches throughout Australia, is readily obtainable from the Information Department of the Bank's London Office.

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(Incorporated in Victoria)

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Head Office: 271-279 Collins Street, Melbourne
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Over 715 Branches throughout Australia — *Assets £257 Million*

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Bankers in South Africa to the United Kingdom Government. Bankers to the Federal Government of Rhodesia and Nyasaland, and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

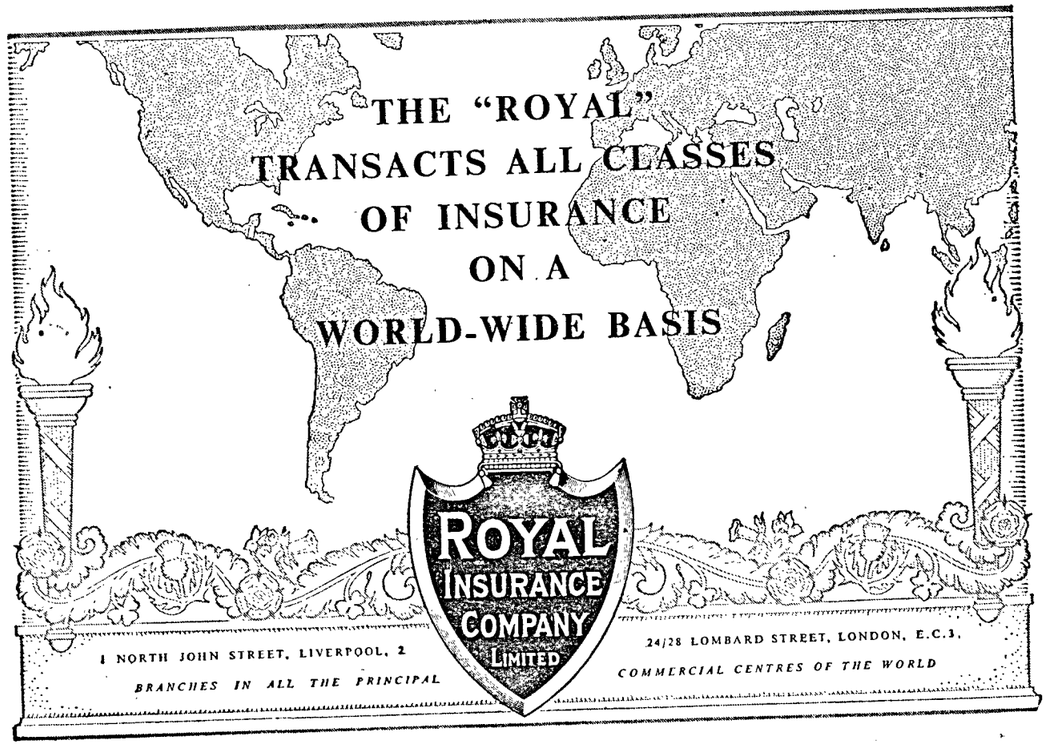
Capital Authorised	£15,000,000
Capital Subscribed	£12,000,000
Capital Paid-up	£7,000,000
Reserve Fund	£7,000,000

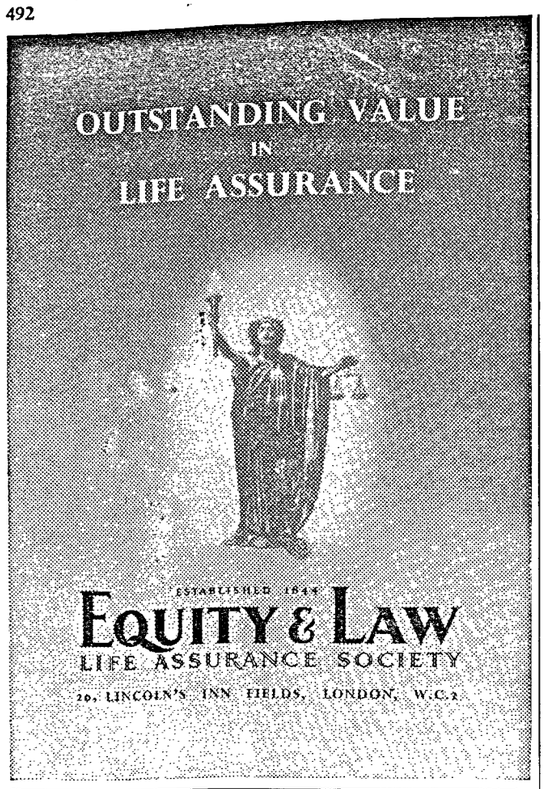
10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch—63 London Wall, E.C.2.
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
UNITED COMMERCIAL BANK LIMITED

(Incorporated in India. Liability of Members is limited)

Head Office:
2 ROYAL EXCHANGE PLACE, CALCUTTA

London Office:
15, THROGMORTON AVENUE, LONDON, E.C.2.

●

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. 8,000,000

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.

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	460,000,000.00
RESERVE (Issue Dept.)		NIL

Governor and Chairman of Executive Board:
MR. ALI ASGHAR NASSER.

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

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 (TEMPORARY ADDRESS)
2, Drapers Gardens (off Throgmorton St.), E.C.2.

COMPANY MEETINGS

SLOUGH ESTATES LIMITED

CONSIDERABLE INCREASE IN PROFIT

LOSS OF VALUABLE INDUSTRIAL PROPERTY

EFFECT OF RE-ZONING DECISION

DEVELOPMENTS OVERSEAS

SIR NOEL MOBBS'S STATEMENT

The thirty-third annual general meeting of Slough Estates Limited will be held at Slough Estates House, 16 Berkeley Street, London, W.1, on May 18, 1954.

The directors report a net profit of £250,083 for the year ended December 31, 1953, compared with £205,741 for the previous year, and recommend the payment of a final dividend on the ordinary capital of 6 per cent, making with the 2½ per cent interim dividend already paid a total of 8½ per cent for the year.

The following is an extract from the statement by Sir Noel Mobbs, KCVO, OBE, chairman and managing director, which has been circulated with the report and accounts for the year to December 31, 1953:

My statement to the stockholders this year, the thirtieth I have made as your chairman, is of more than ordinary length and more than ordinary importance, because your board has been faced with a number of important decisions arising out of happenings in the year 1953.

ACCOUNTS FOR 1953

I will, first of all, refer to the profit for 1953, which in the consolidated profit and loss account of the company and its wholly-owned subsidiaries, is £259,000. It shows a satisfactory increase of £52,000 upon last year's figures.

This is in part due to 21-year-old leases as they expire being renewed at rentals more in conformity with post-war conditions.

It is also in some part due to our Canadian company—for its first eighteen months of necessity a liability—reaching the point where it is adding to our profits.

Both these sources of increased revenue should continue, and the board have decided therefore to recommend an increase of 1 per cent in the final dividend.

The board have throughout followed a policy of maximum distribution of profits to stockholders consistent with the normal preservation of the business.

On the 1951 accounts, after payment of taxation and contractual redemption of debentures and preference shares, the company declared a dividend of 7½ per cent, being rather more than the remaining balance of profit for that year. On the 1952 accounts the company paid a similar dividend of 7½ per cent, being very little less than the remaining balance of profit for that year, and on the 1953 accounts with an increased profit the directors recommend a dividend of 8½ per cent, which will absorb nearly the whole of the balance of profits of that year.

In 1949 the ordinary stockholders received a free issue of one share for each share held, when the dividend was reduced from 15 per cent to 7½ per cent.

The return on investment in the company can hardly, therefore, be considered to be other than satisfactory and should, slowly perhaps, but surely, increase in the future.

The company has some of the aspects of a public utility company. Eighty per cent of its assets are in Slough, to which town it is of considerable importance. Five of the directors live in that neighbourhood, and the business is conducted upon a careful policy which should be of long term value, both to the nation, the area in which it is developing and the stockholders.

BALANCE SHEET

Stockholders will note that there are important changes in the balance-sheet figures.

As at December 31, 1953, the properties (excluding the power house, which is subject to statutory depreciation, and your London and overseas properties, which are shown at cost) have been re-valued by Henry Butcher and Company, the city factory agents and valuers.

The resultant increase in asset values has been allocated as to £311,868 to a capital building reserve and as to £1,129,342 to general capital reserve.

In the development of trading estates it must be appreciated that it takes years for many of our assets to come into full earning capacity, but when they have done so, the position of your company should be very strong indeed.

DRAINAGE AT SLOUGH

In our earliest days your company had its own drainage system on the trading estate and its own sewerage works. It is, however, a statutory obligation to drain and we had to part with our plant to the local authority. The authority has been quite unable to keep pace with the developments on the trading estate and the neighbouring housing estates. I have no wish to criticise, nor is criticism warranted. The chief trouble arose during the war when the authorities could do little or nothing. The needful financial outlay, also, is very high. Your board, in conjunction with a few of the larger users of the town drainage system, has agreed to contribute voluntarily to the cost, although in the Commonwealth and elsewhere the local authorities are only too glad to provide drainage to our factories free of all cost.

Nearly all applications in the last year or two which have received Board of Trade approval for the building of new or extension of existing factories at Slough, have had to be deferred by the local authority because of the impossibility of handling the drainage. Even the few factories we have built have been at increased cost with special equipment to handle drainage at night; and today, and for how long I do not know, there is a serious hold-up of building operations.

REDUCED BUILDING AREA OF THE SLOUGH TRADING ESTATE

In 1947 the Town and Country Planning Act gave power to the local authorities to re-zone existing ripe industrial land for other purposes.

Notwithstanding the expenditure of millions of pounds upon its development and the possession of a special Act of Parliament covering the whole area of the estate, the authorities decided to re-zone for "nursery garden" purposes 80 acres out of the remaining 216 acres of our estate upon which factories have not yet been erected.

Under the terms of ministerial pronouncements since, damages will be paid to us for such re-zoning, but in my opinion, no money will compensate us or the town of Slough for the loss of such valuable industrial property.

LONDON COUNTY COUNCIL

I have already said that the LCC are building a large housing estate on the northern boundary of our trading estate at Slough. The Londoners will want to find employment either in additional factories on our trading estate or in competition with the present labour in the existing factories.

The LCC, to ensure new employment for its decanted population, applied for compulsory powers to purchase and build factories upon some of our land—by an ironical coincidence—almost precisely the land that has now been sterilised by the Local Authorities.

The Ministry of Town and Country Planning rejected the LCC's application, presumably upon the ground that your trading estate was quite capable of providing employment for the new population.

Hindered by the authorities from building because of the lack of drainage facilities and hamstrung in the loss of valuable land, I feel that there may be severe competition among workers for employment on our estate in a few years' time. This may ease the lot of our manufacturers, but I, personally, do not think it is for the good of the town or the nation.

POWER PLANT AT SLOUGH

The total generating capacity of the power station is now just upon 30,000 kW.

In March a new high-pressure Stirling boiler of 80,000 lb per hour capacity was installed and a new Parsons 5,970 kW Pass-Out Turbo Alternator.

These two items with the necessary auxi-

liaries involved a capital expenditure of approximately £320,000.

A record maximum load was experienced during the winter months and the question of further boiler plant is now under consideration for commissioning not later than 1958.

SERVICE TO THE PUBLIC

For thirty years I have felt that, notwithstanding a complete responsibility to the stockholders of the company, this responsibility included and did not clash with a duty to the town of Slough and its representatives; and covering all our trading estates, to the 100,000 people who depend upon continuous employment of the workers thereon.

In the supply of power, light, steam, water, railways and other services at Slough from our own plants, we are carrying out duties of a public utility character and even in the granting of leases to suitable manufacturers our actions impinge materially upon the build-up of the town's future. The rates charged for these public services and the factory rentals compare very favourably with those operative in new towns in the Greater London area, mostly upon State or municipally owned industrial land.

Not only industrially has your company done its best for the town of Slough, but it has also spent and continues to spend considerable sums in the neighbourhood of our trading estates, and principally at Slough upon social, health and community facilities. In this important work we have collaborated with the local authorities, and I would like publicly to thank the Bucks County Council's Education Committee, its chairman and chief officer, for the helpful spirit in which negotiations and co-operation have always taken place with me.

The community centre upon the borders of our estate continues to have our full support, and many manufacturers on the trading estate have felt it their duty and their wish to join in creating a community spirit in conjunction with the statutory authorities and employees.

Slough stands high for its size as a cultural and recreative centre, and in this age of increasing mechanisation perhaps little yields in importance to the need for us all to learn how culturally and recreatively to employ our leisure hours.

LEASEHOLD FACTORIES OR FREEHOLD FACTORIES

In the great depression of 1930-31 Slough weathered the storm far better than most towns.

In years gone by ownership of a factory may have been looked upon as a mark of responsibility. The modern trend is for a manufacturer to utilise his capital in his business rather than to sink it in bricks and mortar. Today, and particularly in the New World, many of the largest firms hold all their factories on lease.

BUILDING COSTS OF FACTORIES

A trading estate is a modern conception of concentrated light industry. One of the first policies upon which has been founded any success the company may have had is standardisation. All our factories vary in little but floor space area, and the cost of construction is much below that of a factory built by an architect for an individual manufacturer.

Added to this is over thirty years of experience, trial and error, in the economics of factory construction. In Canada we have gained valuable overseas experience, and our third, fourth and subsequent factories have cost to build over 25 per cent less than the first two.

Voids on all our trading estates are practically non-existent as for over twenty years there has been a waiting list of factory applicants.

AJAX, CANADA

I was at our trading estate at Ajax in February and found every completed factory was in full occupation and all partially completed factories already let. There is plenty of additional land.

Ajax had a population of 3,500 people when we went there two years ago. Since then the Municipality have spent—within a few hundred yards of our trading estate—£2 million in the development of roads, drainage, housing, a shopping centre, and other services and are spending another £500,000 in 1954.

Situate about the same distance from Toronto (1,200,000 inhabitants) as Slough is from London, it borders the main four-lane highway and the railway from Toronto to Montreal. It is on the north shore of Lake Ontario, a region that will be served by the new St. Lawrence Sea-way.

AUSTRALIA

In January of this year Mr Butler, the Chancellor of the Exchequer, said that Australia was "one of the most inspiring prospects for development."

In 1949 your company bought 1,500 acres of land suitable for trading estate development. It is situate a few miles from the centre of the city of Melbourne between that city and the modern, industrial town and port of Geelong, with the railway between them running through our land and the highway connecting them alongside our land.

The board do not consider that the time is ripe for building operations to commence but there are signs that in a year or two it should be economical to do so.

KING'S NORTON, BIRMINGHAM

This estate, of 140 factories, is almost completely developed. Every factory is let, services to the manufacturers are purchased on the lowest scale by your company from the local authorities and distributed to the individual factories.

GREENFORD, MIDDLESEX

This estate, of twenty-one factories, is fully let to the War Department under a lease expiring in 1959. Whether the War Office will require a new lease or whether the factories become available for commercial use, the rentals obtainable will be very much higher than those existing.

LONDON HEADQUARTERS

Slough Estates House in Berkeley Street, London, W.1, continues to act as an international trading centre for any of our manufacturers. It gives them many of the advantages of an expensive London organisation of their own, including an exhibition hall, interviewing, conference and board rooms and the services of a staff experienced in world trade and its modern difficulties. A club on the upper floors, of which over 150 directors and senior executives of our manufacturing firms are members, fosters that spirit of friendliness and intercommunication which is a feature of the Slough Trading Estates.

STAFF

I would like once again to thank the administrative staff and all our employees for their whole-hearted efforts in the interests of the company during the past year.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

FARMERS' GOOD YEAR

The twenty-fifth annual general meeting of this company will be held on May 19th in London.

The following is an extract from the statement by the chairman, Mr E. J. Bunbury, CBE, MC:

Farming in general enjoyed a good year in 1953. Remarkably good spring weather throughout England and Wales gave a flying start to the year, and provided ideal conditions for all seasonal work in cultivations and sowings; it favoured lambing and gave the assurance of abundant grass for hay and silage.

Farmers generally are to be congratulated on their impressive record of achievement during recent years in raising crop and livestock yields. These good results are the fruits of the greater use of fertilisers, the wise choice of new crop varieties, and improved and wider application of the latest scientific aids to weed and pest control. Ploughing-up grants, fertilisers subsidies and other measures initiated by the Government also helped to bring about this improvement.

The 1954 Annual Review of the economic condition and prospects of the agricultural industry emphasises the increasing importance attaching to the relationship between trends of world food prices and the costs of home production. We have now moved into a different economic climate, and it is clear that great attention must be given to improving efficiency on the farm in order to reduce production costs and to ensure that agricultural produce be sold more competitively. The new investment allowances for capital expenditure on farm buildings, plant and machinery, announced in the recent Budget statement, and which are additional to existing depreciation allowances, will help farmers to meet the new situation, and thus to effect a major contribution to the well-being of the national economy.

During the year we completed new mortgage loans amounting to £1,930,416, which compares with £4,474,819 last year. In addition, advances of £645,696 had been approved by the directors, subject to the completion of the legal formalities, against the comparable figure of £573,789 in 1953.

SLOWING DOWN OF NEW BUSINESS

I referred last year to the slowing down which we experienced in the volume of new business in our financial year 1952/53. In spite of the fact that we have been able to reduce our lending rate from 6 per cent to 5 per cent during the year, this falling off in new loans granted continued, particularly for loans for farm purchase and for the repayment of bank advances, which declined by £654,000 and £1,027,000 respectively compared with last year. This, to some extent, may be associated with the reduction in the number of farms changing hands, as well as the reluctance on the part of owners earlier in the year, when interest rates were higher, to change from temporary bank accommodation to the more permanent type of finance we are able to offer. Be that as it may, I have no doubt that as the benefits which accrue from long-term borrowing become more widely known and appreciated, and with long-term interest rates now at more attractive levels, the demand for our credit will increase.

The average loan granted during the year was £3,460 which compares with £3,754 for the overall average loan outstanding.

ROYAL EXCHANGE ASSURANCE

234th ANNUAL GENERAL COURT

ANOTHER YEAR OF PROGRESS

DIVIDEND OF 50 PER CENT

PROPOSED CAPITALISATION OF RESERVES

LORD BICESTER'S REVIEW OF "SPLENDID" RESULTS FOR 1953

The two hundred and thirty-fourth annual general court of the Royal Exchange Assurance will be held on May 26th at The Royal Exchange, London, E.C.

The following is the statement by the governor, the Right Hon Lord Bicester, which has been circulated with the report and accounts:

Before I review and amplify the report and accounts of our group of companies for 1953 there are certain matters to which I should like to refer.

During the latter months of 1953 Mr John Robarts, after serving upon the court for more than half a century, indicated his wish to retire because of ill-health. To my deep regret and that of all his former colleagues on the court of directors he died early in the current year.

Mr A. E. Phelps, after completing over fifty years' distinguished and unbroken service with the Corporation, retired on December 31st last from the office of general manager and secretary. During the eight years in which he held this position the general premium income of our group rose from some £9½ million to over £25½ million. The profitable results arising from these huge underwriting totals have been mirrored in all our postwar annual accounts and are in no small measure attributable to Mr Phelps's characteristic thoroughness and business acumen.

You will be pleased to know that he has agreed to continue as a director of our principal affiliated companies in the United Kingdom: his ripe experience and sound judgment will thus still be available to us. We wish him very many years of good health in which to enjoy his retirement.

On behalf of all stockholders I extend a warm welcome to Mr H. A. Walters who, on January 1, 1954, succeeded Mr Phelps as general manager and secretary. Mr Walters has spent the whole of his business life in the service of the "Royal Exchange" and he possesses an intimate knowledge of its world-wide organisation. We can confidently expect our affairs to prosper under his guidance. Mr H. R. Roberts was at the same time promoted to be an assistant general manager.

There have been two changes in the overseas field. On September 30, 1953, Colonel F. H. Wright, OBE, retired from the position of manager for Australia after many years' service in our group of companies, and he was succeeded by Mr F. H. Egerton. Mr V. K. Vipond, after long service in the East, retired at the end of March this year and Mr Alan Wolfe succeeded him as manager of our Eastern branch. To both these new managers we wish every success.

FIRE DEPARTMENT

Once again this account presents an eminently satisfactory picture. When measured by the amount and consistency of its underwriting profits this is certainly a very important section of our business.

Last year I expressed the view that the growth of premium income could not be expected to continue at the same high rate owing to the more stable economic conditions which were then in sight. In the event it so happened that the 1953 premium income was somewhat higher at £9,541,464; but the increase over 1952, a little more than £241,000, was entirely attributable to overseas business.

Although losses at some £4,055,000 amounted to 43.1 per cent of the premium income compared with 42.4 per cent in the previous year, you will no doubt regard last year's experience as not unfavourable in the light of my later comments. Commission and expenses together showed comparatively little change.

After setting aside £4,770,732 as our customary 50 per cent provision for unexpired risks and transferring £34,119 to the exchange adjustment account, we are able to transfer to the consolidated profit and loss account a record underwriting surplus of £1,142,952 (12.0 per cent) as compared with £895,819 (9.6 per cent) last year.

At home the year opened with the storm and flood disaster in the East Coast area which caused damage officially estimated to be between £40 million and £50 million. Published statistics also indicate that material fire wastage during the year reached a level higher than any previously recorded; and this does not take into account the inseparable consequential loss which it is impossible to compute.

So in a year when the losses suffered by Fire Offices generally were appreciably higher than normal, I think we may well regard the comparatively small increase in our own loss ratio as evidence of prudent underwriting and careful control of our commitments.

The increasing importance of "Special Perils" cover is underlined by the fact that, following the Lynmouth disaster in 1952 and the East Coast catastrophe in 1953—each regarded as an abnormal occurrence—the early months of 1954 were marked by unusually severe damage by frost. The extent of the loss which this caused has not received the same publicity because it was less spectacular and more widely distributed: but it may well prove to have been as costly to the national interests, and it might have been considerably reduced by more careful planning of water and heating installations.

In the overseas field, where almost throughout the world "Royal Exchange" service and security is offered to the public by our branch organisations and agents, we had a very satisfactory year of trading.

In this section of our business we have ever to reckon with the effects of natural disasters such as destructive windstorms and earthquakes and also with conflagrations such as, I am glad to say, are seldom met with in the home field. The year 1953 must be considered as fortunate in that it was comparatively free from these unpleasant happenings, although the earthquakes in the Ionian Islands were an unhappy exception. In such disasters as did occur we were lucky to escape heavy losses.

MARINE DEPARTMENT

Premiums totalled £1,883,979, compared with £2,242,256 in the previous year. The decline of some £360,000 can largely be attributed to lower commodity prices and reduced rates of premium arising out of highly competitive conditions in the marine insurance market. Moreover, it was our deliberate policy to decline to participate in business offered at rates which, if past experience is any guide, would have left no hope of any margin of profit.

For several years there has been a widespread feeling that, in general, the rates obtained for hull insurances would prove unremunerative to underwriters. With repair costs constantly increasing the premiums have been insufficient to meet normal damage claims and at the same time to make suitable provision for the risk of total loss and the exceptional crop of casualties which is experienced from time to time as the result of a spell of bad weather at sea.

But the outlook at the moment is not without encouragement, as there are signs that in the not too distant future competition may reduce the cost of ship repairs: and this would of course have a very beneficial effect, which is long overdue, upon the results of hull underwriting.

As far as cargo business is concerned we were fortunate in that major casualties did not bear very heavily on this section of the account; but theft and pilferage still take away far too large a slice of our cargo premium. The claims paid during the year were £1,530,391, against £1,618,312, whilst expenses of management took £220,318 compared with £224,560 in 1952. In respect of the underwriting years prior to 1952 we have been able to transfer £208,525 to the profit and loss account, leaving the fund at the end of 1953 at £3,753,396, or very nearly 200 per cent of that year's premiums—comparable figures for 1952 being £3,828,651 and 171 per cent.

GENERAL ACCIDENT DEPARTMENT

The activities of this department cover a very wide range of risks written throughout the world. In some directions the progress of earlier years was interrupted by trade conditions at home and abroad; but in others improved rate structures have increased both premium collections and the ratio of profit.

Our motor vehicle account, which represents a substantial proportion of the total premium income in the department, showed an improved claims experience and produced a fair measure of profit. The problem set by the mounting total of casualties which occur on the roads in this country every year is still, in my opinion, one of enormous importance, and we therefore welcome the decision of Her Majesty's Government to spend a further £10 million per annum for a period of several years on road construction. Not only improved roads, but greater care and courtesy on the part of all those who use

UNITED BISCUITS LIMITED

(Amalgamating McVitie & Price, Ltd., Macfarlane, Lang & Co., Ltd., Henderson & Sons, Ltd.)

CONTINUED EXPANSION OF BUSINESS

RECORD PRODUCTION AND SALES

MR PETER G. MACDONALD'S STATEMENT

The sixth annual general meeting of United Biscuits Limited will be held on May 27th in the Caledonian Hotel, Edinburgh.

The following is the statement by the chairman, Mr Peter G. Macdonald, WS, JP (*chairman of the company*), which has been circulated with the report and accounts for the year ended December 31, 1953:

I am glad to report that our business continues to expand and that the group's production and sales have once more reached record high levels. This is undoubtedly due to our having maintained, even in adverse times, the high standard of the quality of the biscuits made by our group and that at reasonable and competitive prices. That we have been able to achieve this result is due to the completion of the first phase of extending our buildings and installing additional up-to-date plant and we are rapidly obtaining the benefit from our five factories fully equipped with the most modern plant available.

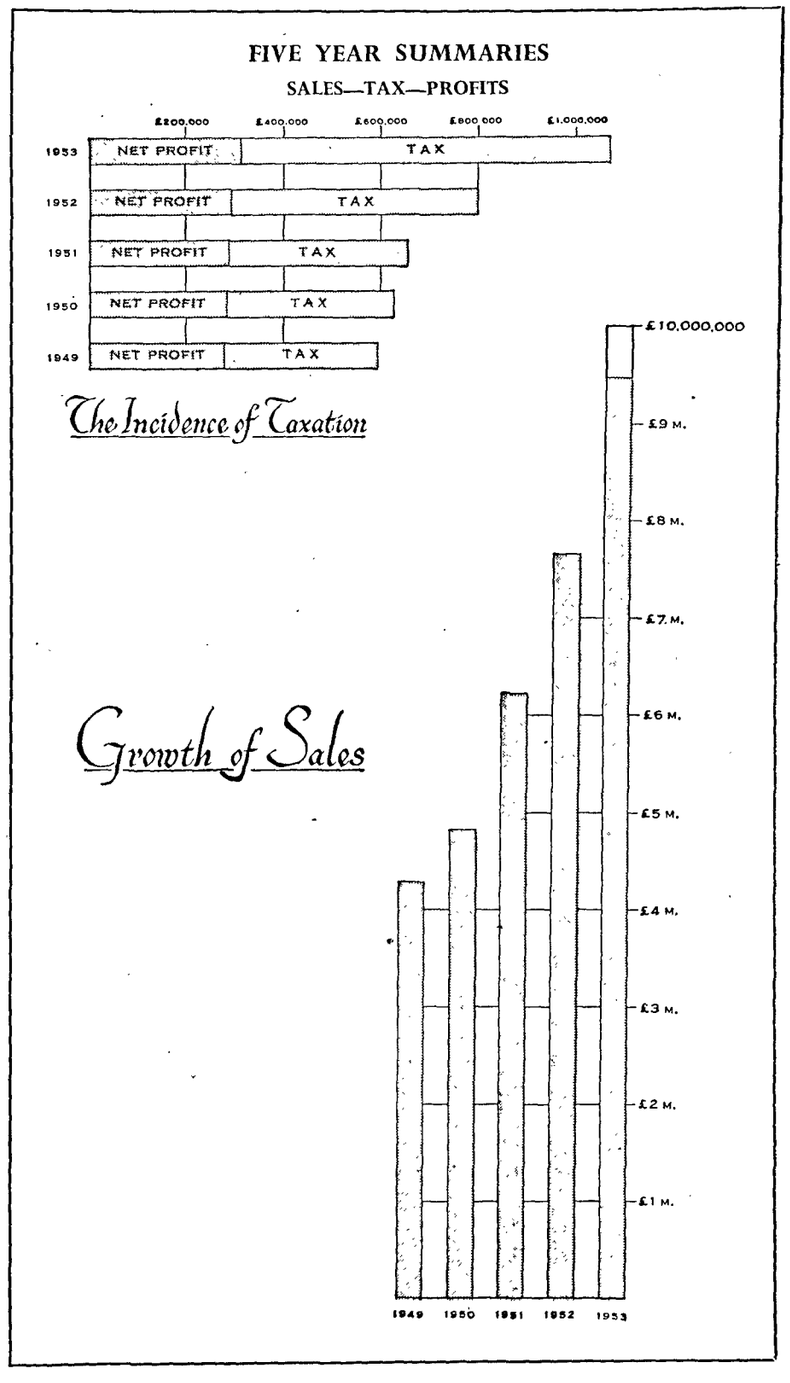
A few years ago your directors felt that the demand for biscuits in packets would increase and should be encouraged, as it places the biscuits into the hands of the housewife in the best possible condition. There are now many ingenious packaging machines which do this work mechanically and at a reasonable cost and rapid progress has been made towards the full equipment of all the group's factories with this up-to-date packaging plant.

ACCOUNTS

The group profit in the past year after charging depreciation, directors' remuneration, provision for pensions and auditors' fees amounted to £1,073,585, an increase of £278,218 over the previous year. Income tax, profits tax and excess profits levy devour £758,888, which represents more than 70 per cent of the year's total profit. Excess profits levy ended on December 31, 1953, and we are glad to see the last of that most unpopular imposition.

There remains after taxation a balance of £314,697 (1952 £290,463) from which the preference dividends and an interim dividend of 3 per cent less tax on the ordinary shares have been paid. Your directors recommend that a final dividend on the ordinary shares be paid at the rate of 9 per cent, less tax, making a total of 12 per cent for the year as against 10 per cent last year. A sum of £289,456 is brought in from last year and this together with the £149,697 retained in the business from this year's trading amounts to £439,153. The directors have transferred £140,000 to general reserve leaving £299,153 to be carried forward to next year.

During the year we have disposed of some surplus land and buildings at one of our London factories, the proceeds of which will be available for further expansion purposes and strengthening our liquid resources. This sale has resulted in a surplus of £160,000 over the book value, which amount has been



MARKET CONDITIONS

The day-to-day course of turnover in "call money" has recently begun to recall the market conditions in the 1920s, for there are often heavier transfers between overseas, foreign and merchant banks than those to which we have been for so long accustomed. There is not yet, however, evidence before the discount market of the temporary presence in London of any remarkable volume of fresh "hot money" seeking short employment.

In view of the alteration in the company's financial year the board intends, in the absence of unforeseen circumstances, to declare an interim dividend on the ordinary shares in November next of not less than 4 per cent actual, to correspond with the interim dividends paid in May to shareholders in past years. Your directors, on your behalf, express warm thanks to the company's staff for their consistent good work.

BANQUE FRANÇAISE DU COMMERCE EXTERIEUR

(Paris)

FURTHER EXPANSION OF BUSINESS

The annual general meeting of the Banque Française du Commerce Exterieur was held on April 7th. M. Belin, chairman of the board of directors, presided, and was assisted by M. Assemat, general manager. Government representatives were present.

The following is a summary of the report for 1953 given by the chairman:

The financial year has seen a further expansion of the volume of business transacted by the bank. This is indicated by an increase in the balance sheet, which, with a total of Frs. 111,754,000 million at the end of the year, is more than Frs. 30,000 million in excess of the figure at December 31, 1952. This progress is largely due to the financing of large-scale works abroad, export deliveries and offshore orders.

STRENGTHENING OF RESERVES

The results for the financial year 1953 show a distinctive improvement on those for 1952, in spite of a rise in costs of approximately 8 per cent. Profits available for distribution are, in fact, nearly Frs. 29 million in excess of the corresponding figure for the preceding year, and will enable the bank's reserves to be strengthened considerably.

Total gross profit for the year amounted to Frs. 1,950,143,618, as against Frs. 1,806,245,955 for the preceding year. After deducting all charges, redemption payments, and other provisions, the net profit amounted to Frs. 369,298,525, compared with Frs. 333,501,104 in the preceding year, showing an increase of nearly 11 per cent.

After making provision for statutory payments to shareholders, staff, and social security funds, the board have earmarked Frs. 120 million for the general reserve, and have placed a balance of Frs. 163,792,252 at the disposal of shareholders. Apart from provisions and redemption payments, the reserves have increased by Frs. 240 million compared with the preceding year, and have now reached a total of Frs. 1,146 million.

After the accountants' report and the observations of the management committee had been duly read, the accounts were adopted unanimously. Further motions, to distribute a bonus dividend of 5 per cent and thus double the ordinary dividend and to strengthen the general reserve by Frs. 120 million, were carried.

THE UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

DEMAND FOR PRODUCTS WELL MAINTAINED

MR L. A. ELGOOD'S STATEMENT

The annual general meeting of The United Glass Bottle Manufacturers, Limited, will be held on May 26th in London.

The following is an extract from the statement by the chairman, Mr L. A. Elgood, OBE, MC, DL, JP, CA, circulated with the report and accounts:

In the statement which accompanied the 1952 report and accounts, I reiterated that it is your company's policy to maintain the glass container as the cheapest form of package for its many uses. To this end, and in the face of continuing increases in manufacturing costs, the home trade selling prices of glass containers, tableware and stemware were held throughout 1953 at the levels established in 1952.

The reduced demand for glassware and closures in the first half of 1953 which we experienced in common with others in the industry resulted in our glass and closure factories operating below capacity during that period, with consequent increases in the cost of ware manufactured. Trading conditions improved greatly thereafter and in the closing months of the year all available production units were again fully employed. Demand for our products in the present calendar year has been well maintained.

Sales in export markets were more difficult and at a lower level than in 1952, but I shall refer to this later in my statement. These circumstances, the over-all effect of which was a further reduction in our profit margins, provide the main background to the accompanying accounts, on the principal features of which I should now like to comment.

TRADING PROFIT

The consolidated profit and loss account opens with our group trading profit before taxation amounting to £702,929, a reduction of £161,565 on the profit for 1952. The incidence of taxation on trading profit was substantially the same as in 1952, but remains at a level which continues to curtail development and enterprise. The amount of taxation recoverable in respect of previous years, £38,896, was attributable in the main to adjustment of liability to tax of the company's wholly owned subsidiary, John Lumb and Company, Limited, which ceased trading on December 31, 1953, and to which reference is made in the directors' report.

The net group profit at £287,531 compares with £367,687 for 1952, and the holding company's profit for the year amounted to £248,403 compared with £316,042. The application of that profit and recommendations as to dividend are summarised in the directors' report and result in a balance of £298,258 available to be carried to the holding company's balance sheet, which amount compares with £302,243 in 1952. The balance carried to the consolidated balance sheet is £429,739 compared with £415,576 in 1952.

INCREASING COSTS OF RAW MATERIALS

Towards the end of 1952 it became necessary to impose a general price increase on bottle sales to meet in part the additional manufacturing costs that had been sustained up to that date. No sooner had this price increase been imposed than the industry as a whole was faced with increased costs of raw materials, increased transportation costs, wage claims and awards, so much so that without committing myself to precise figures I can say that in 1953 alone these additional charges on production amounted in the case of our company to approximately £200,000.

Unhappily in the present year this trend has not only continued, but the tempo of increase has even been accelerated. So far these burdens have been very largely absorbed, partly by increased efficiency which is our permanent aim and partly, as you will have seen, at the expense of profits.

While we believe we have been correct in our endeavours to hold prices, for the maintenance of the business on a sound basis and in the long-term interests of our stockholders, there is a limit to what can be absorbed, and I fear this limit has almost been reached. It will continue as our guiding principle to keep our bottle production in the field of the cheapest and most efficient form of packaging material of its type. This must be a warning, however, that until those controlling supplies and services to your company are equally activated by a need to hold prices, then we are fighting what might well prove to be a losing battle.

EXPORT MARKETS

Last year I referred specifically to the competition in export markets with which we were then faced from Western Europe. From frequent press references to this threat, it will be no news to stockholders to learn that, far from competition levelling off, it became intensified throughout 1953. While in that year your company could not match peak sales, nevertheless, both by volume and value, our contribution to the country's export effort exceeded estimates. The decline in export turnover has not been influenced by periods of increased home demand. I particularly stress this, as of industry in general it is frequently suggested export supplies are subservient to home needs. Fears of this were expressed in a report issued by the Organisation for European Economic Co-operation from Paris in December last. The theory presumably is, that in satisfying home demand, exportable goods are diverted into the domestic market.

To this school of thought I cannot point out too forcibly that the particular competition in export markets with which your company is faced springs largely from the United States and Western Europe. It is my belief and experience that in those countries there is little that is not available to the domestic buyer. This, I feel, is something on which to ponder, as, particularly in the case of Western Germany, their ability to compete overseas has, I believe, grown in direct relationship with the availability of goods for home consumption. In other words, a growing level of home supply there and in other competing countries has produced an ever growing overspill for export, a simple formula of trading under which this country has prospered in the past.

An important part of our group's activities is the service to customers of our closure division, who supply the products of our subsidiary, Kork-N-Seal Limited, which include stoppered corks, metal and moulded closures of every type and also capsules.

The company's activities in Scotland, which are already on an important scale, have been reorganised and strengthened.

STANHOPE STEAMSHIP COMPANY

MR J. A. BILLMEIR ON THE OUTLOOK

The second annual general meeting of the Stanhope Steamship Company Limited was held on May 6th in London. Mr J. A. Billmeir, CBE, FICS (the chairman), who presided, said:

The profit on ships trading after charging business expenses is £663,485 compared with £769,671 for the previous year. In the circumstances experienced in the year under review the directors feel that the company has done well to earn the profit now shown.

The ships have been fully employed for the whole of the year. Cargoes carried have amounted to 568,000 tons, of which bulk oils have accounted for at least 60 per cent.

As regards the future, it is quite impossible to make any forecast, but it can be said that we shipowners are going through a difficult period. The only favourable factor that can be discerned is that there is a certain feeling that the gradual freeing of commodity markets is opening up the possibility of movement which has hitherto been in check, and whilst it might be some time before such movement could be reflected by results, the shipping industry must be ready to play its part.

It is our policy to exert every endeavour to maintain our ships in full employment and top condition even in difficult and unfruitful times, so as to be in a position to take immediate advantage of any trend for the better in world affairs. The report was adopted and the dividend of 7½ per cent, less income tax, was approved.

EAGLE STAR INSURANCE

The annual general meeting of Eagle Star Insurance Company, Limited, will be held on May 28th in London.

The following summarises the statement by the chairman, Sir Brian Mountain, Bt, circulated with the 1953 accounts:

Life new business another record at over £56 million. Premiums now exceed £10 million with total Life Funds over £60 million. Net rate of interest increased to £4 0s. 1d. per cent. Current fund interim bonus was increased by 4s. per cent per annum from January 1, 1954.

Record fire premiums £3,321,504, and profit £396,000.

Accident premiums higher at £6,850,000 with profit of £253,000. Home Motor Account made progress, though damage claims cost rose against relative premiums. Overseas motor business was less unfavourable. Rate adjustment caused further improvement in home employers' liability results.

Marine net premiums were £1,776,864 and, after profit of £75,000 transferred, Fund was 109.92 per cent of premiums. Aviation department continued to develop.

Net investment income, at £488,540, was £65,000 higher. Trading transfers total £724,000 against £500,000 and balance for year was £515,973. £125,000 transferred to Fire Fund and £100,000 to Accident Fund as additional reserves. Final dividend 1s. 6d. making 5s. per share against 4s. 6d. £1,210,855 carried forward, an increase of £22,794.

Recent development has established company's operations on a wider and firmer basis than heretofore.

Premium income exceeds £22 million with assets exceeding £85 million.

CAMP BIRD, LIMITED

MR E. C. LEAMAN'S SPEECH

The fifty-second annual general meeting of Camp Bird, Limited, was held on May 4th in London.

Mr E. C. Leaman, who presided in the absence of the chairman, in the course of his speech said:

The profit and loss account shows a gross income for the year of £142,390, which is a reduction of £84,800 compared with the previous year. The reduction of our dividend income from base metal mining companies was greater than that shown in the accounts, but some of the deficiency was made up by receipts from other companies.

At the annual meeting last year the chairman gave warning that the full effect of the lower base metal prices might be felt in the year with which we are now dealing. We knew at that time that the Lake George Corporation had deferred consideration of its interim dividend, but it was not until later that we learned that no dividend was forthcoming in respect of that company's year to June 30, 1953.

Our holdings in gold and platinum mining companies in South Africa represent a very large proportion of our total investments.

It has become customary for the chairman to give what is described as the "break-up" value of our assets. At December 31st last this worked out at 18s. 1d. per share.

You may well ask me what of the future. If I were pressed on the point I should have to admit to a little pessimism about the immediate future, but with a prospect of ultimately realising better times.

The report was adopted.

PEARL

ASSURANCE COMPANY LIMITED

Chairman: **G. R. L. TILLEY, M.A., F.C.I.S.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1953.

POLICYHOLDERS' FUNDS £203,686,072 **GROSS INCOME £42,090,994**

INVESTMENTS

The Assets show an increase of £7,859,869. The valuation of the investments taking Stock Exchange securities at middle market prices showed a comfortable margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £49,760,330 compared with £47,010,518 for 1952 and the total sums assured and bonuses in force (including the Capital Redemption Fund) amounted to over £490 millions (an increase for the year of over £21 millions).

FIRE AND ACCIDENT

In this Branch the premium income was £7,103,716.

REVERSIONARY BONUSES

ORDINARY BRANCH—A reversionary bonus of **£1 16s. 0d.** per **£100** sum assured on United Kingdom policies entitled to participate in full profits.

INDUSTRIAL BRANCH—A sum of **£1,630,949** has been allocated to provide bonuses and other benefits to policyholders in the Industrial Branch making a total allocation up to date of **£22,528,017.**

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.I.

THE EMPLOYERS' ASSURANCE

RECORD TRADING PROFIT

LORD COURTAULD-THOMSON'S REVIEW

The seventy-third annual general meeting of The Employers' Liability Assurance Corporation, Limited, will be held on May 26th in London.

The following is an extract from the statement by the chairman, the Rt Hon Lord Courtauld-Thomson, KBE, CB, circulated with the report and accounts for 1953:

On December 31st of this year, after thirty years as a director and twenty years as chairman, I propose to retire from the chairmanship of the Corporation, and it is the unanimous wish of the directors that Viscount Knollys should be invited to become chairman in my place. For many reasons the board would have been glad if Lord Knollys could have continued his notable and successful services as managing director. Lord Knollys, however, wishes to relinquish this post, to which he was first appointed twenty-one years ago, because he feels the time has come to facilitate promotion.

Amongst many other qualifications, he has very exceptional knowledge of the United States, where so much of our business lies, as well as of Canada and other business areas overseas, and the board are glad to feel that as an active chairman he will still be in a position to provide this experience and knowledge to a special degree, not least in maintaining contact with our overseas business by means of those personal visits which have been invaluable in the past.

We are glad to announce that it is the board's intention to appoint Mr C. E. Keysell chief executive officer of the Corporation with the title of general manager. With his fine record of service, his knowledge of our business overseas and his long co-operation with the managing director, we feel sure that Mr Keysell will prove successful in the highest degree.

LARGER PREMIUM INCOME

The combined premium income of our group of companies for 1953 was £27,664,156, an increase of £1,935,333 on that for 1952:

Fire	£2,590,511
Motor	10,239,014
Workmen's compensation	5,258,609
Other casualty	6,974,164
Marine	496,906
Life	2,104,952
	£27,664,156

The Corporation's own underwriting profit for the year was £915,828. Our share of the Life profits of the Clerical, Medical and General was £55,816, and the gross interest £849,851. After transferring £320,000 to the Staff Pension Account and charging sundry expenses of £43,386, there was a total trading profit of £1,458,109, the largest figure ever recorded by the Corporation. We have provided £885,891 for United Kingdom taxation, leaving our net profit at £572,218. With £750,667 brought forward from last year, we have available a total of £1,322,885. The directors have appropriated £250,000 to general reserve and recommend a final dividend of 3s. per share, making a total dividend for the year of 4s. 6d. per share, less income tax. This would cost £190,463 net, leaving the carry forward at £882,422, an increase of £131,755. The directors have approved the transfer of a further £500,000 from inner reserves to the general reserve, which now amounts to £4,250,000.

Having regard to the present strength of the reserves, the directors feel that the time has now come to pay up the uncalled capital of 15s. per share on the existing shares by capitalising £1,154,317 10s. from general reserve.

We are informing the shareholders of an issue of fresh capital which we are making. Apart from a small internal issue in 1928, the paid up capital, which is now £384,772, has not been changed since 1921. In this period its premium income has increased from £5,500,000 to almost £25 million per annum, and fresh capital is now desirable to enable the Corporation to continue even more actively its policy of world-wide development, particularly in fire business, to the full extent which its organisation is capable of in all other respects.

As the result of these operations the total issued share capital will be increased to £2 million, which, with the general reserve and carry forward, will then give a total of over £7,500,000.

DEPARTMENTAL FIGURES

We have continued our policy of the steady expansion of our fire business, and the premiums in this account again showed a considerable increase at £2,443,350, £338,825 higher than in 1952, with an underwriting profit of £119,266.

The premiums in the accident and general account have increased by £1,531,358 to £22,402,866, and the underwriting profit amounted to £796,562, compared with £233,171 a year ago. This welcome advance is due mainly to a more profitable experience in the United States, and to a very considerable improvement in the results from Canada, which has returned to its normal role as a source of steady profit.

Our associated Life office, the Clerical, Medical and General, continues to do well. Net new business for 1953, at £7,302,053, showed an increase of £583,933, and the annual premium income exceeded £2 million for the first time.

The results of our Marine subsidiary, The Merchants Marine, continue to be satisfactory. The net Marine premiums totalled £496,906 and the Marine Fund, at the end of the year, amounted to £698,568, or 140 per cent of the premium income.

INVESTMENTS

Total investments amounted to £32,579,590, an increase of £3,050,584. Their total market values at December 31, 1953, showed an even greater appreciation than last year over their total book values.

We were pleased to be able to announce, in September last, the appointment of Mr A. G. Stewart to a seat on the board. Mr Stewart is chairman of Stewarts and Lloyds Limited, president of the British Employers' Confederation and president-elect of the British Iron and Steel Federation.

We are very proud of the achievements of "The Employers" over the years, particularly because they have been largely accomplished through the splendid team-spirit of our executive management and staff throughout the world.

I am confident that Lord Knollys will make an ideal chairman, under whose leadership we can look forward to the future with hope and ample assurance.

ALLIANCE ASSURANCE COMPANY, LIMITED

CONTINUED PROGRESS

The annual general meeting of the Alliance Assurance Company, Limited, will be held on May 26th in London.

The following are points from the review of the report, accounts and balance sheets for the year 1953 by the chairman, Mr Anthony G. de Rothschild:

LIFE DEPARTMENT.—The net new sums assured completed during the year amounted to £8,532,922, compared with £7,911,269 in the previous year. The increase thus disclosed compares favourably with that of the offices generally.

The demand for immediate annuities remains small, the purchase money of £45,927 differing little from the 1952 figure of £43,546, but deferred annuities of £149,632 were issued, against £134,803 for the previous year.

The usual quinquennial valuation of the "Alliance" life and annuity funds as at December 31, 1953, revealed a surplus of £2,730,787, of which £1,918,648 was allotted to policyholders, in addition to interim bonuses of £216,872, which had already been paid during the quinquennium.

A compound reversionary bonus, at the rate of 36s. per cent per annum, was declared on participating policies issued in and after 1894.

FIRE DEPARTMENT.—The net premiums amounted to £5,875,913, an increase of £349,858 over those of 1952.

There was a small increase in the claims, which, with contributions to fire brigades, amounted to £2,044,971, being £26,790 more than those for the previous year.

The surplus for the year, after making provision for unexpired risks, amounts to £982,290, which has been transferred to the profit and loss account.

MARINE DEPARTMENT.—The net premium income amounted to £2,257,546, which is £316,072 less than that of the previous year.

The underwriting account for 1951 has now been closed, with a balance of £121,707, compared with the unusually high balance of £515,573 in the previous year. It was necessary to provide the sum of £195,878 for claims arising from previous years' accounts, so that in order to maintain the reserve for previous years at £425,000, the sum of £74,171 has been transferred from the profit and loss account.

ACCIDENT DEPARTMENT.—The net premiums amounted to £5,352,025, being an increase of £379,203 on the figures for 1952, and after providing for unexpired risks, surplus of £597,374 was transferred to the profit and loss account.

PROFIT AND LOSS ACCOUNT.—The profit of the group, after making provision for taxation and other outgoings, amounts to £1,299,463, which is slightly more than the previous year.

The following appropriations have been made:

£200,000 to the staff pension trust funds, of which £25,000 relates to the fund of a subsidiary company.

£22,000 to the widows' and orphans' fund.

£100,000 to the additional reserves in the fire insurance accounts of subsidiary companies.

£400,000 to the general reserve, which now stands at £3,650,000.

The board has decided to declare a dividend at the increased rate of 24s. per share.

BABCOCK & WILCOX

A SOUND AND PROGRESSIVE ENTERPRISE

MR W. LIONEL FRASER ON THE OUTLOOK

The fifty-fifth annual general meeting of Babcock & Wilcox Limited will be held on May 27th in London. The following are extracts from the circulated statement of the chairman, Mr W. Lionel Fraser, CMG:

In the prospectus which was published in October, 1953, in connection with the issue of £4 million 4½ per cent debenture stock, your directors said they considered that profits of the group, subject to UK taxation, and before setting aside to reserve additional depreciation to cover replacement values of fixed assets, should approximate to £4,500,000 and in the accounts now presented this forecast was exceeded by nearly £150,000. After setting aside sums for depreciation, providing for UK taxation and making other necessary adjustments, the balance standing to the credit of the consolidated profit and loss account is £1,571,273. Your directors now recommend that a final dividend of 7 per cent be paid on the ordinary stock, absorbing £289,689, making the equivalent of 12 per cent for the year on the increased capital, which is equal to 18 per cent on the ordinary stock as it stood before the recent one-for-two scrip issue.

The whole of the discount and expenses on the issue of the debenture stock having been written off in the accounts, your board further recommend that the sum of £150,000 be transferred to general reserve which, together with amounts placed to reserve in the accounts of the subsidiary companies and subject to the transfers from the reserve accounts made at the time of the scrip issue of ordinary stock, results in a new total of £5,431,749 for general reserves. It is also recommended that the sum of £100,000 be transferred to special research and development reserve.

At the time of the issue of debenture stock your directors considered the moment opportune to bring the ordinary share capital of your company more into line with the assets. The accounts reflect the changes approved by the stockholders, which took the form of the creation of 2,500,000 new ordinary shares of £1 and the issue to ordinary stockholders of 2,508,133 ordinary shares of £1 each credited as fully paid up by way of capitalisation of reserves on the basis of one share for every £2 stock held.

BANK OVERDRAFT AND INCREASED COSTS

Reference has been made in my previous statements to the considerable expansion of output in the postwar years, both at home and overseas, which, during a period of continued inflation, necessitated heavy inroads on the company's financial resources. During 1953, higher costs, resulting from increases in wages and in the prices of raw materials, further accentuated this situation and, in consequence, the bank overdraft mounted during the year. Your directors therefore thought it advisable to fund part of the bank borrowings, and an issue of £4,000,000 4½ per cent debenture stock 1980 was made on October 2, 1953. It was an outstanding success and showed the confidence felt in your company's status and prospects, both by stockholders and employees who were given priority of allotment, and by investors generally. In spite of the new issue, the total bank overdraft of the group at the end of the financial year was approximately £3,400,000, and I cannot see the end of the inflationary conditions which were the main reason for additional cash requirements.

Indeed, in my opinion, we shall be fortunate if the recent increases in wages, especially in the nationalised industries which contribute comparatively little to export business, but vitally affect export costs, do not presage a period of further inflation.

Employers in the heavy engineering industry are anxious to give their employees a just return for their labours, but at the same time the principal objective of employers must be to maintain a satisfactory order book and so to ensure full employment in future years. Both these endeavours will be in serious jeopardy if higher wages are not recompensed by extra effort, and we all know that, if our national exports fall away, this country will once again be faced with a most critical and dangerous situation.

It is relevant to point out at this stage that the sum expended in re-equipping and modernising your works during the last six years, together with those of your subsidiary companies in this country and overseas, has almost reached the figure of £7 million.

I am pleased to announce that, jointly with the Department of Atomic Energy, your company has designed the steam-raising plant for the first atomic power station in this country, and has been entrusted with the manufacture and construction of the plant to be erected at Calder Hall, Cumberland.

GENERAL REVIEW AND PROSPECTS

What of your company and its future? I affirm that, provided conditions beyond our control do not intervene, there is good reason to feel hopeful. In seeking to assess the prospects, various considerations naturally come into one's mind. On the one hand, we have many favourable factors: an encouraging order book, if being overtaken a little; modern plant and machinery; better production, which will ensure speedier delivery; team work, and a wealth of skill and engineering ability, of which we are rightly proud.

On the other hand, there is an underlying anxiety in British industry generally that rising costs and an unreal wage level may upset all carefully laid plans by reducing competitive power, and the margin of profit which is so necessary for capital replenishment. Vast sums of money may be disbursed on the provision of highly developed machines, but they cannot ensure greater and more economic production unless the industry and best efforts of all concerned are forthcoming.

On this my comment is that past experience gives assurance that those efforts will be achieved in your own company. Needless to say, your directors, on their part, will do all they can to support and encourage the progressive and enterprising spirit which exists in your company and without which it cannot continue to go forward. As to margins of profit, it must be emphasised that in our own case they are very modest. In fact, it is not too much to say that, with all the hazards and complications of a world-wide heavy engineering business, it would be very difficult satisfactorily to conduct the affairs of your company on any smaller profit margin.

We must expect that times will be testing and that new business will have to be fought for and, with more intense competition, may well be on a lower level. However, the whole organisation is keyed for further progress and your directors remain confident and optimistic, knowing that your company is strong and very much on the alert.

THE TELEGRAPH CONDENSER COMPANY

FACTORIES FULLY EMPLOYED

The twenty-first annual general meeting of The Telegraph Condenser Company, Limited, was held on May 6th in London, Mr P. V. Hunter, CBE, Hon MIEE (the chairman), presiding.

The following is an extract from his circulated statement:

The profit on trading for 1953 was £460,897. The reduction in profit for the year, amounting to some £47,000, has been more than offset by materially reduced taxation liabilities.

As a consequence, the net profit available for distribution has been substantially increased for the year under review and, taking into account the company's satisfactory cash position, your directors have felt fully justified in recommending payment of a cash bonus of 10 per cent, in addition to a final dividend of 15 per cent on ordinary capital, both subject to income tax at the current rate.

Throughout the year both the company's factories have been fully employed. During the latter part of 1953 and up to the present time they have been working to capacity, due to renewed demand for the enormous range of fixed electrical capacitors in which your company specialises.

Turnover was slightly lower than the record figure reached in 1952. Volumetrically, however, our output was somewhat greater, but the fierce competition within the industry, which forced down the selling prices of many products, prevented the increased output being reflected in the value of net sales. This trend would appear likely to continue.

Export turnover was remarkably well maintained during 1953, and it is particularly pleasing to note that the company achieved a marked increase in sales to hard currency countries. Increased competition may, however, lead to some reduction in export business in 1954.

Our order book, which shrank considerably during 1952 and the first three-quarters of 1953, has improved materially in recent months.

It is exceedingly difficult to forecast whether or not this demand will be maintained throughout the year. I can only say that, at present, incoming inquiries and orders are being received at a satisfactory level and express the hope that the electronic industry, which we have supplied with components for so many years, will not experience any setbacks in the coming months.

CAPITAL STRUCTURE

Your directors consider that the issued capital should be increased to bring it more into line with the capital employed in the business and you are being asked to approve a resolution to increase the authorised capital to £880,000 by the creation of 600,000 new ordinary shares of 10s. each.

Your directors propose that £300,000 of the company's undivided profits at present standing to the credit of the general reserve account should be capitalised and applied in paying up in full 600,000 ordinary shares of 10s. each which would be issued credited as fully paid to existing ordinary shareholders in the proportion of one new share for each existing share held by them.

The report and accounts were adopted and the board's capitalisation and bonus issue proposals were sanctioned.

BRITISH ALUMINIUM COMPANY, LIMITED

LOWER PRICES AND HIGHER COSTS

The annual general meeting of The British Aluminium Company, Limited, was held on May 4th in London, The Rt Hon Viscount Portal of Hungerford, KG, chairman, presiding.

The chairman, in the course of his speech, said: The consolidated income for the year after tax amounted to £409,699, which compared with £684,999 for the previous year.

Last year I explained the reasons for the recession in our business then current, and these conditions have persisted throughout the year. Our semi-manufactured products have on average realised lower prices, and we have had to absorb a variety of increased costs over which we have no control, notably those for electricity, coal and transport.

It must not be forgotten that abnormal expansion took place in our industry during the war years, and we have since benefited by shortages of other materials which are now in free supply. It was therefore inevitable that at some point there should be a readjustment, accompanied by a contraction in trade.

On the whole, the world aluminium consumption is extremely buoyant. In 1953 several of the large aluminium plants built in the United States under the stimulus of the Korean War, and with very favourable financing came into production. United States production, already large, has virtually doubled since 1945. In a relatively few years these new plants will be largely amortised by favourable taxation concessions so that their cost should stand in the balance sheet at a low figure.

FUTURE PRICE UNCERTAINTY

One of our greatest difficulties has been the feeling of uncertainty as to future price trends. An inevitable result of this has been short-term purchasing of our products which caused planning difficulties in our rolling mills and a serious increase in production costs. The actual falling off in tonnage of metal sold is not very considerable, but, as has been pointed out more than once in our annual addresses, a relatively small falling off in the volume of business can produce an entirely disproportionate reduction in our profit margins.

It is difficult to make forecasts for the near future. Demand in the home market has improved, but the prospects in export markets are still obscure. So far as the long-term position is concerned, we have the greatest confidence.

Coming to the accounts, the total manufacturing and trading profit for the year amounts to £882,117, which is £1,578,874 less than the comparative figure for the previous year. If, however, you compare the total consolidated profit after taxation for the two years the adverse difference is reduced to £275,300, the net amount for this year being £409,699.

That a reduction in gross profit exceeding £1½ million makes a difference to net profit of only £275,000 is to some extent accounted for by tax adjustments in respect of previous years. Nevertheless, it affords a striking illustration of how taxation, which penalises success so heavily, can appear to alleviate the consequences of adversity in a year when much smaller profits have been earned.

We recommend a final dividend of six per cent on the ordinary stock, which, with the four per cent already paid, makes 10 per cent, less tax, for the year.

The report and accounts were adopted.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING

The seventy-third annual meeting of the Institute of Chartered Accountants in England and Wales was held on May 5th in London.

Mr James Blakey, FCA, the president, in the course of his address referred to the proper use of accounts. He said that the duties of public accountants brought them into close contact with the whole range of business activities on which the national prosperity depended.

"Company accounts," he said, "are essentially stewardship accounts for the information of the shareholders." They might be more complex than those prepared under earlier Acts than the 1948 *Companies* Act, but they were much more informative. "Unfortunately, this desirable development encouraged attempts to make company accounts serve purposes for which they were not intended.

"We must see that the accounts we prepare or audit are 'true and fair' to the shareholders and this is unlikely to be what the economist would regard as 'true and fair' for his purposes. We cannot in my view satisfy the shareholders and the economist with the same document."

He referred to Recommendation XV issued by the Council of the Institute on "historical costs," saying: "We have every reason to believe that this recommendation is acceptable to the great majority of the Institute's members."

The president said that much controversy resulted from not recognising that useful conclusions could not be drawn by merely glancing only at the profit figures. "In politics and industrial relations," he said, "there is a regrettable tendency to use accounts to make 'party points' which no accountant would accept as proper conclusions to draw from the accounts."

SUPPLEMENTARY STATEMENTS

The President then referred to the need for statements supplementary to the accounts required by the Companies Act. He said: "Members of the Institute would therefore render an invaluable public service by urging the publication of supplementary statements for the benefit of employees, politicians, economists and, of course, shareholders.

"There is endless scope for issuing informative statements of this kind, but they will not strike home if they are not in the simplest possible form or if they are presented in pictorial fashion with too many trimmings and too much colour. No large figures, which are often incomprehensible, should be used, but rather a unit of £1 of product, divisible in shillings and pence between labour, materials, expenses, taxation, reserves and dividends."

He stressed the inter-relationship between labour and the shareholder and urged that statements be published showing the amount of capital assets involved in a business divided by the number of workers to give some idea of the expensive tools required to enable each worker to earn his wages.

Mr Blakey said of misconceptions about profits: "Nowadays most individual shareholdings are small and the holders far from wealthy. I regard it is a national tragedy that so much time and energy are put into this postwar haggling about dividends and profits."

BLAW KNOX LIMITED

SATISFACTORY LEVEL OF NEW ORDERS

The annual general meeting of Blaw Knox Limited was held on May 6th in London.

The following is an extract from Sir Geoffrey Burton's circulated statement:

The profit for the year, after providing for taxation, amounts to £182,838. Our trading profit is approximately the same as last year but there has been a net reduction in the provision for taxation.

On the construction machinery side of our business the volume of new orders booked in all departments was maintained at a satisfactory level, especially considering the more difficult trading conditions, and our carry-forward of uncompleted business is substantial. While this is an encouraging overall factor, it should be realised that the maintenance of a consistent level of production in all departments is essential, and in the more difficult trading conditions we are now experiencing, great efforts will need to be made to continue to secure an adequate flow of new orders.

Production in our Watford and Rochester works was well maintained, but higher production costs and the need to reduce selling prices in face of keen competition, resulted in a lower overall profit margin.

In present circumstances it is hazardous to assess the forward trends; there is unquestionably a reduced demand for the products of the company. Competition is formidable but considering the range and quality of the company's products and their wide acceptance throughout the world, I am confident of the ability and keenness of our organisation to measure up to the sterner trading conditions. The Tower department has had a satisfactory year. In addition to important orders from the British Electricity Authority and the North of Scotland Hydro Electricity Board we have secured orders for delivery to many parts of the world, including South Africa, India, British Borneo, the Gold Coast, Norway and Bahrein Island in the Persian Gulf.

Steel supplies were more satisfactory which enabled us to effect substantial deliveries during the year. The unfilled order position of this department remains satisfactory.

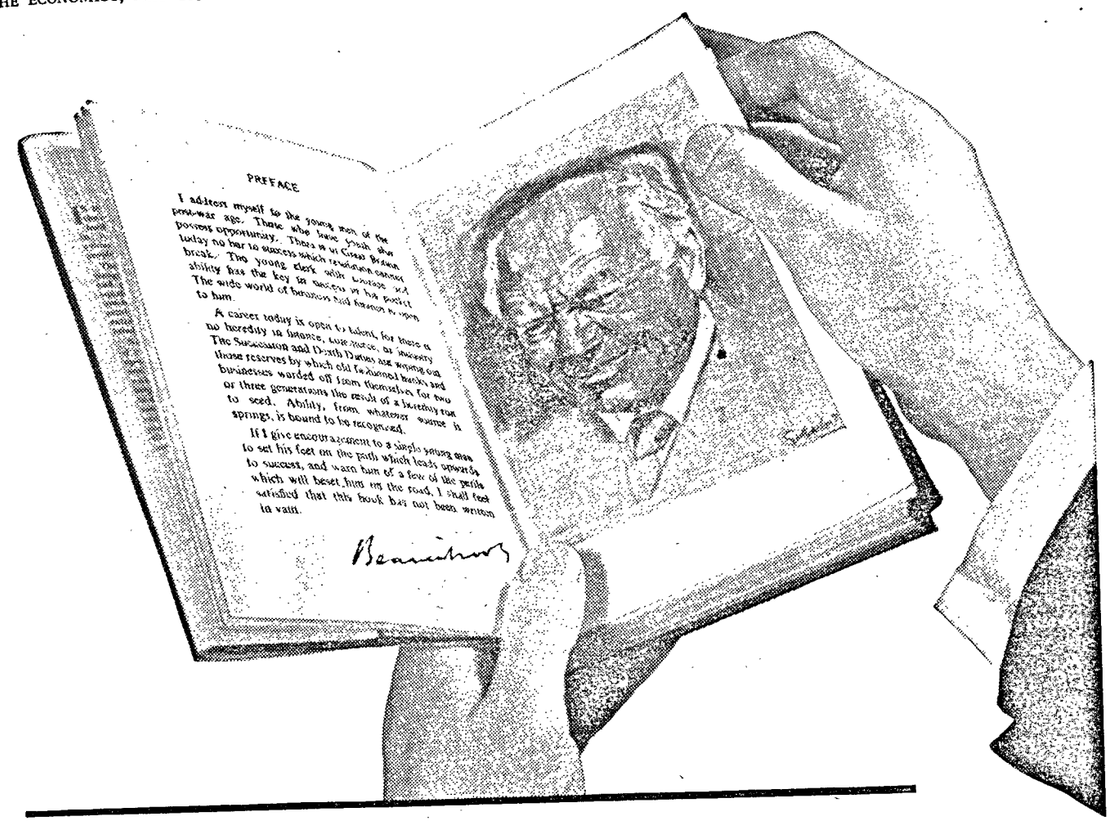
Mr Cordes Snyder, the chief executive of our associated company in the United States, which has a substantial financial interest in this company, paid us a visit during the year. The friendliest association and the closest co-operation exists between the two companies, and these exchanges of visits are of the greatest advantage to both companies.

CAPITALISATION PROPOSALS

You will recollect that in March, 1951, part of the unappropriated profit, amounting to £49,068, was capitalised and applied in paying up and issuing ordinary shares in the company. Subject to the passing of the necessary resolution, we propose repeating this procedure, and an extraordinary general meeting will be held immediately on the conclusion of the annual general meeting to give effect to the capitalisation of £49,111 of the unappropriated profit. It is my view that the issued share capital should bear a proper relation to the actual capital employed in the business, and the board's proposal is a further step along that road.

The report was adopted and the final dividend of 20 per cent, making 30 per cent, less tax, for the year, was approved.

At the subsequent extraordinary general meeting the board's capitalisation proposals were sanctioned.



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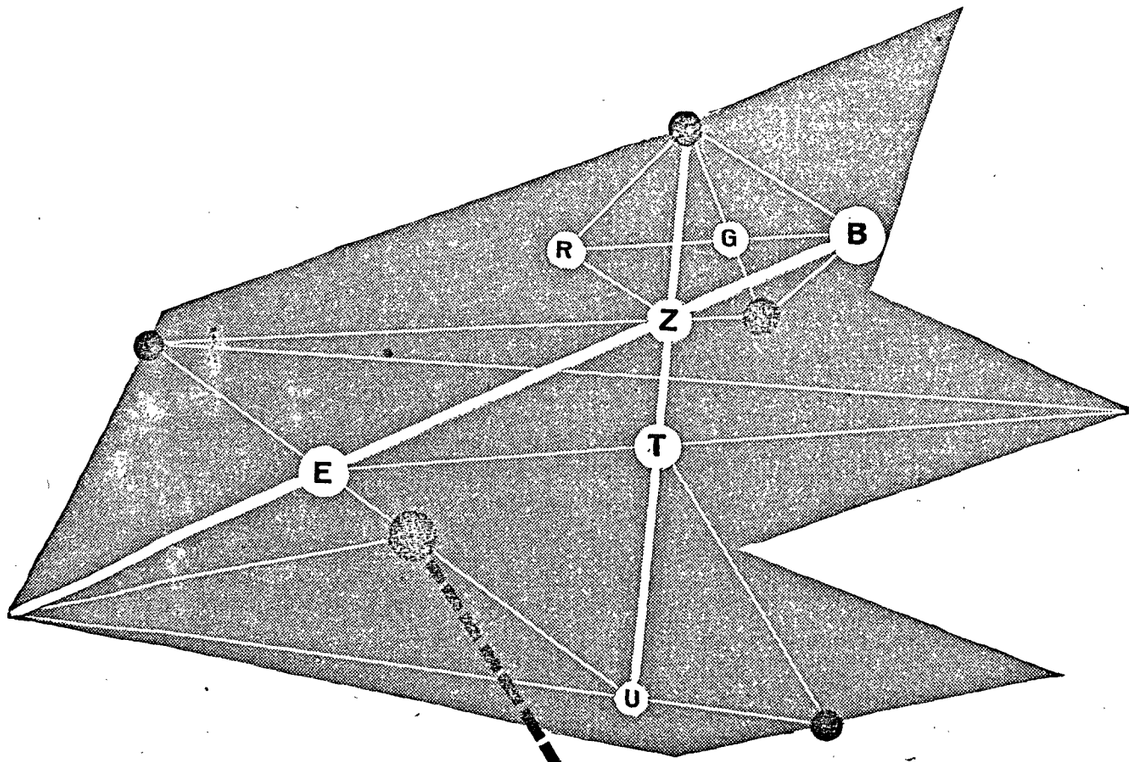

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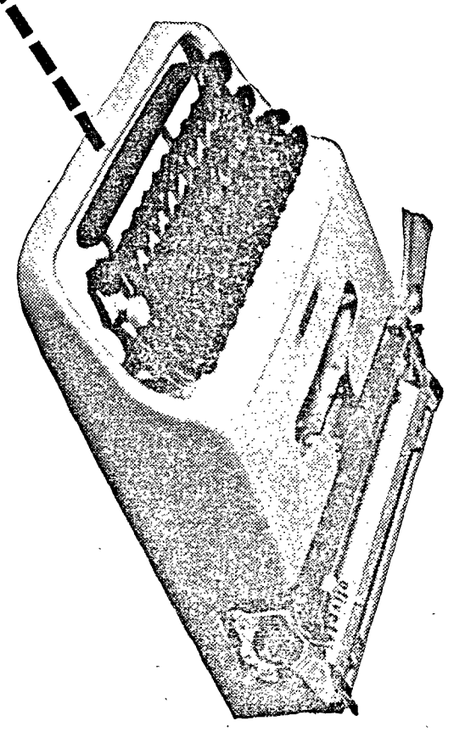

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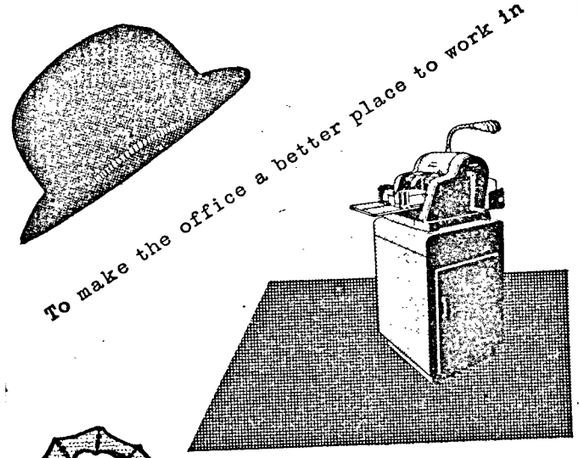

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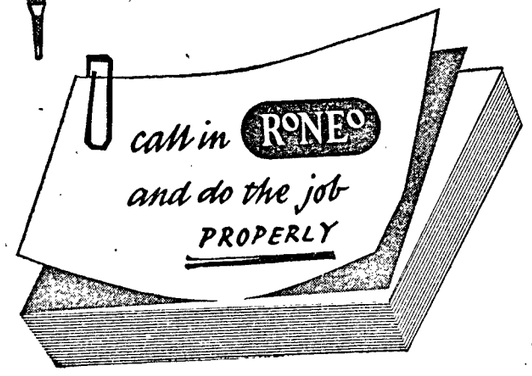

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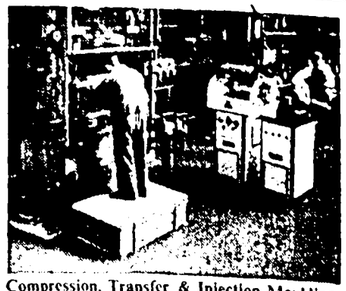

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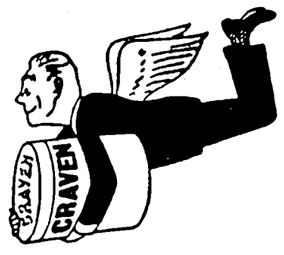

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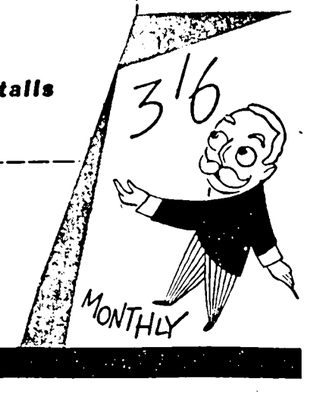

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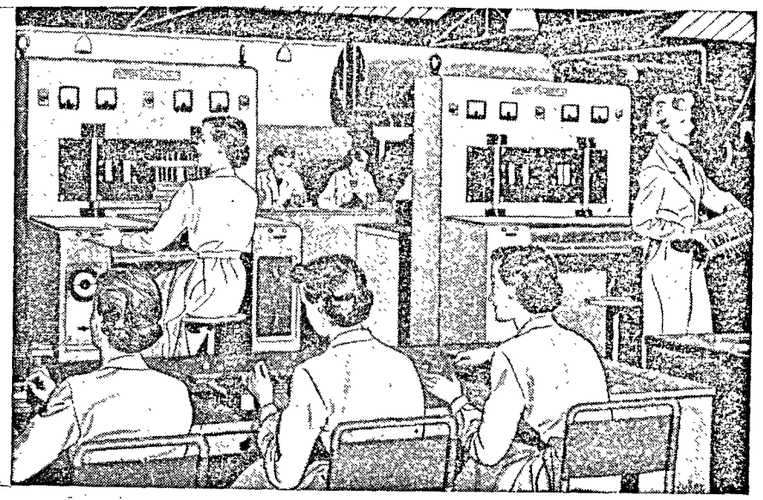

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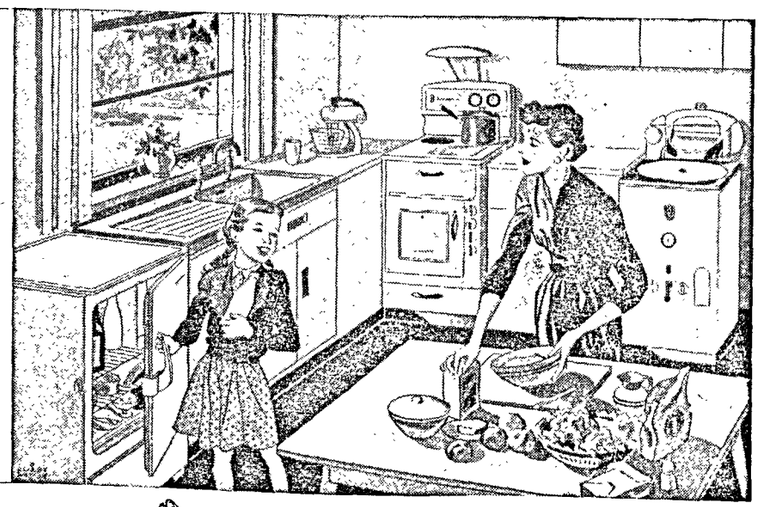

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ONE SHILLING

Queen Beyond the Seas 511
Bluff and Reality at Geneva 513
The Frontier in Palestine 514
Propaganda for Parties 516

NOTES OF THE WEEK

Bank Rate Reduced; After the Fall of Dien Bien Phu; Mr Eden Pins Things Down; The Two Asias; Strong Lead for Labour?; No Reichstag; Spies in Kensington; A Zhukov Revival; A Lesson From the Siege; The Top-Secret State; Net Over Nairobi; Engineers Against Extremists; The Capital of Wales; Pie in Australia's Sky; Economics of Legal Aid; *Caveat Emptor?*; Developments in Development. 518

BOOKS AND PUBLICATIONS . . 527
LETTERS TO THE EDITOR 530

AMERICAN SURVEY

Inquest on Indo-China 533

Old Guard *versus* New Blood; Seaway In, Taft-Hartley Out; In Field, Not Factory; Democrats on the Offensive; Butter Embarrassment; Communists and the Unions; Shorter Notes.

THE WORLD OVERSEAS

Nasser Woos the People 543

Next Step in Malaya; A Great Italian Liberal; Middle-Class Minister; Thyssens Forge Ahead; Journal of Geneva—III.

THE BUSINESS WORLD

Investment in Chemicals 551
Commodities Thrive on Recession . 553

BUSINESS NOTES

Flexible Bank Rate; Impact on Money Rates; Share Markets Advance; £8¾ million Steel Sale; Pricing Steel Offers; Recovery in Exports Maintained; Britain's EPU Debts; When Convertibility Comes; BOAC's Solid Profit; Colour TV in Black and White; ICFC and Investment; Propping up "Free" Sugar; Employing the Disabled; Rehabilitation or Jobs?; High Earnings from Oil; Shorter Notes. 555

COMPANY NOTES AND SECURITY PRICES 567
STATISTICS 569

Turkey

FOLLOWING PAGE 546

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Queen Beyond the Seas

THE people of London will recognise the magnificence, but perhaps not the significance, of the occasion as they gather in the streets today to welcome the Queen back home. They will know and show that they are celebrating the heart-stirring final act of a triumphant progress round the world. But they may not know, indeed there would probably be a rather jealous note in their cheering if they did, that they may also be rounding off a journey into a new and thought-provoking phase in Commonwealth relations.

The world tour that ends today has differed from all previous manifestations of the Crown as a cohesive power in the deliberateness of its purpose and the breadth of its scope. In these last six months the rallying magic of royalty has been swept, like some majestic zip-fastener, round an astonishing ring of the Queen's realms and into the midst of half a dozen different sorts of national pride—a pride that was fierce because it is still struggling and rather uncertain in the West Indies, that was fiercer because it is established and rather cocksure in Australasia, that was fiercest because it is young and rather jealous in Ceylon, and that was defensive because it is troubled and has been recently hurt in Uganda. And in each case the aim of greater cohesion has been achieved. In each case, the sight of the Queen and her consort—representative at once of youth and of tradition, of the link with Britain or of new and recognised independence from it, of the unity of the Queen's realms and of their diversity—has given national pride a firmer local foundation and yet bound it more securely into the fabric of a supranational Commonwealth. As a result, while most people may remember the tour merely as a stirring pageant, the statesmen are marking it down as something more; they are marking it down as a repeatable constitutional success.

For this reason there will be pressure for more of these tours, many more of them, in the years to come. The Crown is now confirmed as the most precious crucible of Commonwealth; and, as the need for fusion within the family becomes more obvious, there is going to be a temptation for statesmen to work it cruelly hard. The task of fusion should not be underrated; the manifest economic and political advantages—to all members—of the Commonwealth connection should not be allowed to obscure the problems of race and trigger-quick sensitiveness that colonialism has sometimes quite naturally left in its wake. In these next few years all the forces of calculated self-interest should tend to keep the Commonwealth together; but most of the forces of uncalculated emotionalism—perhaps all save those that happen to be most happily reactivated as the Queen rides through the streets—may tend to pull it slowly apart. The prescription statesmen will want to adopt in these circumstances is plain. Let the Queen ride frequently forth amid the cheering of her peoples, so that the union of Commonwealth may thrive.

This is an attractive prescription—at any rate for those who do the cheering—but it carries two problems with it. The first is constitu-

tional. If and while the Queen is riding forth on more frequent and lengthy visits to her peoples overseas she cannot also fulfil the functions that are her constitutional prerogative in the United Kingdom itself. The second is personal. If periodical progresses through the dominions are to be added to the Queen's other duties, then sovereignty is going to become more than a human size job.

★

The constitutional problem should not be insoluble. Where her Majesty's functions in the United Kingdom are ceremonial or uncontroversially administrative, the country is fortunate that other members of her family are so well fitted to perform them while she is away. In so far as the supreme task of sovereignty is to be on hand to resolve sudden constitutional crises, there might be more danger in intermittent absences of the nation's undoubted Queen; for example, one shudders to think of the complications that might have arisen if the awkward decision so rightly taken by King George V in 1931 had had to be taken, equally rightly, by some distinguished *locum tenens*, such as the Queen's consort. But, in these days of air travel and cable communication, it is legitimate to recall that crises do not usually occur as suddenly as all that.

The personal problem that would arise from an increase in the Crown's role within the Commonwealth is more serious; and although any change in that role can only be gradual, the dominions and Britain should start thinking now about the ways in which the strain on the Queen might be eased. There seem to be two avenues that should be explored. First, if these progresses through the dominions are to become more frequent, they obviously must not be piled insouciantly on top of the other duties of sovereignty. They must be very carefully planned instead. After this first and inevitably rushed cavalcade, when the object has rightly been to let as many people see their Queen in as short a time as possible, future progresses should surely be taken at a more leisurely pace. The Queen should not be expected to shake as many hands in three days in Australia as she would shake in three months in Britain; she should spend three months in Australia instead, and reside there rather than travel. This general rule—that extended parades before her overseas peoples should involve fairly lengthy residence with them—need not debar shorter visits for specific ceremonies. But let these be really specific and short. When the Queen drives in state to open her Parliament in Westminster, she does not combine the occasion with a lunch at Westminster City Hall on the way; if, as in the long run seems likely, she may also fly more frequently to open her other Parliaments overseas, such ceremonies should not be greedily merged into tiring and nationwide carnivals.

But it is the second way in which the strain on the Queen might be eased that deserves most attention today: the possibility of lightening her duties in Britain itself. This country is in a privileged position; Her Majesty serves here not only as Queen but, in a sense, as her own Governor General as well. This is a privilege which it is unthinkable that Britain should ever forgo. But there is reason to believe that some of the routine duties that are attached to her office have their root not so much in traditions which it would be harmful to destroy, as in historical accidents which nobody has bothered to alter. The routine duties of the Sovereign are extraordinarily ill-defined; and the public knows very little of the real constitutional role (and constitutional limitations) of the private secretary and his subordinate administrative staff at the palace. It would be a mistake to be too precise in such definitions; the magic of Monarchy and the rude efficiency of Organisation and Methods Research will fortunately never mix. But those in close attendance on the Queen presumably know what duties Her Majesty could delegate without harm to the structure of government; and now is the time to make sure that the machinery that could bring such delegation into effect is kept under constant survey.

★

There are, in short, three contrary dangers in the present situation. The first is that Britain, as it becomes dimly aware of the need for sharing the services and symbolism of the Crown more widely with the Commonwealth, may jealously resist all change; that way lies the abandonment of imperial responsibility. The second is that, as the need becomes more obvious, Britain may thoughtlessly tend to pile these new duties on top of the Queen's present load; that way lies impossible strain on the person of Her Majesty. The third is that, after an unwilling and clumsy start, an effort might be made to be too precise about the division of an office which owes its continuing strength and adaptibility precisely to imprecision; all that need be said is that this danger is not manifest yet. Clearly, however, there is need of the British genius for improvisation and compromise, in a field where that genius has always hitherto been in fullest flower.

But if there is to be compromise, it is the United Kingdom itself which must make the first sacrifice to secure it. Let the country understand that the lady who comes home today is Elizabeth the Second, by the Grace of God Queen not only of Great Britair and Northern Ireland, but of Australia, Canada, South Africa, New Zealand, Ceylon and her other realms and territories, Head of the Commonwealth, Defender of the Faith. Let the bells, the bands, the saluting cannonade ring over London with no note of jealous possessiveness, no claim that the capital is taking back to itself a priceless possession that has been on loan. Let this country recognise its responsibility in its rejoicing, let it listen to the call which it sent out itself six months ago; for it is the other Commonwealth countries which have a right to ask of Britain today that we should not overwork their Queen.

Bluff and Reality at Geneva

IT is a wretched convention of public diplomacy as now practised that opposing sides at a conference begin negotiation by asking, respectively, for the moon and the earth. At Geneva M. Bidault has asked for the moon, by presenting the Viet Minh with stiff terms for a truce on the morrow of defeat at Dien Bien Phu, and following a statement by General Navarre that France can no longer fight such battles alone. Pham Van Dong, from his side, has asked for the earth by offering terms that would mean, sooner or later, the elimination of French influence in all three states of Vietnam, Laos and Cambodia, and their subjection to Communist control. If he had his way, Indo-China could become for China what Poland has become for Soviet Russia. It has still to be seen whether either spokesmen will show more flexibility and desire for compromise. It seems unlikely.

The Viet Minh representative has behind him the resolute and solid backing of the Russians and Chinese. Whereas M. Bidault, with Washington searching for a policy and the House of Commons turning pale at the thought of a fresh British commitment, is negotiating from weakness because he and his allies did not find in the last five years ways of creating in Indo-China a situation of political and military strength. His predicament will recur unless the issues underlying the daily news from Geneva are held steadily in mind. For we must be prepared, so far as truce terms for Indo-China are concerned, for another Panmunjom, with fighting and talking going on simultaneously. And it was during Panmunjom that so many people, bored and befuddled by the long wrangling of the generals, forgot that there were principles at stake in Korea, as there will be in Indo-China.

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The idea is gaining ground that there can be found at Geneva, through the agility and industry of Mr Eden as mediator, some compromise between the extreme western view that there must be more Asian Verduns (with France's allies helping) and the extreme eastern view (expressed by Chou En-lai) that all western positions in Asia must be liquidated. Opinion is beginning to crystallise around the hope that there can be a pause for peacemaking in Indo-China similar to the pause in Korea, that a cease-fire line can be drawn between the areas of northern Indo-China where the Communist writ runs and those where it does not. And already the view is expressed that if such a line were to become the frontier between Vietnam and Viet Minh it would be unnecessary for the Americans and the British to decide whether they could check the offensive of the Viet Minh army. Whatever may be said about the possibilities of negotiating on the basis of partition—and it is early days to judge—it is clear that the belief that diplomacy can somehow spare the American Congress and the British Parliament a strategic decision in South East Asia is dangerous and false.

At the moment three alternatives seem to present themselves. One is that a truce is arranged approximately on French terms (they are given with the Viet Minh terms in detail on page 547) which through the disbanding of Communist guerrilla forces and the concentration of regular forces on both sides of a line, would deprive the Viet Minh of important military advantages. Such an arrangement is unlikely unless someone can convince the Communist team at Geneva that the alternative to accepting these terms is continued fighting, with allied intervention giving General Navarre the support he has publicly demanded. If that card is to be played it must have Anglo-American backing. And if the terms were accepted Britain, the United States and other interested powers would have to be ready to enforce their observance.

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Another alternative is that something like the eight-point terms of Mr Dong should be accepted. Skilfully though these are worded, and reasonable though they may seem to those who have forgotten the Communist meanings of phrases like "free elections" and "unified governments," they open the way to a train of events that would engulf the opponents of Communism in Vietnam, Laos and Cambodia in the way that they were engulfed six years ago in Czechoslovakia. If there were a real intention of preventing such a tragic outcome American and British policy would have to be ready with means as well as words.

A third alternative—though it is one that nobody has formally proposed—is to partition Vietnam, leaving a victorious Ho Chi-minh ruling a buffer state between China and the three southern states. Those states, even if French forces remained, would be vulnerable to political and military pressure from a movement that presents itself as representing national feeling throughout Indo-China. If they were given complete independence by a French withdrawal it would still be somebody's responsibility to see that these free Asian states did not live in fear of another Korea.

There may be other alternatives, yet to be revealed by negotiation at Geneva, by the fertile mind of Mr Nehru or by the hints of Mr Molotov. But in one way or another they are bound all to raise the same questions: Who will fight, if necessary, to maintain the freedom of these three states? Who will demonstrate to Asia that "liberation" is possible without Communist support followed by Communist domination? Who will insist that the power of the Chinese

state shall come no closer to Burma, Malaya and Siam? From Dien Bien Phu to Bangkok and Rangoon is less than 600 miles—the distance from Prague to Paris.

Merely to say that a stand will be made at sometime or other is not sufficient. The bluff has been tried by Mr Dulles and it has ceased to work. It is likewise obvious that neither the United States nor Britain is prepared at present to promise or plan military action on its own. In neither country has public opinion been prepared for such a contingency. It is for such reasons —some of them good and some of them bad—that such hopes have been pinned to a pact from which might spring a defence organisation for South East Asia. For a pact has this advantage in a foreign minister's eyes: that in a crisis public opinion faces the question: Do we or do we not honour our word? It is not necessary for parliament and people to consider, more or less at pistol point, whether their vital interests are involved or not. A defence organisation has this advantage, that it will have plans for meeting the military commitment that can be put rapidly into effect. It is not necessary for the chairman of the American Chiefs of Staff to fly to London in order to argue with his British colleagues about the effectiveness of carrier-borne aircraft against land forces. It is these things above all that the North Atlantic Treaty and Nato itself have achieved for the security of Europe: military readiness based on political resolution and a clear conscience.

Is any such thing possible in South East Asia? Between the non-Asian nations, perhaps; that is to say, between the United States, Britain, France, Australia, New Zealand. For they have long been consulting among themselves about the danger they now face, but without (as our Washington Correspondent points out on page 533) taking firm decisions about what they would do. But which Asian governments would join fully and resolutely in such an arrangement, in the kind of Seato that has been discussed? Siam, almost certainly. The Philippines perhaps. Burma, almost certainly not. And even if those nations could be counted in, they would not represent either politically or militarily a considerable weight. To have real prestige, to achieve the scope and political stature of Nato, this Asian organisation would have to include India and, if possible, Pakistan. To put the dilemma in its crudest terms: a white man's Seato would be an effective fighting body, but it would not be an effective political body. And military resistance must have a firm political basis.

But here the dilemma becomes insoluble without India's co-operation. If there is to be a Seato with teeth in it (teeth like Nato's) it is almost certain that India and those governments that followed Mr Nehru's lead at the recent Colombo conference of South East Asian nations will not join it. If Seato is to have few or no teeth, then Asian nations might be persuaded to associate themselves with it, but rather in the manner that Burma hovers on the fringes of the Commonwealth. There would be a certain friendship, a certain community of interests, and a certain community of fear—that is all. It would be better than nothing; it might even make China and the Vietminh pause to think. But it would not have the power or the will to do what the United Nations did in Korea. And it is still not clear how South East Asia can be preserved from Communist domination unless at some point that power and that will are exercised.

The Frontier in Palestine

MAY is the month of harvest in Palestine, and reapers are at work on both sides of the border-line between Jew and Arab. Annually, harvest is a classic time of "incidents," when hungry Arabs trespass after extra sheaves and Jewish guards are too quick on the trigger at sight of farmers gathering the last ounce nearer than usual to the frontier line. This year, tempers are especially high because the UN machinery for compromise and settlement is out of order.

Jordan, backed by its fellow Arabs, has spurned the Secretary-General's invitation to talks held under Article XII of the Armistice Agreement. Israel which, in the words of its own best newspaper last week, "sees an enemy in everyone who does not identify himself with our attitude," has boycotted the Israel-Jordan Mixed Armistice Commission ever since that body returned a verdict of "not proven" against Jordan in the case of the Scorpion Pass bus murders of March 17th. Meantime, a futile discussion on the problem as a whole is moving at a snail's pace in the Security Council. The best that can be said of the proceedings there is that the Arabs, whose mouthpiece is Lebanon, have not walked out of the debate as they threatened to do. The worst is that no good can come of all the talk because both Jew and Arab have long ceased to think it important or binding, and because too few of those engaged in it are in a position to implement their words by action. Practically speaking, the main deterrents to fighting on the frontier are Jewish fear of losing American aid, British influence in Jordan, and the Anglo-Franco-American Declaration of May, 1950, which proclaimed the great powers' "unalterable opposition" to any violation of frontier or armistice lines.

Lately, there has arisen a new difficulty to prevent the western powers from wielding these deterrents as effectively as they hoped to do. Two aspects of their policy that used to be compatible now clash. Their two major objectives in the Middle East are to build up a common

front of defence against Russia and to bring about a permanent settlement in Palestine. At first glance, the aims would seem to dovetail: peace in Palestine ought to produce security behind their anti-Soviet front-line. But, not long ago, their original pattern of defence in the cold war collapsed and had to be adjusted. They were getting nowhere with their idea of a Middle East Defence Organisation, in which they were to lease bases from willing allies, and they therefore swung into an alternative course. The United States government began offering unconditional sale of arms to western Asians whom they thought likely to resist Russian aggression.

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The new system was inaugurated in February with the American agreement to supply arms to Pakistan, and was in April extended to Iraq. Both these states have rich assets to defend, live at no distance from the Soviet border, and are aware of the threat of Soviet expansion in Asia. But when unconditional American military aid to Iraq was welcomed by the other Arab states (as it was by all except Egypt) and when it is extended, as is now likely, to Lebanon and Saudi Arabia, it is the new access of strength against Israel rather than the increased security against Russia that Arabs welcome. Therefore the western powers, when they give such aid, run the risk of undoing with their left hand the good they have done themselves with their right. Their action frightens Israel, and it encourages many Arabs, who see the world only in terms of black and white, to reason that America has "changed sides" and that they can, therefore, afford to be more intransigent about Israel. Thus a piece of American policy that is sound in its general Asian context serves to heighten tension in one locality.

The western allies are not the only people whose actions in Palestine are at cross purposes. The Arabs used to be able to maintain a simple theme, which was antagonism to western "imperialism" and to its product, Israel. But some of them, notably Iraq but also Nasser's Egypt, are simultaneously fearful of Communism. Anti-Communism and anti-westernism are an ill-matched pair of concepts, and there is evidence that some Arabs are beginning to see this, to rouse themselves from six years of make-believe that Israel does not exist, and to recognise the far greater menace to independence that is at work in South-eastern Asia.

Clear-sighted Iraqis are in no doubt on the point. For old time's sake, they cannot plump, as Pakistan has done, for alliance with Turkey, but they now know that they must rate defence of their oil as more important than dreams of crushing Israel. Even broadcasts and speeches from Egypt—which until the Canal Zone question is settled is bound to regard the "struggle against imperialism" as its highest priority—are at sixes and sevens between the themes of "anti-Communism" and "anti-imperialism." At Arab League meetings, schemes against Israel still have priority; but at the Moslem or western Asian conference, now proposed by Sir Zafrullah Khan, the wider view is bound to intrude.

For economic and financial reasons Israel needs peace far more than does any Arab state except Jordan. Logically, therefore, a moment when Arab thoughts on priorities are faltering would seem to be one at which to refrain from exacerbating the conflict on the frontier. But unfortunately Israel, too, is torn by conflicting counsels. It has been living on its nerves for six years; its homes are never free from night fears of forays by hungry, armed Arabs. Opinion there now consists of a smaller group of sober-heads, led by Mr Sharett, who think that American support is its least expendable asset and that it had best try for the peace it wants by peaceful means, and of a larger group, fathered by Mr Ben Gurion, that thinks grenades and mortar fire are the only language that Arabs understand. Army attacks on villages, such as those on Qibya in October and Nahalin in March, are the product of this latter train of thought; they are perpetrated by young men maddened by the insecurity in which their folks dwell, but who live in a box, and hear few or no rumblings from the outside world except the sabre rattlings of the Arab League. The average Israeli today is totally unaware that, since Iraq became wealthy and has oil to defend against plans laid in Moscow, he has a chance of sinking to second place on its list of potential adversaries.

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Greatly though both Israel and Jordan need peace, there is not the slightest sign that either is capable of stretching forth an unarmed hand. If tempers are to abate, they must be damped through measures taken by third parties. Naturally, Soviet Russia is interested in keeping them high, and has given Mr Vyshinsky instructions to keep the pot boiling in the Security Council; but there are signs that both Foreign Office and State Department see the need for other action. Both have spoken up; Mr Eden, answering a question in the House of Commons on March 30th, gave a timely reminder that the Anglo-Jordanian alliance is not a blank cheque, but a promise of help in war "subject to the duty of the parties to seek peaceful settlement of their disputes." On April 9th Mr Byroade of the State Department, speaking at Dayton, Ohio, was categorical in a broader context:—

> To the Israelis, I say they should drop the attitude of the conqueror and the conviction that force and a policy of retaliatory killings is the only policy that their neighbours will understand. . . .
>
> To the Arabs, I say you should accept this state of Israel as an accomplished fact. I say further that you are deliberately attempting to maintain a state of affairs delicately suspended between peace and war—while at present desiring neither. This is a most dangerous policy —and one which world opinion will increasingly condemn if you continue to resist any move to obtain at least a less dangerous *modus vivendi* with your neighbour.

(Ill advisedly, he last week undid much of his own

good work by uttering some much less warrantable criticisms of Israel to an ill-chosen audience of anti-Zionist Jews in Philadelphia.)

But—as experience under the mandate proved—words, however stern, have never been enough to keep Jew and Arab apart when tempers are on edge. Nor—as UN experience is proving now—are corps of unarmed observers any more successful at the job. However great their numbers, they reach the spot only after the blood has been spilt. To supply armed international police is more than the average UN member is ready to pay for upholding his partition verdict. The three western powers, if they want to prove their "unalterable opposition" to solutions won by fighting, as well as to mitigate the unfortunate effects in Palestine of their policy of selling arms to free Asia, need to devise some robot method of keeping the marauders of both sides away from the line.

They have to weigh, for example, such ideas as an electric fence of lethal voltage, arc- and neon-lit. Of course, such a step would arouse furious protest from all those who prefer to keep matters fluid on the chance of a coup that would work out to their advantage. But in this respect it would be no different from any other step taken over Palestine. It would have the merits of pinpointing instantly the evidence of any tampering with the wire, of enabling frontier civilians to enjoy quiet nights, and of relieving two governments from spending on defence large sums that both need for development. It would also enable the world to sort the sheep from the goats—to distinguish those who genuinely want peace from those who prefer hazard and a chance to fight. The job, though seldom done outside Russia, entails no technical difficulties. Is it likely that the cost of a wire curtain 525 miles long would be greater than that of the Korean war?

Propaganda for Parties

FIFTEEN months ago the Labour party announced that it intended to launch a new weekly newspaper of its own, which would express and explain the official party line. Very little has been heard of this project since, but the latest Bevanite crisis should add urgency to the intention; the new paper is expected to appear on the bookstalls some time this year. The attitude of the Labour leaders towards the two chief independent left-wing weeklies already in existence is not unlike that of the Duke of Wellington to his troops: "They may not frighten the enemy, but by God they frighten me."

Although the Labour Party owns 49 per cent of the *Daily Herald* and the Co-operative Press is controlling owner of the Sunday newspaper *Reynolds News*, the eventual appearance of this weekly will be something of a new development in the propagandist activities of the two main parties in this country. The new paper's financial backing is expected to come exclusively from the Labour Party and the TUC, and by this token alone it is unlikely to stray far from the box-edged path of Transport House orthodoxy. Hitherto the central offices of the parties have been mainly concerned with pumping propaganda into the outer limbs of their party organisations rather than with assaulting the bookstalls direct. But beneath the surface they have played an increasing part in mass-producing much of the spurious knowledgeability of modern politics. Their ant-like industry deserves investigation.

Both the Conservative and Labour parties have large and efficient departments (and the Liberals an appropriately small and more harassed one) whose main concern is the production and issuing of booklets, pamphlets, leaflets and posters which advertise the party line. The propagandists' first task, apart from the publication of definitive statements of party policy, is to service the candidate and the platform speaker. Their heaviest and most valuable weapon here is undoubtedly the speakers' handbook. Both the main parties try to keep this up to date, if possible annually; in the meantime weekend orators are fed with a fortnightly issue of political notes. The handbooks make dreary reading, but they also make efficient speeches very easy to compile. Apart from all the stock answers to stock questions, and the topical facts and statistics, the handbooks contain a careful compendium of the *gaffes* that have been uttered by politicians of the other side. It is surprising that so many politicians continue to be so garrulous, and even more surprising that so many garrulous men continue to be politicians.

In addition to providing candidates with speakers' handbooks, the professional propagandists at the central offices may help with the preparation of election addresses, to which the local man can add the necessary local touch; and it is, of course, at election time that posters and pamphlets reach the individual constituencies at full flood. The Labour party produced no fewer than thirteen separate leaflets for the 1951 election; the main check upon these is that everything distributed free of charge has to be marked down by the candidate as an election expense.

Occasional literature of the cheap hand-out type flows from the central offices between elections as well as during them. Typical of these is the attractive occasional broadsheet produced by the Conservatives called *Popular Pictorial* (priced at 1½d.) of which over 200,000 copies are run off the presses at each issue; the Labour party counters with a fetching glossy called—oddly enough—the *People's Pictorial* (priced at 3d.). The aim of both broadsheets is to hit the eye; and an argument asserted is an argument proved. There is also, of course, a proliferation of more tabloid products and hard-hitting broadsheets, which give variants of all the usual bread-and-margarine arguments of the day. Perhaps more important, both parties syndicate political articles to constituency magazines (and, in the Labour party's case, trade union papers) through a special press service. Although it is hard to establish reliable—or meaningful—figures of readership, both parties can claim a large (though rather perfunctory) audience for these syndicated features. The Conservatives estimate that their local sales reach more than 800,000 readers a month, and the Labour party and the trade unions between them must reach quite double that figure—although it is fair to add that many trade union magazines confine themselves fairly strictly to industrial and non-partisan information.

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For both the parties the regular monthly magazines are stronger stuff. These are not ordinarily visible on the counters of bookstalls (although the Labour monthly is purveyed through newsagents); their main market lies among the party organisers and devotees. The Conservative monthly, which has lately changed its title and its style, is called *Onward*; it has reached a circulation of 45,000 and hopes for many more. It costs 4d., sports a glossy cover which is often studiously non-political, and seasons its propaganda with articles about television and theatre programmes, adventure stories and the like; seven pages of popular appeal to eleven of politics make up a typical issue. The equivalent Labour monthly, *Fact*, is a very different affair. In appearance it is old-fashioned, unpretentious, almost dowdy. This is typical, perhaps, of the nonconformist conscience of the Labour party and its dislike of show. The cover again escapes obvious identification, but the contents would deceive no one. There are usually some twenty-four close pages of news, information and argument to fortify the faithful. *Fact* provides the party leaders with an obvious platform for their cause, but on really controversial issues space is sometimes provided for dissenting argument. *Fact* costs 6d. and sells only about half as many copies as *Onward*. But it finds natural allies in the monthly organs of the trade union and co-operative movements. These both have substantial circulations, and with minor variations toe the orthodox party line. The Labour party also produces a special monthly for its women members and another for its youth movement, while the Conservatives provide features for these two groups in *Onward*.

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All these publications are essentially newsy. They make a point of discussing politics from the practical angle of party agents and organisers, and of acting as a forum for party education in the history and the personalities of the movement; but the general policy arguments and statistics deployed in them follow closely upon the arguments and the statistics used in the House of Commons. This is not surprising, since both the articles and the speeches often reflect a common (but never to be disclosed) origin in the work of the research departments at central office. The written word also encourages its own variant of the spot-the-quotation game. An apt quotation from an independent newspaper will cap any argument; *The Economist*, be it said, often provides the *coup-de-grâce* for both sides.

The central offices also produce more serious pamphlets, some of which make a real effort to achieve an impression of impartiality. Educational pamphlets and regular factual guides rarely sell more than 10,000 copies, and sixpence seems to be about the limit of the buyers' enthusiasm. Their importance far outruns their circulation, for no party can afford to be labelled the stupid party indefinitely. Since they are designed primarily for use in discussion groups, they can result in a genuinely useful cross-fertilisation of ideas. But without the backing of a strong party machine efforts of this sort do not get very far. If good pamphlets won votes, the Liberals would still be well to the fore in the political race.

In theory, party literature pays for itself; and examples can be cited of publications that have been wound up because they failed financially. But most political journals are only superficially self-supporting. Editorial staffs are officials whose salaries do not have to be paid for out of receipts; most contributions are offered free of charge or for a purely token fee; and distribution is mainly through non-commercial channels. Costs of production therefore amount to little more than the price of materials, printing and transport. *Onward* seems to be an exception to many of these rules. Because of its popular character it is in demand for advertising space and as a result is in the unusual position of being able to break more than even.

It is difficult to imagine any intelligent person reading most propaganda either for instruction or for fun; the appeal is rather to a sense of loyalty. The constituency worker feels that he is not forgotten so long as he can receive his monthly *communiqué* from headquarters. In meeting this need the new type of professional propagandist has helped to knit his party together, has given an interest in politics to many people who would otherwise have only the foggiest ideas about the issues involved, and has both backed up and toned down fiery emotions by the provision of some solid and useful information. He has reduced the art of making a tolerable political speech to the low-grade skill of picking pre-fabricated pieces out of the speakers' handbooks. There is, therefore, nothing really dangerous in his trade, no nasty flavour that need attach to the title of "professional propagandist." The gravest charge—or is it the greatest achievement?—that can be laid at his door is that he has enabled rather more ordinarily unimaginative people to become professional politicians and has made politics itself rather more dull.

Notes of the Week

Bank Rate Reduced

It was a peculiar set of circumstances which led to the reduction of the Bank rate to 3 per cent on Thursday. The logic of the monetary policy followed by Mr Butler in the past two years has been that decisions of this kind should be taken by the Bank of England rather than by the Treasury; and this return to tradition has meant that all the traditional pointers obeyed by the Bank have come back into fashion too. Nearly—but not quite—all of these pointers are of a kind that should impel the Old Lady in the direction in which Mr Butler should want his general economic policy to go. When foreign funds are flowing out of the country, the Bank's barometer suggests that Bank rate should go up; and thus exert the brake on internal economic activity which Britain then generally needs. When internal economic activity is sluggish because savings are high, the Bank is induced by these traditional pointers to put Bank rate down; and this gives a desirable stimulus to internal spending or real investment at the right moment.

But there is one set of circumstances in which the pointers of an "automatic" monetary policy and of a Keynesian economic policy are not in such happy alignment, when they may point accusingly at one another instead. And, to some extent, it is these circumstances that seem to have arisen now. There is no reason to suppose that spending in Britain needs to be stimulated; there is no recession in business activity, unemployment is very low and is still going down. But for an accumulation of technical reasons—such as the low level of interest rates in America (where they have been experiencing a recession)—foreign funds have been flowing into London. The Bank has reacted in the time-honoured and technically proper way, by putting Bank rate down. But even—indeed perhaps especially—in the City of London itself the welcome to this traditional sign of strength should be cautious, if not crabbed. Nobody will gain in the long run if, for a series of very good technical reasons, Britain proves to have given a stimulus to spending which, for a series of equally good economic reasons, it cannot really afford.

After the Fall of Dien Bien Phu

First-aid and flimsy bandages will not be enough to heal the hurt inflicted on France by the fall of Dien Bien Phu. The wound has penetrated deep below the surface of party politics. The gallant but tragic last days of the siege have only strengthened popular resentment; mourning is now mixed with anger. Throughout the clamour one question is heard: Who are the guilty men? What guarantee is there that they will not bring about an even more tragic national disaster? The deputies cannot be blind to this new mood, and it is this that renders more than critical the position of M. Laniel's cabinet. Last week he obtained a respite from a reluctant Assembly. Now he has to ask it again for a probationary period, and as *The Economist* goes to press the National Assembly seems in no mood to let him get away with vague promises.

Some 70 years ago a small reverse in Indo-China enabled young Clemenceau to upset the "guilty government." Will M. Laniel be able to survive this much bigger defeat? One thing seems certain: with popular passion so directly involved, a conspiracy of silence will prove no shield. Insults were hurled this week in the Assembly at his Minister of Defence, but M. Laniel did not jump to his rescue. He merely proposed the setting up of a special commission, excluding the Communists, to investigate past sins. But the country apparently wants the dirty linen accumulated over years to be washed now in public, in open parliamentary session.

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The government, however, has even more urgent questions to answer. Paris seems convinced that decisions can no longer be postponed, that the time of improvisation is over. Is the government willing and capable to internationalise the conflict? How far is it willing to go to find a compromise with the Viet Minh and what does it intend to do if the enemy's terms are unacceptable? M. Bidault may argue from Geneva that to lay your cards on the table at the beginning of the game is contrary to diplomatic canons. Mistrustful Paris, however, wants the answers quickly. It argues that this is no moment for the classical game and diplomatic niceties.

Against this new assault M. Laniel has so far only resorted to the defensive tactics he used last week. But for the Geneva conference he would certainly be doomed. Few deputies, however, would like to add the responsibility for a failure in Geneva to the long black list of the French Assembly. Furthermore, M. Laniel can claim that his opponents have no alternative policy and no coherent majority to back it. Finally, he can brandish the threat of dissolution in face of a recalcitrant Assembly. Were it not for the timing few people would shed tears over the present Assembly, but a political crisis in France at this moment would be a major international disaster. Still, M. Laniel must realise that by hiding his head in the sand he will not avoid the storm sweeping through France.

During this week's debate M. Mitterand, a former minister, issued the clearest challenge to the government. He claimed that France is now faced with so fateful a choice that neither a special commission nor the present government itself has enough authority to decide it; hence parliament should be asked to clinch the issue. Unfortunately, there is much truth in M. Mitterand's appreciation of governmental credit, but that of the Assembly is not much higher. The impotent government is merely a mirror of a divided Assembly. Most of the blame for M. Bidault's indecision and the governmental paralysis lies with this *chambre introuvable.*

Mr Eden Pins Things Down

The fact that the Geneva conference is, theoretically at least, always in closed session does not seem to discourage most of the speakers from addressing the world at large just as if they were facing the radio microphones and newsreel cameras of the United Nations Assembly. The Communist delegates have been much the worst offenders, but they have not been alone in wasting precious time by tedious repetition of familiar accusations and by dragging wholly irrelevant topics into a discussion that was already complex enough. Against this background, Mr Eden's brief and brisk intervention on Wednesday was a refreshing reminder of what a conference of the powers is really meant to do.

But it was also a good deal more than a mere refresher. It was the first attempt made during the talks on Indo-China to pick out the points on which the opposing parties seemed to be within reach of agreement. Mr Eden directed himself primarily to the military arrangements needed to bring about a cease-fire; but in a situation as fluid as that in Indo-China, it is clear that the future political structure of the country will be largely determined by the positions in which the contending armies end up. Agreement on military matters is thus an essential first step to a political settlement, and once the military positions have been stabilised there will be obvious difficulties about reshaping the political picture in any way that involves a second reshuffle of armed men. The dividing lines across Europe today are an inescapable reminder of this decisive military influence on political settlements.

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It must be hoped that Mr Eden's five questions (recorded, with the other proceeding at Geneva, on page 547) will get the prompt and constructive answers they deserve, both from the Communists and from the government of Vietnam, whose foreign minister, Mr Dinh, had previously outlined a set of terms that implied little enthusiasm for a compromise. If, as Mr Dinh forecast, Vietnam is to become a fully sovereign state, vested with absolute freedom of policy, within a matter of days, and if its government agrees with the rebel Viet Minh only on one point—that neither will be content with anything less than complete ultimate control of a united Vietnam—then it begins to look as if the major powers can do little to promote a settlement. The object lesson of Korea, bedevilled by two governments' pretensions to authority over the whole country, has not apparently been learnt; and an Indo-China left to its own devices would simply be left to a ding-dong struggle between irreconcilables.

The Two Asias

At Geneva on Tuesday, Mr Molotov expounded once more the now familiar Communist thesis that all western attempts to help defend Asia are inherently anti-Asian, and that true security for Asia, as for Europe, can be obtained only through agreements between the nations of the continent itself. It has already become obvious that China, "the greatest power in Asia," would dominate a continent thus reorganised, just as Russia would dominate the Europe that Mr Molotov envisaged at Berlin. And at first sight Chou En-lai's vision of Asia may seem more plausible than Mr Molotov's vision of Europe; there is much talk nowadays of "the Asian point of view," and there is indeed an emotional basis for this concept in the widespread suspicion of everything western. But in reality the Chou plan for Asia faces much the same difficulty as the Molotov plan for Europe. Asia, like Europe, is already divided.

The basic division is not between anti-western and pro-western nations. It is, like the division in Europe, between Communist and free nations. It has long been half-hidden by memories of common experiences in the past; but there are now signs that free Asia is coming to recognise its reality and its meaning. The Communists have not needed to dig trenches and fix electrified barbed-wire along their borders, as their comrades in Europe have done; nature has provided them with the Himalayas and the mountains of South East Asia. But they have shut their subjects off from their fellow Asians just as effectively—witness Tibet. Indian efforts to maintain press correspondents in Pekin have been frustrated; entry into China has been granted only to shepherded visitors; exit from China is possible only for the party's faithful servants.

It is easy to understand the anguish of such leaders of free Asia as Mr Nehru as they recognise that Peking has raised these barriers to their hopes of a new Asian unity. The bases of Indian policy, in particular, will doubtless continue for some time to include the hope that the new rulers of China will pay some heed to the voices of fellow Asians; but they will no longer be dominated by it.

Strong Lead for Labour?

It seems that the Labour National Executive is to be the chosen hammer for cracking the Bevanite nut. The Executive is to hold a special meeting next Tuesday, nominally to discuss "organisation" but in fact to debate how far minorities in the party should be free to campaign against decisions reached by majority vote. The answer sought by the leaders is "Not very far"; and the Executive, with its preponderance of trade union votes, will presumably give it.

Any such decision will offer a clear cut lead to the Parliamentary party, which—if left on its own—might otherwise fall back on a compromise no more effective than the one it reached after Morecambe. It was knowledge of this attitude that led some MPs to attempt to call a meeting of the Parliamentary party this week, so that it might hold

its own discussion about the rights of minorities first. By a coincidence, which the Bevanites find highly suspicious, the party leaders discovered that no room would be available for such a meeting until next Wednesday, the day after the Executive's meeting. There is a distinct flavour of Tammany Hall about this accommodation shortage.

This delay does not mean that Mr Morrison is personally anxious to by-pass the charge that his recent attack on Mr Bevan in *Socialist Commentary* infringed the hopeful post-Morecambe resolution of the Parliamentary party, which called on all Labour MPs to refrain from criticising one another " in the House, in the Press or on the platform." Mr Morrison, indeed, seems in fighting mood; he can claim that he has merely stepped over a line on which the Bevanites have been treading so agilely, so consistently and for so long that they have reduced the resolution to a farce. Now the farce is apparently to be abandoned in favour of strong arm methods; it is reported that the Executive will threaten expulsion from the party to minorities who do not toe the official Labour line. If so, the coming week could be a significant one in British political history. The intention is that Transport House should no longer hold up an umbrella over two distinct parties, proclaiming two different political philosophies. The danger is that Mr Attlee may then walk abroad in the field of foreign policy with the umbrella folded underneath his arm; everybody knows who he would look like then.

No Reichstag

THE debate on the guillotining of the Television Bill provided the expected perfunctory canter over familiar ground. For all Mr Morrison's amiable but preposterous talk about the Reichstag, the Government's immediate justification for using the guillotine is incontestable. After thirteen and a quarter hours of the committee stage, the House has still not finished with the first of the seventeen clauses and three schedules; over two hundred amendments have already been tabled, yet these cover only the first five clauses. Labour MPs may not have filibustered in the sense of talking too long on each amendment, but they know that by tabling so many amendments they have deliberately tried to smother the Bill, rather than to improve or ordinarily oppose it.

After the guillotining the Bill is to be completed in another seven days—five for the rest of the committee stage and two for report and third reading. With Tory, as well as Labour, back-benchers pressing important amendments, this may prove none too much time; but in all conscience it should be ample for a Bill of this size. Any measure of its kind which cannot be discussed adequately in a total of ten days from second to third reading would have to be untidier than even this Bill is.

As Mr. Morrison was quick to point out, this is the sixth time the Conservatives have used the guillotine in two and a half years; Labour used it only three times in six years. In one sense, the Conservatives must carry blame for this comparison: they have shown a misguided penchant for bringing on controversial legislation late in the session. But, as the Rents Bill showed, an Opposition sufficiently determined can always provoke a timetable, however promptly a Bill has appeared. The real import of Mr Morrison's figures is that the present Opposition happens to have more of this negative brand of determination than its more dilettante predecessor.

Spies in Kensington

THE Foreign Office has accused two Soviet air attachés in London of espionage, and has asked that they should leave Britain at once. Beside the recent lurid events in Australia and Western Germany, this drama in Kensington (where the two diplomats lived) is almost insipid. There must always be some question where the duties of an attaché end and the activities of a spy begin. An air attaché who requests, through the proper channels, that he should be allowed to visit an aircraft factory is sticking strictly to his last; an attaché who tries to discover what is happening in that factory by offering bribes to workers in it is equally obviously guilty of espionage. Between these extremes there is a wide and confused no-man's-land; it is certain that Majors Gudkov and Pupyshev had at least reached the limit of that no-man's-land, and probably that they had stepped right out of it.

It has been reliably reported in London that the discovery of these two spies was not the result of any revelations by Mr Petrov in Australia or Mr Khoklov in Western Germany (in other words, they were MI5's own catch), and that there is no reason to believe that atomic secrets were involved. Several other things have been less reliably—though more picturesquely—reported as well. There is little doubt that there is a Soviet espionage system in Britain, as there is in most other major countries, and that its activities are sometimes as clumsy as they are grotesque. But newspaper readers should judge all reported details of spy stories by the simple test of whether any responsible source could possibly have emitted them; if the answer is that anybody who relayed them could only have been irresponsible, then the details—though not the existence and dangers of Soviet espionage itself—should be treated with something more cautious than reserve.

A Zhukov Revival

A FULLY-FLEDGED compliment from the Soviet Union to its wartime allies is something to be noted, especially when it comes from Marshal Zhukov. The occasion, the ninth anniversary of VE Day, has not for a long time been used for such courtesy, which should be acknowledged regardless of its motives. Indeed, the Moscow directive hitherto has seemed to be that the Soviet Union should be represented as having crushed Nazi Germany single-handed; whereas now tribute is paid not only to American, British and French heroism and sacrifice but also to President Eisenhower and Lord Montgomery. Nor is it tucked away on a back page; it is splashed over four columns of *Pravda*, the party's chief daily newspaper. For this relief from the men who use their pens to poison Russia's relations with the outside world—much thanks.

The tribute follows an assiduous courtship of the French (it is said that Moscow especially enjoyed the Comédie Française in *Tartuffe*) and some semi-official pats on the back for Sir Winston Churchill. And it is significant that *Pravda* gave the greatest prominence to the wartime hero and conqueror of Berlin. It was Zhukov who worked together with General Eisenhower and Field-Marshal Montgomery in the closing stages of the war, and it may be that the cordiality of their contacts was something of a liability for the Soviet Marshal when the cold war began. Be that as it may, Stalin, suspicious of any budding Bonaparte, quickly removed the Soviet Union's leading soldier from the centre of the stage. His return to the limelight came only after Stalin's death.

The Marshal's present prominence has significance on the home front. What he said, it is true, was about foreign policy; but he also took pains to emphasise that an army is powerless unless there is political solidarity behind it. He may well have been alluding to an agreement on their future relations between the party and the army that was reached either after Stalin's death or after Beria's fall. The Soviet Army, or at least its most important spokesmen, may be satisfied with what has been gained in recent struggles in the Kremlin and is therefore content to lend its powerful voice to the official chorus of good will.

A Lesson From the Siege

WHY did the garrison of Dien Bien Phu refuse to surrender? There have been few examples, even in two world wars, of heroism as great as that shown by General de Castries and his men, and certainly none greater. The General himself is justifiably reputed to be fearless and single-minded. But it is hardly enough to believe that his own attitude was alone sufficient to inspire such fanatical defence against such odds. Was it, then, that the backbone of his force consisted of the Foreign Legion, of professional soldiers, and of westerners who may have believed that to surrender was to be put to death anyway? Probably all these factors played some part, perhaps a big part. But they still do not add up to a full and satisfactory answer. Nor do they account for the fact that many of General de Castries's soldiers were none of these things. They, like their attackers, were Vietnamese.

The British are better than most people at doggedly regarding defeat as victory, at seeing Dunkirk only as a great deliverance. But there is a certain general logic in the perversity of their instinct all the same. Defeat can have two salutary results for the defeated. It can lead to a military withdrawal in order to fight again another day. And it can so stir the emotions that an entirely new energy is thrown into the battle. Can either of these be said to follow from the fall of Dien Bien Phu? And were they in the minds of the defenders during the latter period of their siege? So far there has been no evidence that any hard-boiled calculation of that kind holds true, or that the defenders thought it would. Although the stand at Dien Bien Phu must have convinced at least some people in Asia that the Communists will never have a walk-over, the result of its fall looks like being a psychological disaster in both Saigon and Paris.

It is fair to assume, therefore, that some Vietnamese at Dien Bien Phu fought for what they believed in, and that that could never be Communism. They, and perhaps some of their French comrades, resisted the Viet Minh loudspeakers urging them to desert because they saw in their own cause the only way in which they could achieve and retain the independence of free men. If so, the stand at Dien Bien Phu was not in vain. Amid the disillusionment of confusion and defeat—of which Paris is now the centre—the lesson of the siege stands out as perhaps the most heartening challenge since the war began.

The Top-Secret State

A WEEK in which the House of Commons received an official report that the Soviet and satellite armed strength, confronting Europe, had risen to six million men, may seem an odd occasion for reopening talks on disarmament. But nowadays, most fortunately, few people interpret

Slayer of Enterprise

Russia must . . . be regarded as decidedly anti-commercial and illiberal in her spirit, and her tariff is one of the most prohibitive in the world. Vast, therefore, as are her resources, and rich and varied as are the products of her extensive dominions, these would, beyond all question, be rendered far more promptly and largely available, both to herself and Europe, were her territories under any other Government than that which now weighs upon them at once as a nightmare and a corruption. The countries that border on the Black Sea ought to be among the most prosperous, and their commerce about the most extensive and varied in the world. The Crimea and the steppes that debouche on the Sea of Asof are rich in corn and wine, of which both the amount and the quality might be indefinitely improved; Bessarabia and the Ukraine, of which Odessa is the port, already furnish vast quantities of wheat, capable of enormous augmentation; Bulgaria and Wallachia could supply in addition almost unlimited treasures of hides, tallow, wool, hemp, and grain; Hungaria and Transylvania, under happier auspices, would send down the Danube countless cargoes of mineral and animal productions; while nearly the whole southern bank of the upper portion of that great river is clothed with trackless forests of the finest timber. All these would be available for Europe, and should be made to ensure the prosperity both of the countries which supply them, and the countries which purchase them. But hitherto Russia has laid her paralysing hand upon all this wealth. Her despotism kills enterprise in her own dominions, and her jealousy thwarts it in every State which could possibly become a rival. . . . We must look at once for a remedy for this state of things and for the reward of our exertions, in such a series of well-contrived operations (of which we may accept the bombardment of Odessa as the signal and the first-fruits) as shall wrest the shores of the Black Sea from the Power which at present holds them and misuses them, and transfer them to their former owners.

The Economist

May 13, 1854

disarmament as meaning a one-sided act of faith. The second world war traced out in blood the lesson that the only kind of disarmament that promotes peace is the two-sided kind. Now, moreover, the phenomenon of the top-secret state has complicated the problem. Disarmament, like justice, must be seen to be done ; otherwise every nation that pledged itself to disarm and honestly fulfilled its pledge would be an easy victim for the threats of a power that had piled up its guns and bombs behind a curtain of silence. For nine years, throughout the tangled web of postwar discussions on disarmament, the western governments—and with them the great majority of all nations—have clung to these simple but essential axioms.

There is, unfortunately, little reason to suppose that the talks that began this week at Lancaster House in London will bring general, genuine disarmament much nearer. That they are being held at all is the result of a tardy and grudging Soviet acceptance of a proposal made by the United Nations Assembly last November. The Assembly asked, in a resolution backed by almost all nations except the Soviet group, that the powers principally involved should discuss disarmament, and specifically atomic and hydrogen bombs, in private. Only after the Berlin conference, at which Mr Dulles further explained the Eisenhower plan for an international atomic pool, did Mr Molotov agree to the meeting that has now opened.

The Communist governments will have to make some startling changes in their present policy before the road can be opened to that abolition of nuclear weapons which they profess to seek. For the western powers, top-secrecy is an uncomfortable and, every free citizen hopes, a temporary necessity. For the Communists, it is the principle on which their whole political system is founded. Yet it must be modified if there is to be real disarmament.

Net Over Nairobi

THE danger signal has gone up in Kenya that Mau Mau may have begun to spread beyond the Kikuyu to the Kamba tribe. There were two bad incidents in the Kamba reserve last Saturday. The police seem to think, however, that these may have been no more than secondary effects of the clean sweep of the Nairobi underworld, which the army—in conjunction with the civil authorities—has been conducting since the peace talks so tragically broke down. It is estimated that the Kikuyu population of the city had swollen, before the sweep began, to over 50,000, many of whom have clearly been up to no good. Nairobi is not only the point of infection with other tribes ; it is also the home of Mau Mau's most important supply and intelligence organisations. There have been previous attempts to stamp the trouble out, but the present operation is intended as a sweep to end all sweeps.

General Erskine has said that in some areas as many as 60 per cent of those examined are being held for further investigations ; and it is known that, so far, some 24,000 men have been detained. Many women are also being rounded up, for Mau Mau seems to have gained a terrible grip on the female Kikuyu. Strenuous attempts are being made by screening teams to divide the guilty from the innocent, and the latter are being allowed to return to their lawful occupations with new and simplified identification papers. Detainees are being sent to labour camps.

Meanwhile, Mr Vasey, Kenya's Member for Finance, is shortly to set out on his second visit to Britain in six months, in search of further financial assistance to meet the mounting cost of the emergency. In his recent budget speech he announced steep increases in local taxation, which will add nearly £2 million to the colony's diminutive revenue, but which will still leave him with an estimated deficit of £8 million. It is not generally recognised that the Kenya government has to pay all the extra costs of British troops and air forces over and above those usual for forces stationed in Britain on a peacetime basis. Yet it has little control over expensive new importations like jet fighters. It is only reasonable that Britain should contribute something towards paying for General Erskine's increasingly expensive tune. There are many anxieties that have been aroused in this country by recent developments in Kenya beside which mounting expense is a very small molehill indeed.

Engineers Against Extremists

THE Communists suffered an important defeat last week —and the forces working for moderation in the trade unions won an important victory—when the annual conference of the Amalgamated Engineering Union discussed the question of yet another wage demand. About a fifth of the delegates at this conference were Communists (who work like beavers both on ordinary union business and on propagandist activities in the AEU's local branches). They launched a fierce attack on the executive for accepting last month's settlement, and urged that a claim should immediately be made for another 10 per cent, which would give the balance of the 15 per cent wage increase for which the engineering and shipbuilding unions had been fighting for so long. The moderates replied that this could only lead to a strike—which, of course, was precisely what the Communists wanted.

Fortunately, the rest of the union did not want a strike ; and the conference accepted the alternative proposal to apply for a revision of the wages structure. Although the union hopes that in the end this may yield increases of more than 10 per cent for some workers, no timetable has been set ; and it is generally recognised that months of negotiation will be necessary. The employers' strategy last year, of categorically refusing what they ultimately conceded, may have taught the unions never to take a flat No for an answer ; but clearly it has had the effect of postponing not only the wage increase in question but also the application for the next one. There were even signs last week that some engineering workers recognise that wage increases might price them out of jobs in competitive world markets.

Moderation also prevailed in the AEU's decision not to demand the expulsion of the National Union of General and Municipal Workers from the engineering and shipbuilding confederation, as a reprisal for its refusal to order its members to join the 24-hour strike on December 2nd. Nor did the conference fall for an extraordinary motion that people who are paid for holidays should be obliged to take them (some workers have recently chosen to stay on to earn bonuses). But on questions of foreign policy the

Left reigned supreme ; the AEU unanimously, if somewhat inconsequently, decided that the working class should agitate against the hydrogen bomb and that German rearmament should be opposed. These repeated emotional revolts over Germany at union conferences, which succeed partly because the moderates do not want to appear to be resisting the left-wingers all the time, must be worrying the Labour leadership.

The Capital of Wales

AFTER some years of dissension, the Welsh local authorities have now agreed that Cardiff should be regarded as the capital of Wales. The bulk of the country's population is concentrated on the South Wales coalfield ; and Carnarvon and other cities with stronger historical or cultural claims have therefore had to yield pride of place to the logic of economic facts. But the agreement will not make it any easier for the inhabitants of North and Central Wales to visit their capital ; and poor communications will probably continue to cause many Welsh conferences to be held on the foreign soil of London or Shrewsbury.

The practical consequences of Cardiff's new title will not be considerable ; the city will simply be confirmed in its present position as a centre of regional administration. But the choice has been made at a time when the campaign for the creation of a separate Welsh Parliament is reaching a new pitch of intensity. The new campaign is being led by Lady Megan Lloyd-George ; and it has the active support of a number of Welsh Labour MPs, despite the disapproval of party headquarters.

This is delicate ground. The Welsh economy, with its dependence on high-cost coal production and marginal hill farming, would seem bound to suffer heavily from even a partial severance of public finances ; it would certainly be the loser from contracting out of national schemes for the social services. In educational and cultural matters Wales does warrant special treatment, but this it already receives up to a point. There may be a case for urging that this special treatment should be extended ; and also for saying that local government in Wales should be reorganised so as to include the whole country within one or two regional councils. If a clear majority of the Welsh people really wants to press on towards further devolution then—and this is perhaps the most important point to emphasise at this time—English politicians have no real right to resist them. But Welsh MPs should tell their constituents that they will stand convicted of a strange sort of cultural jingoism if their choice really does lie that way.

Pie in Australia's Sky

WITH the federal general election on May 29th in sight, the leaders of the main Australian parties have been clarifying their party's policies. Though the Petrov affair is certain to be a major factor, both sides are ostensibly playing the game in resisting the temptation of making capital out of it. Instead, such purely domestic issues as economic policy, the consolidation of the welfare state, and wages, are to the fore. The Prime Minister, Mr Menzies, is content on the whole to rest on the coalition parties' record of achievement though promising concessions to pensioners, and a subsidy to the gold-mines. But the Labour party leader, Dr Evatt, beat all records in his promises to the voters.

If he returns to office he proposes to abolish altogether the means test for old-age pensioners, increase the rates of pensions and other allowances, introduce farm price supports on the American pattern, further assist house ownership, and reorganise the defence programme. Yet Dr Evatt says in the same breath he will reduce taxation, give incentives to encourage modernisation of plant in industry, and repeal part of the sales tax. The prescription for this miracle is deficit finance, which, as Dr Evatt plaintively asserts, the Menzies government has avoided for the past four years.

Though Australia's economic position has improved out of recognition in the past eighteen months, and its foreign currency reserves continue to climb, it would be less than prudent to think that everything in the garden is lovely. The improvement has, in fact, been due to a combination of good luck—in the shape of better terms of trade—and the severe fiscal and monetary policies made effective by Mr Menzies's government. Australia, in keeping with other sterling area countries, has, moreover, been lucky in escaping comparatively lightly from the worst of the American recession. But there are still many perils ahead. There is a surplus of wheat—which price supports could only magnify—yet to be sold in a buyers' market; the problem of costs in secondary industry which, without additional tariff protection, is becoming increasingly uncompetitive ; and the ever present, and now only thinly concealed, threat of inflation.

Having given away the equivalent of £A118 million in tax reliefs in the recent budget, Mr Menzies's government can rightly claim to have taken the appropriate steps to lessen the burden of taxation while giving incentives to greater output. It would be most unwise at the present stage to do more. Dr Evatt—if he wins—may yet regret his impetuosity.

Economics of Legal Aid

THE third annual report of the Law Society on the operation and finance of the legal aid scheme has now been published. Although the figures given in it do not go beyond March 31, 1953, they paint a clearer picture than hitherto of how the scheme is working out. About 30,000 people are given aid in the year, and three-quarters of the cases are still matrimonial disputes. Most of the divorces are undefended, and about two-thirds of the other cases are successful ; this is not an unreasonable record, and it suggests that the scheme is not being widely abused.

The organisation recovered some £1,760,000 in damages and £400,000 in costs in the year, and the charge on public funds was some £900,000 ; the assisted persons themselves contributed £700,000 towards their costs. Adminis-

trative expenses were approximately £600,000. There must be few other organisations concerned with the social services that can handle so many cases at such a low cost for each individual case. It is obvious that the scheme is still dependent upon a great deal of unpaid work from the legal profession, particularly from those who serve on the committees that administer it throughout the country.

The Advisory Committee, whose report accompanies that of the Law Society, returns to the charge that the scheme now in operation is only a part of that contemplated by the Act of 1949. Assistance is available only in the superior courts, not in the county court or before magistrates ; and there has still been no move to bring into operation any general scheme for legal advice centres to supplement—or precede—the giving of aid in litigation. The committee points out that the voluntary legal advice bureaux are gradually disappearing. Some are still aided by grants from local authorities, but others have closed their doors altogether. The committee very sensibly urges that some public aid should be given, at least as a temporary measure, to those that still exist. There is an economic, as well as a social argument, for this. Some of the weaker cases which are now given aid, and which cast a burden on public funds when they fail, might never be started if the applicant was given good advice before the stage at which court proceedings become inevitable.

Caveat Emptor?

THE Opposition fired some heavy, if rather scattered, guns last Thursday when it urged the Government to be more rigid in its enforcement of the new Merchandise Marks Act. Miss Elaine Burton, opening the debate, also discussed the inadequacy of the standard textile specifications succeeding the utility scheme, the delay in framing them, and the apparent apathy of the Board of Trade towards their development. She followed this criticism with several instances of allegedly misleading advertisements and inadequate or inaccurate description on which, she claimed, official action was overdue. Mr Rhodes, the former Labour Parliamentary Secretary to the Board of Trade, who seconded the motion, was more cautious about standard specifications, though he regarded the difficulty in framing these as an added reason for pushing forward and prodding the trades into co-operation ; he pleaded, too, for consumer education as part of the school curriculum. Later speakers turned from textiles to patent medicines, and from merely deficient quantity to allegations of a quackery which would recall—if true—the exploits of that Jeff Peters whom O. Henry immortalised fifty years ago. (Mr Peters, it will be remembered, sold rural housewives a special sand guaranteed to prevent kerosene lamps from exploding—providing they were kept perfectly clean. Clean lamps did not explode ; the sand provided a happy sense of security ; the housewives, so Mr Peters claimed, got their money's worth.)

There is a strong case for saying that the Government should do more to help the consumer to buy with open eyes ; *caveat emptor* is a maxim for a simpler world. But there is more room for debate about how help to the consumer should be provided. "Kite marks" and standard specifications have their uses, but also, for many products, their dangers ; they tend to narrow and inappropriately fix the range of choice. Any habit of giving undue credence to the declarations of producers' trade associations about the poor quality of the products of firms outside their ring would be exceedingly dangerous, and it is surprising that some Labour members did not underline this. But legislation demanding accurate descriptions of content, such as many other countries find workable, are quite another matter. And a readiness to crack down on deliberate offenders, on any latter-day Jeff Peterses who flourish not by supplying cheap goods to people who want cheap goods, but by flagrant misrepresentation, is the minimum that can be demanded on the consumers' behalf.

Despite Mr Strauss's defence of the Government—and despite the admitted difficulty of securing convictions even under the strengthened Act—the impression remains that the Board of Trade is leaving too much of the consumers' defence to such bodies as the Retail Trading Standards Association. If the British law of libel permitted a counterpart to America's Consumer Research Inc, this passiveness would matter less. As things are, an essential element is lacking for the satisfactory working of that private-enterprise economy in whose name Miss Burton's motion was voted down.

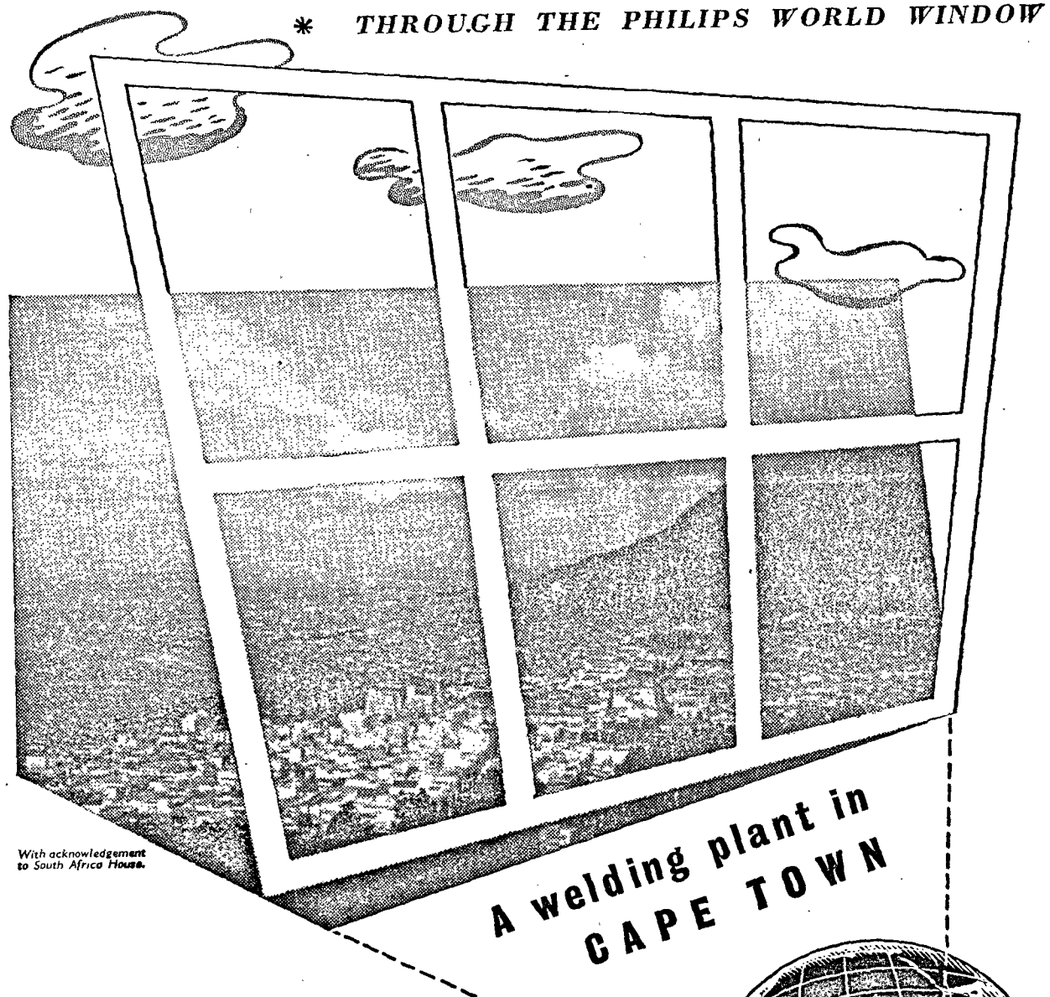
Developments in Development

ALTHOUGH the Colonial Development Corporation again ran a deficit last year—of well over £1 million—it amounted to only a third of that in the year before ; and the long process of closing down uneconomic ventures seems gradually to be coming to an end. Seven more schemes were abandoned during the year, compared with eight in 1952. Two years ago Lord Reith expected quicker results ; but, as the new annual report is at pains to point out, it would be foolish to be panicked into indiscriminate cutting-back just because too much was attempted in earlier years, before Lord Reith's stewardship began.

The legacy of past indiscretions is indeed formidable. Last July the Government said that it would introduce legislation to allow the corporation to write off losses on abandoned schemes on which over £6 million has already been lost ; if badly over-capitalised ventures are taken into account the sum is closer to £8 million, and new losses may yet emerge. The corporation is frank about its record ; it says, for example, that its works division has been "high on the list of discreditable failures," and announces that this has now been wound up.

The important thing is that strict financial discipline seems at last to be giving a clearer guide to future policies ; the report agrees that "new projects should show a likelihood of being financially self-supporting at least." In the main, the corporation's money will continue to be used as risk capital, and private enterprise will be associated with schemes wherever possible. It is noteworthy that when the corporation's projects are analysed according to their stage of development a clear profit is shown on those that have reached the stage of being fully operational. At best, this suggests that the long pull towards financial stability may soon be over ; at worst, it means that the corporation is now carrying cut the controlled experiment with which it should have contented itself from its inception.

* THROUGH THE PHILIPS WORLD WINDOW



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Books & Publications

Republicans Without Taft

THE TAFT STORY.
By William S. White.
Harper & Brothers, New York. 288 pages. $3.50.

MR WHITE has been investigating the Senate of the United States on behalf of the *New York Times* ever since the end of the war. Nobody had a better opportunity to watch and, as this book proves, to understand Senator Robert Taft of Ohio during the years when his influence was at its greatest. It has become the fashion to disparage "journalists' books," but this is one in the best sense of the phrase. It is the work of a trained reporter and a sensitive interpreter.

It is not, however, despite its title, "The Taft Story"—not the whole of it—but only that part known personally to Mr White. True, he has prowled about Cincinnati and talked with those who have known the Taft family for generations (the Tafts are to Cincinnati what the Chamberlains were to Birmingham fifty years ago), and he has recognised the "minor bloodless virtues" of the aristocracy of that "sedate, withdrawn and rather ingrown city" in which the Senator spent his early years. But at the end of 52 pages he plunges into the Congressional elections of 1946, and the rest of the book is devoted to the six and a half years in which Mr Taft managed perceptibly to blunt the effectiveness of American policy without ever succeeding in changing its direction.

Mr White is undoubtedly right in ascribing the rigid Republicanism of a man who was otherwise very much of an individualist to the memory of what quarrels within the party and the deviationism of Theodore Roosevelt had done to his father in 1912. Because of this memory Mr Taft, who was an intellectual and educated in the East—at Yale and the Harvard Law School—tolerated, and became the acknowledged leader of, the Middle Western Republicans in Congress who usually suspect the products of eastern universities and who distrusted the intellect long before Senator McCarthy began to equate the possession of one with treason. They thought, as Mr White says, that, "because there was one fixed constant in him—his institutional concern for the Republican party—his ideas and notions were fixed." So they were bewildered when he sponsored a public housing Bill or dismissed their more intolerant suggestions when he was drafting the Labour Relations Act which bears his name.

The pathetic failure of the Senator's attempts to win his party's Presidential nomination—an honour which should, he felt, have come automatically to someone known widely as "Mr Republican"—are described with understanding. Mr White, like many another correspondent who would have been disturbed had Mr Taft ever reached the White House, was obviously moved to sympathy, both at Philadelphia in 1948 and Chicago in 1952, as he watched the Taft organisation stumble uncomprehendingly to defeat. His machine was modelled on his father's and was driven by an assorted group of local political hacks. It was rightly called a "steam roller," but the age of steam was over and it was no match for Mr Dewey's streamlined Diesel locomotive.

In one chapter Mr White tries to find out why Mr Taft was so hesitant about American intervention in Europe and so advanced at times about American intervention in Asia. The answer, he thinks, lies in the preoccupation of the Mid-Western members of the party with the Pacific—probably for no better reason than that the Democrats were interested in Europe—and his belief that a Republican party without the dominance of the Mid-West would be "like an army without infantry." This would explain the reason he once gave for not belonging to the Foreign Relations Committee—that too much knowledge of the facts might affect his ability to oppose the Administration's policies. And for institutional reasons he had to accept the prejudices of those who were so far inferior to him intellectually.

Mr White does not speculate about what the Republican party might have been had Mr Taft followed Senator Vandenberg into the world and left the isolationists without a respectable leader. But he does ask two questions to which the answers, when we know them, will be important: what will be the ultimate effect of his death on the Eisenhower Administration and the type of Republican party Mr Eisenhower represents? And what will be the ultimate shape of Taft's Republican party without Taft? The deliberate choice as his successor of the Californian Senator Knowland, who was, he thought, a genuine Republican and who was neutral at Chicago because the California delegation stuck to Governor Warren, is proof that he wanted to provide a bridge between the two wings of the party. But Mr Knowland is proving a frail bridge and would look even frailer if there were men on either side of the calibre of Mr Taft and Mr Vandenberg. Mr White ends by suggesting that, while the Senator's death has left the Administration some complex problems, it has left the Mid-Western Republicans insoluble ones because the Eisenhower-Dewey Republican party can exist on the basis of varying leadership but "the Taft Republicans are disembodied without him."

The Failure of Weimar

GESCHICHTE DER WEIMARER REPUBLIK: Vol. I.
By Erich Eyck.
Eugen Rentsch Verlag, Zürich. 472 pages, DM. 17.50.

THE Weimar Republic failed because it was alien to the temperament and tradition of the majority of the German people, whose dissatisfaction and unrest kept a volcano smouldering in the heart of Europe until, intensified and directed by National Socialism, it spilled over and engulfed the Continent.

Dr Eyck, with rare lucidity of style, and writing from the liberal standpoint of a German scholar who watched developments at close quarters but has been living in England for many years, now supplements his books on Bismarck and William II with a vivid political history of the Weimar Republic. This first volume analyses only the first six years, until the death of President Ebert and the election of Hindenburg as his successor. Dr Eyck's preliminary chapter on the last months of the war presents an appalling picture of the political ineptitude of the two generals Hindenburg and Ludendorff who, incapable of understanding the situation as it existed outside the confines of the battlefields, yet imposing their will on the statesmen, made the collapse of the monarchy inevitable and bore the ultimate responsibility for the extent of the catastrophe. Their behaviour throughout the last two years of the war and the subsequent intrigues of the Reichswehr generals explode beyond a shadow of a doubt the myth that the German Army held aloof from politics.

Throughout the existence of the republic there was a sound core of opinion that supported the Weimar Constitution, but the German political system up to 1918 had made it difficult, if not impossible, for leaders of stature to emerge among the members of the Reichstag. The tabulation of election results during the years that stretched between the Armistice and the appointment of Hitler as Chancellor reveal the crumbling away of the moderate if heterogeneous electorate and the swelling majorities of the extremists both to the right and to the left. During these first six years the external and internal difficulties of the Reich were sufficient to dismay the ablest of statesmen. The problem of reparations (Dr Eyck charges Keynes with unwittingly confirming the Germans in their belief that they had been cheated in this matter by the Allies) and the complete collapse of the currency consequent upon the passive resistance to the French and Belgian

occupation of the Ruhr were, however, overcome; and the Republic could have gone from strength to strength if the whole situation had not been vitiated by the mentality and outlook of the German people as a whole. The spirit of the German nation, wrote Bethmann Hollweg in 1915, had been "poisoned during the past twenty-five years by rodomontade," and Stresemann said to Lord D'Abernon when discussing the unpopularity of President Ebert, "The truth is the German people cannot stand a President in a high hat. They think he looks peculiar at a review. They must have a military uniform with plenty of orders."

Organised in political parties which refused to subordinate their personal interests to the national cause, such a people could not reconcile itself to defeat. It sought what consolation it might in indulging its propensity to myth-making. The army had been stabbed in the back by left-wing traitors, the national morale had been sapped by the Jews, all their troubles were due to the dictated Treaty of Versailles. The myth-maker grasped at the symbol ready to hand in the figure of Hindenburg, the *Generalfeldmarschall*, steady as a rock and garbed in the uniform of the old German Army, on whom they could focus all their longings for a return to the glorious days of the Hohenzollern Empire. But Dr Eyck shows that the whole nation was not blind to the danger. Hindenburg was elected by only a narrow majority. His candidature had seemed a master stroke of the reactionary politicians, but by choosing a Hohenzollern general to take the place of the democratic Ebert, the German people had regressed farther than they knew. They had taken an essential step on the way back to tribal primitivism.

Lord Wavell's Campaigns

THE MEDITERRANEAN AND THE MIDDLE EAST: Volume I. *The Early Successes Against Italy.*
By Major-General I. S. O. Playfair and others.
Her Majesty's Stationery Office. 531 pages. 35s.

THIS volume of the official history of the war, which is to be the first of a series of six dealing with the war in the Mediterranean and Middle East, is primarily the story of Lord Wavell's swift, daring and decisive campaigns in the Western Desert and Abyssinia in 1940-41. Yet it might well, from Lord Wavell's point of view, have borne the sub-title "Triumph and Tragedy." After recounting the battles, from Sidi Barrani to Amba Alagi, which won him praise from Rommel as the only British desert commander with a touch of genius, it closes in the looming shadow of the disastrous Greek expedition, into which Wavell was drawn against his will and against his judgment, and which was to be the prelude to his dismissal from the Middle East.

It is surely one of the saddest facts of the war that Sir Winston Churchill, who had never met Wavell until 1940, seemed unable to establish with this laconic, resolute commander a really close and easy working relationship. This showed itself only too plainly over Greece. One can appreciate the Prime Minister's desire not only to aid the Greeks, but to make use of the invaluable bridgehead on the Continent which their resistance in Albania had provided. Yet the resources were not available in the Middle East to do this and still hold Egypt, and it was Wavell's tragedy that in the end he wearied of trying to get London to see this fact. In the upshot he was left with much of the blame for not having prevented the Greek expedition, and with his days in the Middle East numbered. When he left Cairo, however, the desert armies lost the one British commander who might have matched Rommel in open warfare, and have matched him a year earlier than Alamein.

This volume does not probe deeply into these controversial issues. Indeed its weakness is that it is too much an account, too little a critique. But it is a vivid, straightforward, well-written account, presenting an excellent picture of those great days when Britain stood alone in the Middle East as much as in these islands, when in the desert and in the Abyssinian hills its forces plucked out of the nettle not only security, but opportunity and hope.

Economist in the House

STOCK MARKET ECONOMICS.
By M. S. Rix.
Pitman. 295 pages. 25s.

THE Stock Exchange deals in expectations. They can be as precise as the actuary's calculation of a net redemption yield to the nearest penny. They can be as imprecise as a hunch that something is happening in the stock of the Channel Tunnel Company. This book has to jump about from the precise to the imprecise in the same way; and it ends abruptly in a note on "special situations and selectivity" without any formal conclusion.

Miss Rix, in fact, has looked at the stock market through a prism, not through a microscope. All the colours of the spectrum are examined with care and the reader is presented with a mass of separate, though interrelated, rays of exposition and comment. The exposition is clear, though occasionally logic is lost in loose phrasing, as when Miss Rix suggests:

> it is possible for funds to reach the Stock Exchange without coming out of current savings at all. Assets of other kinds may be sold to buy marketable securities, or, very exceptionally, consumption may be reduced in order to make an extra purchase of securities.

It is difficult to see what this is meant to mean.

More serious imprecision mars her calculations about the value of stock exchange securities. Miss Rix notes that about half the private assets assessed for death duties are securities; she estimates (almost certainly underestimates) privately held national wealth at £25,000 million; and—after noting cursorily that not all the securities assessed for death duties are marketable—she suggests that about £12,000 million of the securities quoted on the London Stock Exchange may therefore be held by persons, and the other £13,000 million-odd by institutional investors. There are surely two major errors here. Something like one-third—not something like one-twenty-fifth—of the securities in the death duties sample seem likely to be non-quoted securities (national savings certificates, defence bonds, private company's shares, etc.); and many of the securities quoted in London are held abroad. Indeed a major fault of Miss Rix's book lies in her failure to emphasise that so large a proportion of the securities quoted in London are securities of companies operating abroad, and partly owned by overseas investors; the South Africans do own some Kaffirs.

Despite these faults, the comment throughout is liberal and sensible; it is a virtue, rather than a fault, that not all will agree with Miss Rix's scattered opinions. At the end, however, there remains a disappointing feeling of a lack of unity. Perhaps this is the fault of the subject and not of the writer. The Stock Exchange is an untidy place to look at, and it is an untidy place to understand. By examining the organisation and the functions of the Stock Exchange, by relating them to investment decisions and risk taking, and by analysing speculation and the other (far more important) forces which determine the course of stock market prices, Miss Rix has done something to make it a tidier place both for the initiated and the untrained observer. She has written what she set out to write—a standard text book. As that, and in the main, her book is a success.

Masters and Men

AN INTRODUCTION TO THE STUDY OF INDUSTRIAL RELATIONS.
By J. Henry Richardson.
Allen and Unwin. 442 pages. 30s.

IN his new work Mr Richardson covers the whole field of industrial relations. He is well qualified to write an encyclopedia on this subject, because not only is he Montague Burton Professor of Industrial Relations at Leeds University, ut he was on the staff of the International Labour Office for nine years and is a member of several wage boards. He gives a short and very selective bibliography of recent publications, which numbers 128 books and reports.

Some industrialists in this country are beginning to wonder whether personnel management has not been overdone, and there are signs that more attention is being paid to the training of foremen in human relations, rather than increasing the size of the personnel department. It is unlikely that Mr Richardson would agree with this, but he does emphasise the need for close co-operation with line management. He notes that the "hail fellow well met type" has been replaced by persons with natural dignity of manner, a sense of humour and ability to gain the confidence of workers and management.

On the vexed question of time study he quotes America's Congress of Industrial Relations as saying

> With Union protection and our demand for better production, efficiency and scientific management can be placed at the services of labour. The time study itself is not injurious if properly handled. It is a technique, an instrument—just like a gauge or a caliper.

This attitude of mind on the part of American unions and their acquiescence in evaluating jobs has made it possible for many American factories engaged on mass production to abandon piecework and bonus incentive schemes, with the result of a considerable saving in overheads and a reduction in union unrest.

Dr Richardson devotes a chapter to profit sharing and co-partnership, a subject of some political interest at the present time. He notes that although some existing schemes have worked successfully for fifty years or more, the "death rate" has been high. He regards these schemes as much less effective than systems of piecework or payment by results in their effect on productivity, as the payments are too remote and infrequent to affect day-to-day work.

Dealing with a national wages policy, he traces the gradual development of national wages rates from local and district rates, and remarks that during the Second World War most governments applied some sort of wages policy, mainly designed to keep inflation within limits. He agrees that, in theory, it would be possible for a national authority to fix wages for unskilled workers throughout all industries and then fix "plus rates" for semi-skilled and skilled workers. This would work in a totalitarian country, or in a country where the industrial structure is simple, or where employers and workers are not sufficiently organised for effective collective bargaining. In a well-organised industrial democracy, enforcement of unpopular decisions by a central authority would be impracticable.

Eighty-four pages of this book are devoted to trade unions: organisation, structure and government, the closed shop, legal position, political action and so on. But it is odd that Mr Richardson has been able to allot seven pages only to employers' organisations. He explains this by reminding his readers of the privacy with which these bodies conduct their affairs. Their defensive and conservative attitudes are in strong contrast with the publicity in which the trade unions conduct their business. As Mr Richardson rightly remarks, their development and activities are as significant in industrial relations as those of the trade unions. Nevertheless, he does not mention the British Employers' Confederation, although this body is strongly represented on the National Joint Advisory Council to the Minister of Labour, the National Production Council of the Chancellor of the Exchequer, the British Productivity Council and the International Labour Office Conferences. Might it not be as well for the next wave of research workers to turn their attention to this virgin field instead of to the somewhat overworked subjects of trade unionism and joint consultation?

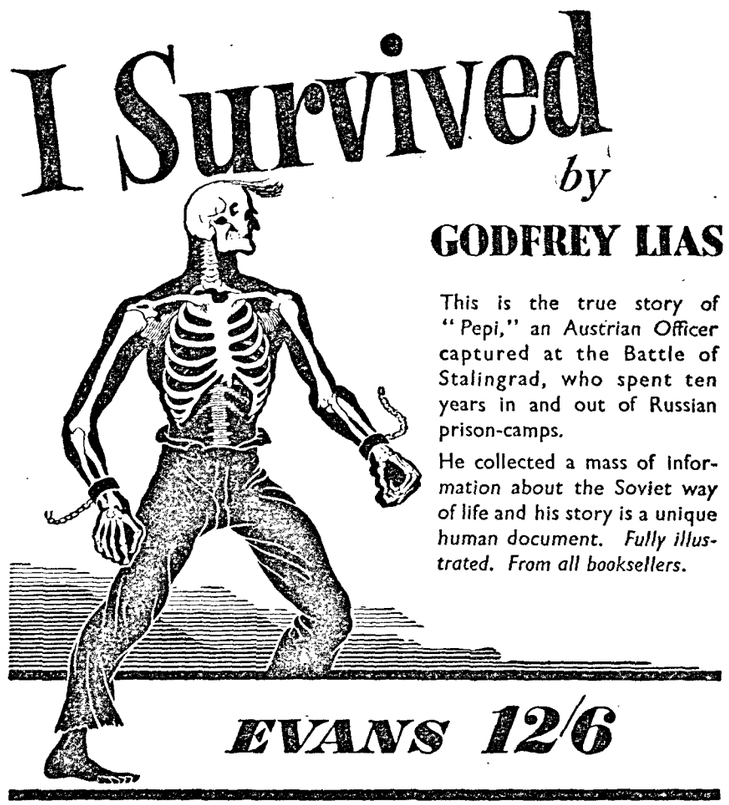
Green Pastures

DEVON.
By W. G. Hoskins.
Collins. 620 pages. 2 gns.

EVERY year that passes makes it more difficult to catch and record the authentic flavour of English country life. Here and there in counties like Devon old men can still be found to tell rambling anecdotes of life as it was in the old days, and (for the benefit of B.B.C. recording vans) to give cracked-voiced recitals of once popular local work-songs (very different affairs from the sophisticated versions given in the song books). But they are the last of their kind. It is the more important that we should get down a comprehensive and scholarly panorama of English country life while there is still time—before the havoc wrought by radio, bus and cinema finally obliterates the boundary between local history and antiquarianism.

On form to date, the survey which is being edited by Professor Simmons shows every sign of filling this need. Professor Hoskins' book is the second of the series. He tells us that he spent five years tramping Devon and visited each single hamlet and village. His book therefore carries the confident stamp of familiarity with every nook and cranny. It is full of zestful flashes of description. It is comprehensive. It is true to fact and atmosphere. It is also a prize example of the art, comparatively new to England, of organic history. The author has tried to fuse within the compass of one volume all the interrelated aspects of trade and politics, of land, industry and architecture. The result might well have been a mess. Instead, Professor Hoskins has given us the real inwardness of Devon.

The history of Devon is really the history of its cloth trade. Until the end of the fourteenth century, Devon was a sleepy backwater. But by the reign of the first Elizabeth the county had reached a pinnacle of importance. Its great men, with their broad country accents, were thronging the court. In population it was the second or third county of England. It was the base against Spain and the centre for adventure and buccaneering in the west. All this was made possible by the busy mills that brought wealth and trade. The wars of the eighteenth century and the York-



shire steam mills of the nineteenth killed the prosperity, and Devon has gone back to its sleepy corner.

Few places in the world can have relapsed into so comfortable a middle age. Devon has survived as a county of green fields, holiday resorts and retired professional persons. The thick crop of perpendicular churches with their wealth of carved screens (those that have survived the atrocities of our grandfathers) are the only landmark of former wealth. Professor Hoskins writes of Devon's architecture and its variety of building materials with obvious knowledge and pleasure. But one question he does not seem to have asked himself: Where are all the great country houses one might have expected? Some great houses exist and many smaller ones, but these hardly match the county's wealth or the magnificence of other comparable parts of England. Did even the Devonian, when he had the chance, tend to salt his money away in more amusing places?

Restatement of Belief

THE WESTERN DILEMMA.
By Alan Gordon Smith.
Longmans. 186 pages. 11s. 6d.

EXPOSING his dilemma in an introductory chapter Mr Smith defines western civilisation as an amalgam of pagan and Christian heritages which are at odds with one another but are not intrinsically incompatible. Since it is the Christian component that is now threatened and called in question, he addresses himself to the question whether Christianity is true. If it is not, it will die away and, whatever else results, the West will be different; if on the other hand it is true, then it is extremely important to reaffirm and reassert this truth. What follows is divided into two parts called Belief in Reason and Reason in Belief. In the first part Mr Smith sets out to establish belief in reason, to restore reason to a lost throne, to insist that truth can be known: "it is impossible to believe that Christianity is true without first showing that something can be true." The "insane" root of the trouble is Descartes' severance of mind from body, and the substance of this part of the book is a vigorous attack on Idealism and Positivism, at the conclusion of which Mr Smith arrives at a conception of the physical universe as a process of becoming, caused by a continuous creative principle which is outside this process and timeless. Whether you call it God or not, Mr Smith does not care. What is important for his argument is the assertion that it is a deduced logical necessity.

The main argument of the second half of the book is that the rational explanation of the historical evidence points convincingly to the truth of Christian, and in particular of Roman Catholic, beliefs. Mr Smith thinks it most improbable that natural laws not yet discovered will ever suffice to explain all the strange facts in our experience; *per contra* he claims that these facts are most adequately explained upon the rationally inferred Christian hypothesis. Mr Smith writes clearly and sometimes eloquently. His appeal is to the head, but it is perhaps unlikely to secure a response except from those who already share his faith and dispositions.

Shorter Notices

THE LITERATURE OF THE UNITED STATES.
By Marcus Cunliffe.
Penguin. 384 pages. 3s. 6d.

This "Penguin" is admirable in every way. It divides the American writers into major and minor prophets. It is in tune with the present period in attaching to Melville and Walt Whitman an importance that would have been unthinkable in the formal society of sixty years ago. At the same time the author is exhaustive in his curiosity about the moderns, such as William Faulkner. A lively book like this, full of an eagerness to explain, make clear and vindicate, reminds us once more what boundless treasures of literature the Colossus of the West has already amassed. It is a curious reflection that while the literature produced by coloured writers has been so varied in its accomplishment none of it has yet been great in the way that Melville and Mark Twain in their different ways are great.

Letters to the Editor

Romance by the Jar

SIR—Two comments on the above article in your issue of April 10th may not be out of place.

The first relates to the possible influence of the new Merchandise Marks Act on the advertising of cosmetics. In this connection it is interesting to note that in 1939 cosmetics were included in the definition of drugs in the Canadian food and drugs legislation, and accordingly the misleading labelling and advertising of cosmetics became an offence. The Canadian Food and Drugs Act of 1953, however, now deals separately with foods, drugs, cosmetics and therapeutic devices in this respect, and though identical provisions as to deception still apply to foods, drugs and devices, they no longer applies to cosmetics. As Mr R. E. Curran, QC, remarks,

> It is not felt that the public is actually deceived by the glamorous and exaggerated advertising which is ordinarily associated with cosmetics, and a cosmetic which does not at least promise to restore the appearance of youth or perhaps to improve on nature is the exception rather than the rule.

It remains to be seen whether British courts will come to share this realistic view. Should they do so, our manufacturers will have little to fear from the new Merchandise Marks Act.

Secondly, it is questionable whether the suggested labelling of cosmetics which contain active and potentially dangerous medicaments such as sex hormones, in accordance with the requirements of the Medicine and Pharmacy Act, would afford any real protection to the user. There seems little merit in a label statement that a cosmetic contains hormones, particularly when the information may only follow careful scrutiny of the label, unless the reader is aware also of the health hazard in the use of such products. This would certainly not be common knowledge, and it is therefore to be hoped that any report from the Medical Research Council will appreciate this and err, if anything, on the side of caution. Here again the example of Canadian legislation might be examined with advantage. The sale of such products is there dealt with by special regulations which ensure that before sale they must be demonstrably free from any systemic effect, and that on sale they must comply with special labelling regulations which include a declaration of the hormone potency and proper directions for use.

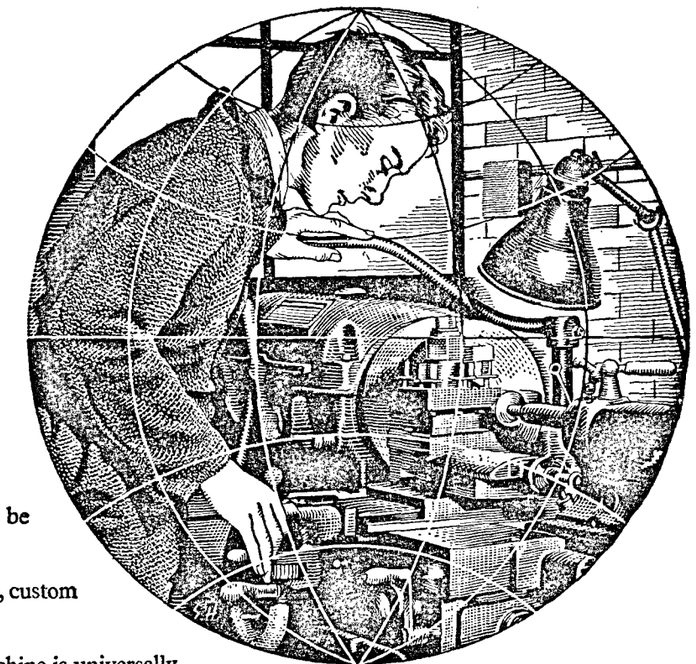
In this country cosmetics are still outside the law applying to foods and drugs, and the aggrieved purchaser's remedy lies in a civil action. It might well be asked whether the opportunity ought not to have been taken in the Food and Drugs (Amendment) Bill, now before Parliament, to follow these developments in Canadian (and United States) legislation, so as to make "foods and drugs authorities" here, who administer and enforce this legislation, responsible in like manner for protecting the public from hidden dangers on the cosmetic front.—Yours faithfully,

Purley CHARLES A. ADAMS

Travel Agents

SIR—There are more than 550 travel offices throughout Britain which maintain the highest standards of service demanded by membership of this Association. Our agents are confident that Mr Mackenzie's experience is very exceptional. Yet his warning should be heeded. We therefore appeal to all who use the services of a travel agency (*a*) to deal only with a well-established and reputable agency and (*b*) to check quotations thoroughly to ensure that they cover exactly what is required before travelling.—Yours faithfully,

A. R. COLMER
Association of British Travel Agents, Ltd., W.1.



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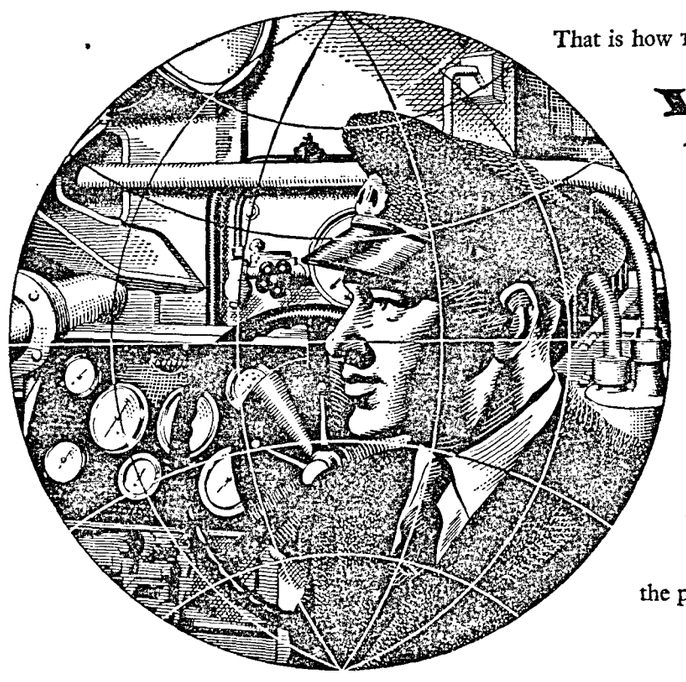

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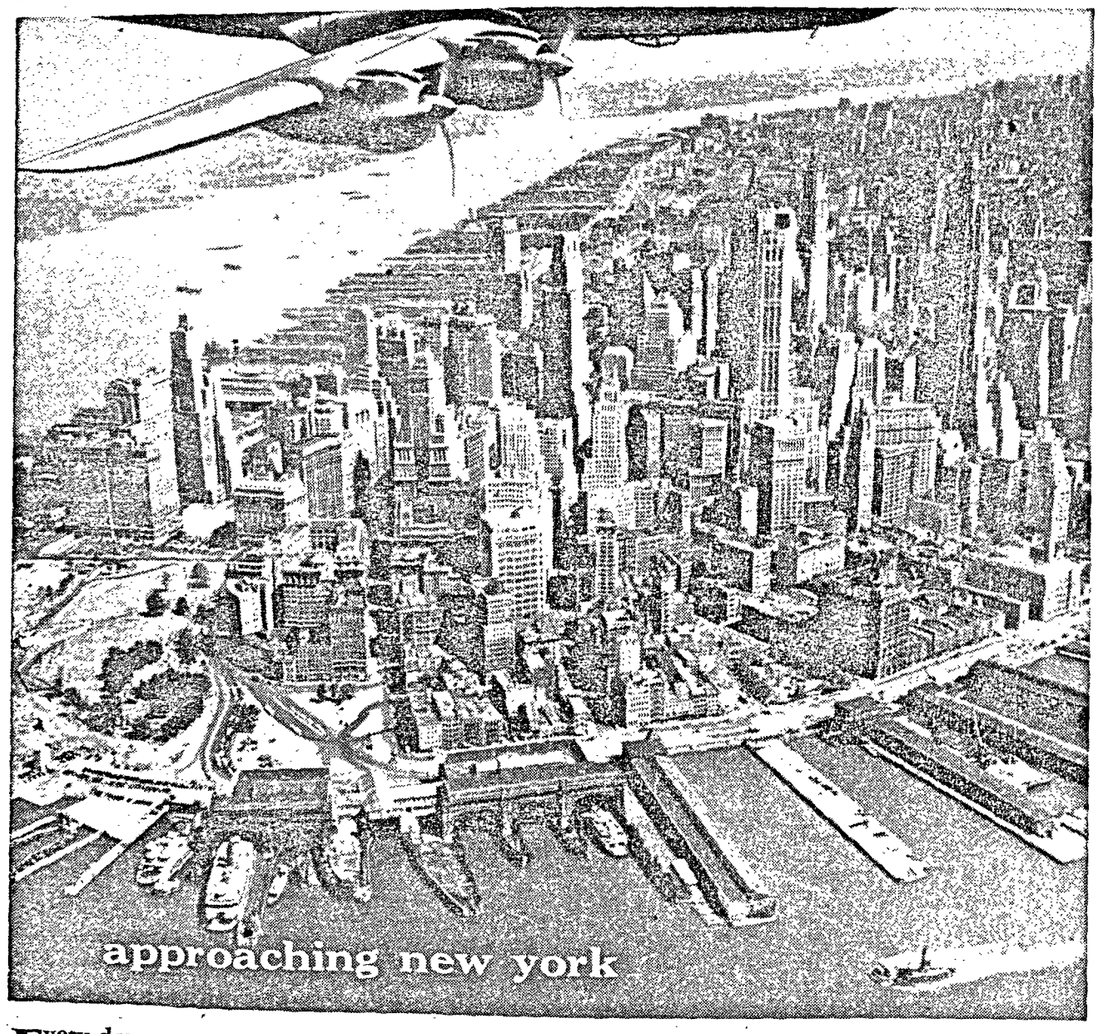

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American Survey

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

Inquest on Indo-China

Washington, D.C.

WHATEVER it was that happened to American foreign policy in the last three weeks—whether it was a "defeat," as so many correspondents both in Washington and in Geneva called it, a kind of "rolling readjustment," as Mr Dulles seemed to suggest when he got back from Europe, or a descent from an untenable oratorical position—it was something that should make the Administration overhaul its machinery both for making policy and for communicating with its allies. The first task is to repair, as quickly as possible, the damage that has been done, and all the help the allies can give will be needed to do that, but something else of the same kind will happen again unless the lessons of the Indo-Chinese crisis are learned.

Over the past year there has been a steady stream of articles explaining how the National Security Council is at last being properly used as the supreme policy-making body of the government. But the present muddle has shown that it is not in fact working properly. Again and again, during the last few weeks, it has been said that the council had made the decision that the fall of Indo-China would mean the fall of the whole of South-east Asia and that this could not be allowed to happen. Information about this decision usually seems to have come from the Department of Defence and, in particular, from the men close to Admiral Radford, chairman of the Joint Chiefs of Staff. It was taken for granted that they knew what they were talking about and Mr Walter Lippmann, in commenting on the decision, pointed out that it was only the expression of an objective and that there was no indication that it had been translated into policies. When the test came it turned out that there were no policies because, as it was also discovered, there had been no decision.

There were, it is understood, two papers, one produced by the Joint Chiefs of Staff and one by the State Department, asserting respectively that the defence of Indo-China was essential to that of South-east Asia and that there was no possible compromise which would prevent the eventual fall of Indo-China. It seems that neither paper was ever accepted, or rejected, as a decision of the National Security Council—or for that matter, questioned. But they seem to have been accepted by the Vice-President and by Admiral Radford and they were the justification of a number of statements which made the country, and the world, think that a policy of intervention had been decided on.

The President himself never said anything decisive on the subject. On one occasion he said that South-east Asia was of the most transcendent importance and on another that he could conceive of no greater tragedy than for the United States to get heavily involved there. But nobody inquired of him whether he thought that the transcendent importance of the region justified taking the risk of so great a tragedy. And he continued to say that the United States would not be involved except by a decision of Congress. When the moment for action came, therefore, there was no action because there was no decision on which to base it.

★

The repairs to the machinery of the National Security Council, however, can be undertaken without great difficulty once it is realised how opinions can develop into attitudes and then, unofficially and imperceptibly, into policies. This happens when officials who would like to argue against an opinion popular in Republican congressional circles—to give an example from the present case, the opinion that no solution in Indo-China is possible without the complete defeat of the Viet Minh—are inhibited by fear that they might be reported to Senator McCarthy. The machinery for communicating and co-operating with the allies will take longer to get back into working order because in Congress there are many who refuse to allow it to work, while, at the same time, they demand that it start working immediately under exclusively American management.

Senator Knowland is never as happy as when he is accusing the British government of contemplating a "Far Eastern Munich," but he seems to have forgotten not only what the Prime Minister and Mr Eden thought in 1938 but also the views of his family's newspaper, the *Oakland Tribune*, at that time. Mr Knowland was then assistant to his father, the owner of the paper, which gave "the highest praise" to Mr Chamberlain when he first decided to fly to Germany to meet Hitler. A few days later it said:

> To those responsible for today's conference at Munich too much credit cannot be accorded. . . . It may be necessary for sacrifices to be made in certain quarters but when the alternatives are countless human lives and the destruction of untold millions in property values, such sacrifices are worthwhile. This is an eventful day in world history.

The Senator is no less positive today than he was sixteen years ago, and it is to a great extent his opinions, and those of other influential Senators, which have encouraged the Administration in what has been called its policy of "getting domestic political kudos out of appearing to dominate our allies." Time and again since he came to office Mr Dulles has scared those allies by his public statements designed for domestic consumption and then soothed their governments by what he had to say in private. This time

the system did not work, partly because there was not enough time between its two stages and partly because he seems to have been almost as disconcerting in private as he had been in public.

This time, also, the allies had no forewarning of what American policy on Indo-China was because there had never been, during the whole crisis, a decision on it which could be communicated to them. The Administration could not mobilise the western alliance at short notice because the machinery which had been used so often since the end of the war had been allowed to rust. Mutual trust had given way to something very like mutual suspicion under the barrage of unexplained, but alarming, policy slogans. It is true, as the President said last week, that before Mr Dulles made his speech of March 29th, " our principal allies were advised in advance "—a few hours in advance—but advising is not consulting and "our principal allies," not to mention some other countries, had grown used to being consulted before the announcement of policies, such as that of " united action," in which they would presumably be involved.

The result was that the Administration was taken by surprise when the French asked for help from American aircraft. Many people in Washington had been afraid that, encouraged by the legend that Mr Dulles had bluffed the Chinese into signing the Korean armistice by dropping hints in India which he presumed would be passed on to Peking, the Administration was trying another and bigger bluff and that the enemy would call it. Some of these people are now commenting rather bitterly that they had never expected it to be called by the French. But there is no reason to believe that the French thought they were calling a bluff and plenty of reason to believe that they were taking the Administration at its word or, at least, Admiral Radford at his. Somebody, as Mr Lippmann said, blundered.

Old Guard *versus* New Blood

FROM A CORRESPONDENT IN OHIO

THE death of Senator Taft last July left an even bigger void in the Republican party of Ohio than it did in the Congress in Washington. Last week, in the primary election at which they picked their candidate for the senatorial contest next November, the Republicans of Ohio chose Representative George Bender as the man who will try to fill this void. Whether he can succeed is at best doubtful. The undistinguished Mr Bender is a veteran politician of the old school, who is now serving his seventh two-year term in the House of Representatives. There his outstanding achievement has been to rectify a legal oversight under which Ohio was not admitted to the Union when it became a state 150 years ago, and his main concern at present is to unearth racketeers in trade unions. The country knows Mr Bender only as Mr Taft's cheer-leader at the Republican National Convention in 1952, where his hoarse voice and incessant ringing of a school bell were unforgettably impressed upon television audiences.

Mr Bender had the backing of President Eisenhower's Secretary of the Treasury and of other leading bankers and industrialists in Cleveland, Ohio's largest city, where he has been for many years the Republican political boss. He was endorsed by most of the official Republican organisations in the state and as a result his opponent, Mr William Saxbe, never had a real chance in the primary election even though he fought a vigorous campaign. Mr Saxbe had the support of several big city newspapers, but was handicapped, in a party with a strong sense of discipline, by lack of organisation and by being virtually unknown, even though he is Speaker of the House in the Ohio State Legislature. A hard-working young man from the little town of Mechanicsburg, he is now serving his fourth two-year term in the State Legislature, where he has distinguished himself by waging war on lobbyists. Mr Saxbe is as representative of the newer blood in the mid western Republican party as is Mr Bender of the old guard.

★

The contest was one of personalities, not of issues : there were no differences of policy between the two men. Both promised to stand squarely behind the President and his programme at home and abroad (Mr Bender's " 100 per cent pro-Eisenhower " position is unusual, though not unique, among mid western Republicans). Both attacked the Democrats for " tolerating subversives in government," yet both embraced what seems to be emerging as the view of McCarthyism held by the majority of Republicans—that the Wisconsin Senator did a good job of rooting out Communists under the Truman Administration but that, because of his methods, he is now doing harm.

Mr Saxbe described his opponent succinctly as " a political hack," arguing that Mr Bender could not be elected to the US Senate because he lacked all appeal to Ohio's considerable body of independent voters. Not only independents, but many Republicans have been saying that they " won't vote for Boss Bender to fill Bob Taft's shoes," and Mr Bender's inability to inspire enthusiasm even among party regulars was demonstrated by the light vote in the primary election. It was significant that during the campaign, even though Mr Bender made much of a tribute paid to him by the late Senator Taft for " loyalty and devotion," a young member of the Senator's law firm was Mr Saxbe's manager in Cincinnati. And the Senator's son, who is this year following in his father's footsteps by running for election to the Ohio Legislature, publicly endorsed Mr Bender's rival. Many others who did the same believe that Mr Bender typifies the " old guardism " that they hold responsible for Senator Taft's failure to win the presidential nomination in 1952.

This Republican primary was, in fact, a feud between the old guard and the young bloods in the Grand Old Party. The old guard won, as it usually does in the GOP, but the standard bearer of the young bloods, Mr Saxbe, made a very creditable showing. He received 188,750 votes, to Mr Bender's 254,000. For a first time out, and against the state organisation, that performance was impressive enough to suggest that, if Mr Bender is defeated in November, Mr Saxbe may be his party's nominee at the next senatorial election in 1956.

Meanwhile the young bloods, and some of their elders too, have to decide whether to support a political boss who, they feel, misrepresents the party of Lincoln, Eisenhower and even Bob Taft, or to sit on their voting hands in November, at the risk of seeing Ohio send a Democrat to Washington. Their sentiments, ranging from apathy to disgust, at the result of the primary are shared by many of the political independents and former Democrats who in 1952 formed a group, " Citizens for Eisenhower," which has been revived for this year's congressional campaign. The independent voters hold the balance of power in Ohio, a politically doubtful state where about 40 per cent of the voters are normally Democratic and 35 per cent Republican and which more often than not elects a Democratic Governor and Republic Senators.

★

This explains why Mr Saxbe would probably have made a better showing than will Representative Bender in the election race that is beginning, a race which may well decide which party will control the now evenly balanced US Senate in Washington for the next two years. The Democratic nominee, the incumbent Senator, Mr Thomas Burke, owes his present interim appointment to Mr Frank Lausche, an open admirer of Robert Taft for many years, who is now running for a fifth term as Ohio's Democratic Governor. Like Governor Lausche, Senator Burke is a middle-of-the-roader and has been cultivating an independent following in Ohio. His motto is: " Be Americans first, and Democrats and Republicans second."

Anticipating his opponent's argument that more Republicans are needed in Washington to support the Administration's programme, Mr Burke points out that Republican disunity in Congress has held up many important measures. His current attitude towards the November election was summed up by the late political commentator, Mark Sullivan: " Two things will decide the outcome—the state of employment and the price of wheat on Election Day." Neither criterion is clear as yet, and meanwhile the Senator is being careful not to exaggerate the importance of the business recession for political advantage. He does not think the country is sliding into a depression, but " from a super-boom into just a boom " ; however, " a mere boom won't satisfy the voters in '54 ". On foreign policy Mr Burke, like both Mr Bender and Mr Saxbe, is vigorously opposed to sending any American troops to Indo-China. Also like them, he has said nothing to encourage the " new isolationism " in Ohio, which is less a fixed public opinion than an emotional reaction to the losses in Korea and to foreign press criticism of America and Americans.

Seaway In, Taft-Hartley Out

THE only person in Washington, or for that matter in Ottawa, who has shown any reaction more marked than relief at the congressional approval which has at long last been given to the St Lawrence Seaway project is the President himself. He after all came fresh to a controversy that after fifty years had developed a middle-aged spread ; it was his enthusiasm, together with the impetus of the midwestern steel industry's need for iron ore from Labrador and of the knowledge that Canada was in any case going ahead on its own, that finally pushed the legislation past the railway lobbyists and east coast port interests that have repeatedly blocked it.

While the House of Representatives was giving the President the seaway he wanted, the Senate was denying him the amendments to the Taft-Hartley Labour Act which he also wanted, although apparently in this case not enough to bring the necessary pressure to bear on Congress. The Senate, by 50 votes to 42, with the four remaining members paired, sent the amending Bill back to committee and thus almost certainly killed the legislation for this session, without even paying the President the compliment of debating his proposals. The committee had refused to consider any amendments other than those he had recommended, which clung firmly to he middle of the road and aroused no enthusiasm on either side. This refusal was the official reason given by the Democrats for their unanimous vote—the first, it is said, in over twenty years—for recommittal.

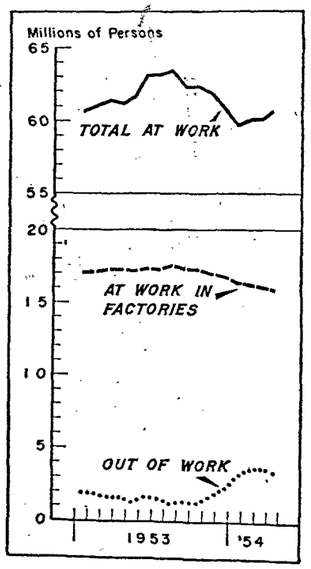
But there was nothing unanimous about the real reasons for this unanimity. The northern liberals, who represent urban areas with heavy labour votes, thought that the Bill as it stood was anti-labour and that if it were debated, especially if it got as far as the House, amendments even more unfavourable to the trade unions would be added. Such amendments would have been welcomed by the conservative southern Democrats who found the committee's recommendations too kind to labour. But these Southerners were turned against the Bill by an amendment sponsored by the two Senators from New York, the Republican Mr Ives and the Democratic Mr Lehman, which would have prevented racial discrimination in employment.

It has in fact been suggested that this amendment was a parliamentary manœuvre undertaken for the express purpose of making it certain that the Bill would be sent back to committee. There are indeed many Republicans who are happy that they were not forced to vote on some of the clauses ; it would have been difficult to take sides publicly without offending either the businessmen who may contribute to campaign funds next November or the trade unionists who may vote Republican then. But the Democrats will be able to argue that the Republicans have not kept their promise to amend the Taft-Hartley Act. And the President has been given an ominous warning of what happens to his programme when he fails to give a strong lead and when the Democrats bring themselves to unite in opposing him.

In Field, Not Factory

THE recent growth of confidence in the economic prospects for the rest of this year culminated, if anything so restrained can be said to culminate, in a report last week to the Secretary of Commerce from his Business Advisory Council that from now on a gradual recovery was to be expected. At the same time, it was announced that unemployment had declined substantially, for the first time since last summer, in April and had continued to do so since then. The crucial month, as regards these figures, will be June, when the civilian labour force, which has been growing slowly all this year, will be swollen by the young people leaving school and college. Meanwhile, however, last week's statistics at first sight seemed to take the point out of this week's full employment conference, sponsored by the Congress of Industrial Organisations, to demand that the Administration stem the " drift into depression " by increasing tax concessions, minimum wages, welfare benefits and spending on public works.

On closer examination, however, the latest employment figures were not so reassuring. For the first time the Census Bureau, which covers all types of workers by surveying sample households, the Bureau of Labour Statistics, which deals with wage earners in non-agricultural work by means of reports from employers, and the Bureau of Employment Security, which surveys insured workers only, issued their figures simultaneously. From these it could be seen that the fall in unemployment in the month was purely seasonal: 200,000 more people were working on farms and 100,000 more in building, both activities that bloom in the spring, while retail shops had taken on about 140,000 additional sales clerks for the Easter trade. But the number of men in mines had gone down by 23,000, and of those employed in manufacturing by about 250,000; more than half of these had been laid off by factories making durable goods, output of which does not normally decline at this time of year. These indications that the downward trend of employment was in fact continuing confirmed the leaders of the industrial trade unionists and of the miners in their belief that no economic recovery was in sight and that the government should come to the rescue of their members.



Only about one out of four workers is employed in manufacturing or mining, but they are concentrated in certain areas where the effect of the present unemployment is felt much more severely than over the country as a whole. The latest assessment, at the end of April, put 35 large labour markets and 56 smaller ones, nearly all of them around New England textile towns, Michigan automobile centres or West Virginian coal mines, in the category of having a substantial labour surplus. This means that over 6 per cent, in many cases very much over, of the labour force is out of work. In March unemployment in the country as a whole was very near the dangerous 6 per cent, but in April it dropped to 5.4 per cent.

Democrats on the Offensive

OPTIMISM and unity prevailed among the Democrats who gathered last week in Washington and later in New York for their most important party conferences since the 1952 convention at Chicago. After attending the National Committee meetings, the $100-a-plate Jefferson-Jackson dinner, the celebration of Mr Truman's 70th birthday, and the panel discussions on political issues, Democratic leaders concluded that the trend which began with unexpected victories in elections in Wisconsin and New Jersey last autumn will culminate in the capture by their party of a majority of seats in the House of Representatives, and perhaps even in the Senate, in next November's general election. Evidence for these hopes of victory, which even to unbiased observers seem for the moment to be justified, is provided by public opinion polls in various states, which have recorded a decided drop in the popularity of the Eisenhower Administration, and by recent Democratic victories in local elections in districts which are traditionally Republican.

But the optimism of the Democrats was based even more on the divisions over foreign and domestic policy within the Republican party, especially between the administrative and congressional branches; these are being publicly revealed by the battle between Senator McCarthy and the Army, by the slow progress of the President's legislative programme, and by the arguments over what action should be taken in Indo-China. Among the national issues on which the Democrats have chosen to launch their campaign against the Republicans next November are the Administration's farm policy, under which agricultural price supports would be lowered; its tax programme, providing exemptions for dividends and profits rather than relief for those in low income groups; its public power "give away," favouring private rather than federal development and distribution of hydro-electricity, and its "new look" foreign policy. On Indo-China, the Democrats have been taking a strong stand against the Administration, thus ending, at least temporarily, the bipartisanship which they have supported during the past eighteen months. Democratic leaders from both Senate and House joined Mr Truman in scathing criticism; even Senator Lyndon Johnson, of Texas, who has been charged by his colleagues with being too cautious in his approach to the Administration, dared to take part, now that he is virtually certain of no serious contest for his seat.

Party morale has also recently been strengthened by the complete solidarity of the Democrats in the Senate against the amendments to the Taft-Hartley Act, by the close co-operation between northern and southern Democrats in the congressional arguments over farm price supports and income tax concessions, and by the overwhelming victory of the liberal Senator Sparkman over his conservative southern opponent in the Democratic primary election in Alabama. As they take the offensive in a full-scale attack upon what Representative Rayburn, appropriating a Republican slogan of 1952, described as "the biggest mess that Washington has ever witnessed," the Democrats are not only confident but more united than they have been for years.

Butter Embarrassment

THE Administration's desperation at its steadily mounting stocks of butter—which now total some 360 million pounds—has forced it to brave the anger of the American housewife and offer the butter for sale to foreign buyers at world market prices; the domestic retail price of butter now varies between 63 and 69 cents a pound compared with a probable export price of 47 cents. Great prominence has

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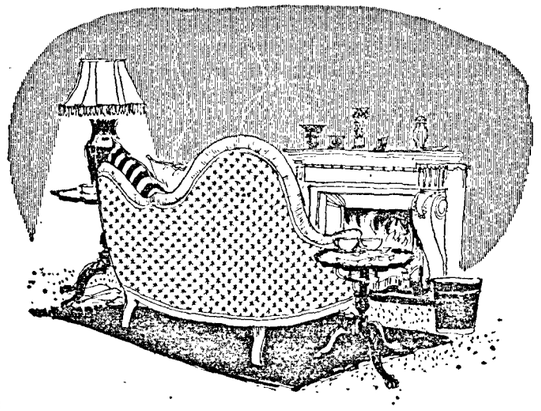

Two's Company . . . with PLAYER'S No. 3

The Quality Cigarette

[3P 121]

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The best wines are kept seven years at least before they are shipped. The South African Wine Farmers are determined—in spite of the demands from all over the world—to hold back and let the good stuff mature properly. You see their climate and soil are simply ideal for wine-growing, but it is necessary not only to produce lovely wine but, if you establish a name and reputation, to provide for keeping up the quality over the years.

These South African people certainly keep on improving their wines—especially their sherry. It's a credit to them.

That's what comes of selecting and maturing and waiting and keeping on doing that, and the longer it goes on the better the quality becomes.

I must say this is one of the finest Sherries I've ever tasted.

Well, keep on drinking the best South African Sherries and you will find the quality will astonish you."

SOUTH AFRICAN WINE FARMERS ASSOCIATION
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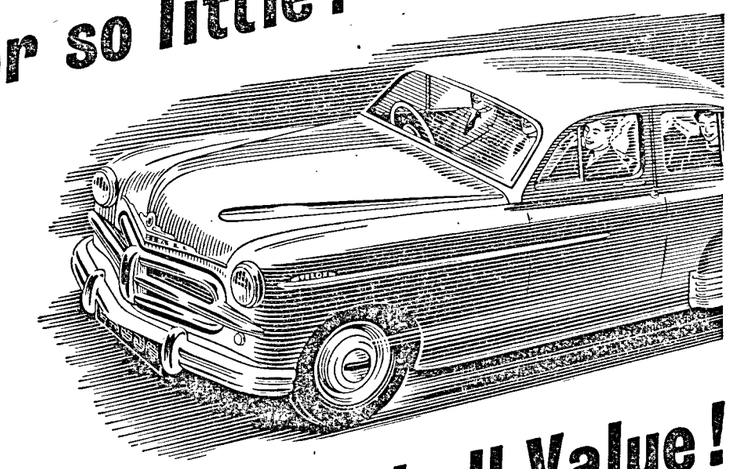

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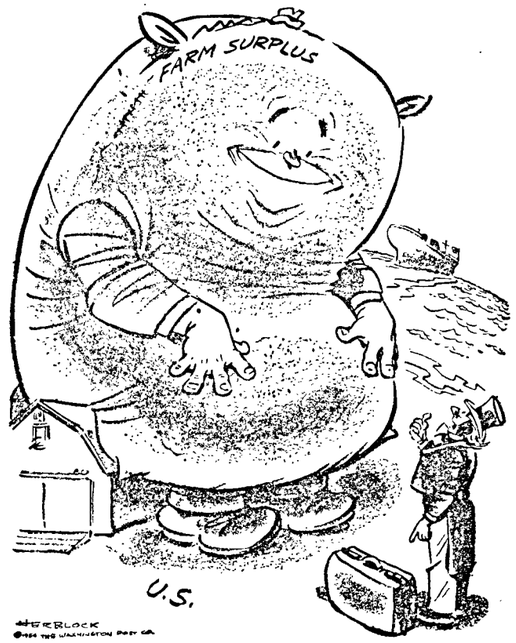
IT'S A REVELATION

been given to the proposed sale of 40 million pounds of butter to the United Kingdom, although from the British end the deal appears to be still at a very nebulous stage. The Soviet Union has already shown interest in buying American butter, but these offers have been turned down; the official attitude to purchasers from other countries behind the "Iron Curtain" is less definite. The Agriculture Department is concerned that an aggressive selling policy on its part may be interpreted elsewhere as "dumping," and is anxious, for diplomatic reasons, to dispose of this surplus—which is equivalent to more than one-third of total world butter exports in one year—in a way that will not significantly upset the pattern of trade.

How Would You Like to Be a Good-will Ambassador?



This move, which marks the beginning of a more extensive policy of unleashing US surpluses on world markets, follows the failure so far to devise any system within the framework of the present farm price support laws either of disposing of the government-owned surplus of butter on the domestic market or of preventing it from growing in size day by day. Government economists have been working overtime to evolve a scheme for selling the butter to the public at cut rates which would offend neither the farmer, the trader, the taxpayer, nor Congress. Two possible schemes emerged but Mr Benson, the Secretary of Agriculture, has now rejected both of them on the grounds that they would upset the market structure and would be very costly to implement. Meanwhile, the reduction in the government support price for butter on April 1st, which brought down the retail price by 10 to 15 cents a pound, has scarcely touched the housewife's loyalty to its cheaper competitor—margarine. And Mr Benson's warning that butter stocks may double in the next twelve months suggests that he expects little help from the domestic consumer.

The immediate problem is to end the current rate of accumulation of stocks. Unperturbed by the lag in domestic consumption, farmers so far have gone on expanding milk production in spite of the cut in the support price. Mr Benson is now considering a system of subsidy payments to milk, butter and cheese producers, which would allow the retail price of butter to drop to a point at which the public would take up the whole of the output, while at the same time maintaining prices to the farmer. Members of Congress from the dairy states, who fought the lowering of the support price in April and whose farmer constituents feel that they have been unfairly treated, will certainly need some placating if they are to be restrained from further attempts to push the support price up again.

Communists and the Unions

Washington, D.C.

THE request of Mr Brownell, the Attorney General, for special legislation to deal with Communist-dominated trade unions may provide for the National Labour Relations Board an avenue of escape from a situation of some embarrassment. The board is a quasi-judicial body which hears allegations of "unfair labour practices" brought against each other by unions and employers, and conducts elections among workers to decide which trade union, if any, should represent them. In order that the protection of the board should not be available to Communist-led unions, the Taft-Hartley law established that a "non-Communist affidavit" would be required on the part of all officers before a union could be recognised as a "certified bargaining representative." Unfortunately, while two unions that were certainly not Communist—one of them being that of Mr John L. Lewis's mineworkers—refused on principle to let their leaders take the oath, the eleven unions that were expelled from the Congress of Industrial Organisations as being Communist-led all complied with the letter of the law. The Communist leaders either nominally stepped down from their offices in the union, or nominally resigned from the Communist party.

The attempt of the board to secure for itself the right to examine the authenticity of these affidavits has been denied by the Courts, but under the legislation proposed by Mr Brownell a union could be forced to testify before the Subversive Activities Control Board in order to determine whether or not it was Communist-led. Any union found guilty would be debarred from the services of the National Labour Relations Board, and no employer would be required to bargain with it. Meanwhile, the board has been helped by the conviction of Mr Ben Gold, the president of the Fur and Leather Workers' Union, for falsely swearing by affidavit that he was not a Communist, and has challenged his union to "show cause" why it should remain certified. In addition, the board has been upheld in the courts in its decision to make its own investigation of the affidavit filed by Mr Maurice Travis, the Mine, Mill and Smelter Workers' secretary-treasurer, on the exceptional grounds that he had issued a statement on resigning from the Communist party proclaiming his intention of going on working for the party's purposes.

Apart from these two unions with which the Board is at present involved, only two other strong Communist-dominated unions have survived out of the original eleven.

One of these is Mr Harry Bridges' International Longshoremen's and Warehousemen's Union, very powerful on the west coast and in Hawaii. The second, the United Electrical Workers' Union, is faced with the possibility of a defection of its largest local branch, at the General Electric plant in Schenectady, to the appropriate CIO union. The board is at present debarred by court decisions from helping the CIO in its attempts to attract back into the non-Communist fold the members of expelled unions. Elections at the Anaconda Copper Company's plant at Butte, Montana, resulted in a resounding defeat for the CIO when workers voted in favour of the left-wing Mine, Mill and Smelter Workers' Union. In the case of the General Electric plant, however, elections, if arranged, are expected to result in a victory for the anti-Communists.

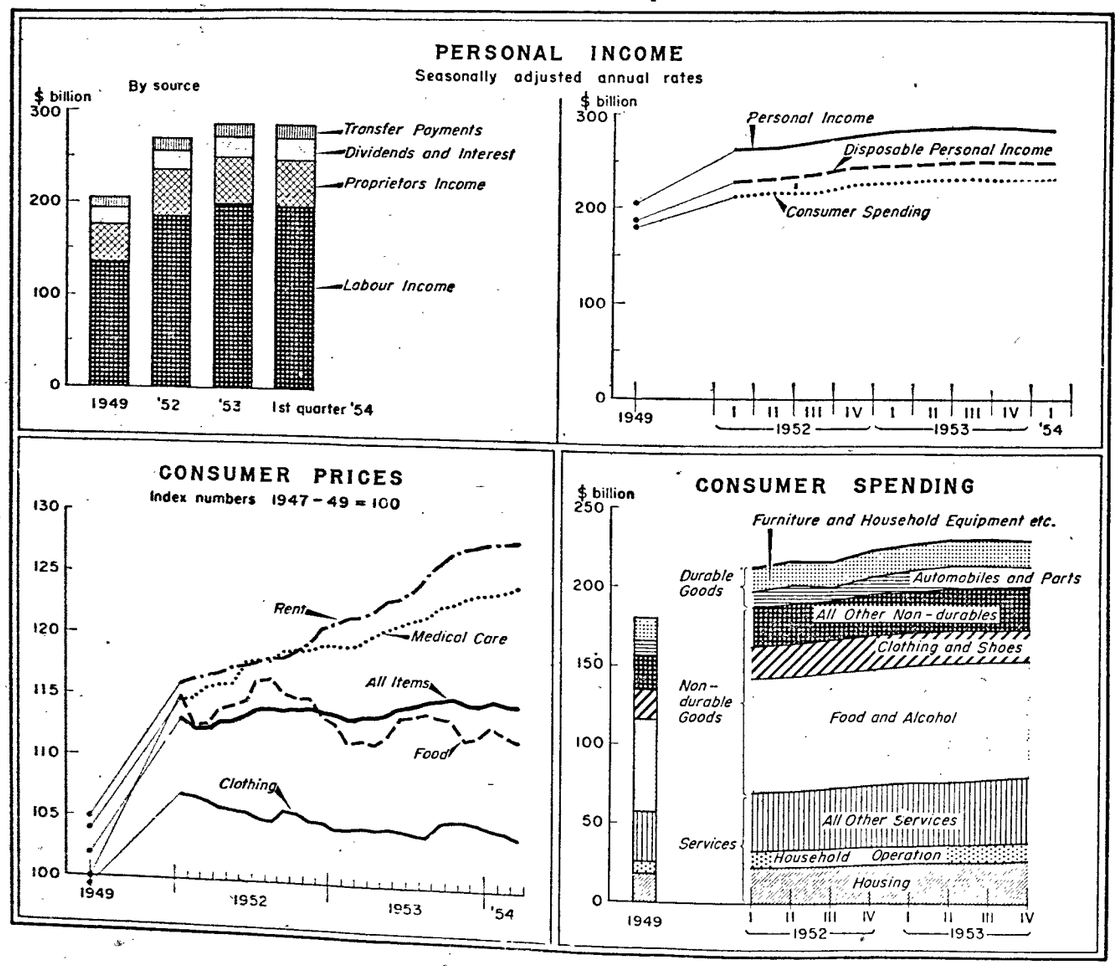
SHORTER NOTES

After serving for over thirteen years as congressional "watchdog of the Treasury," Mr Lindsay Warren, the US Comptroller-General, has voluntarily relinquished the last two years of his term of office. Since Mr Warren has been responsible for scrutinising the expenditure of public funds, the government has recovered almost one billion dollars spent illegally or erroneously. The Comptroller-General, the head of the General Accounting Office, is appointed by the President, but is responsible to, and can only be removed by, Congress.

★

Major crimes committed in the United States, according to the latest report from the Federal Bureau of Investigation, are increasing at a faster rate—the ratio is 4 to 1—than the growth of population. Last year's total of over two million crimes was the highest on record, representing a 6 per cent increase over the 1952 figure and a 20 per cent rise since 1950. Of the major crimes listed by the report, murder was the only one to decrease in 1953, while others—robberies, burglaries, larceny, assault and rape—led the individual increases. Although the rise in rural crimes was greater than that in towns, New York City recorded the largest number of crimes, with larceny its chief offence, and other cities as well reported a high rate of crimes—as much as 25 per cent—committed by juvenile offenders.

What Americans Spend



harvests and health

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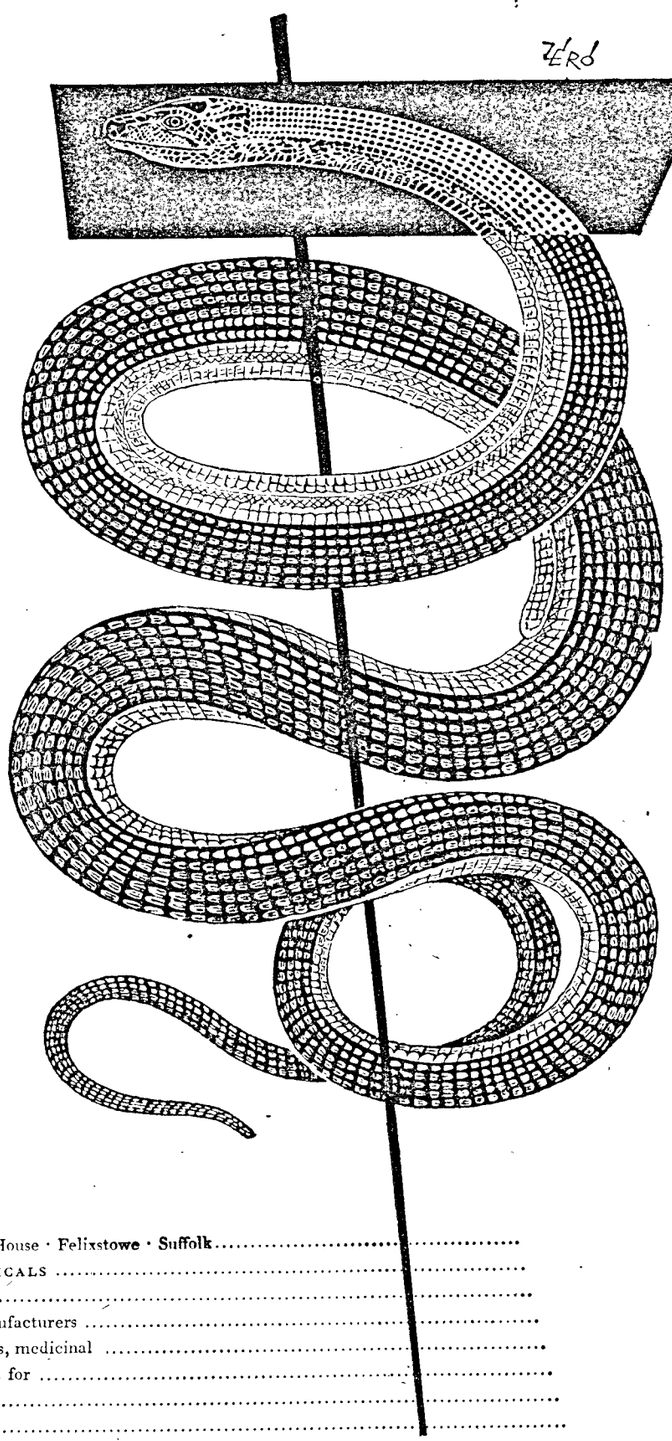

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Nasser Woos the People

FROM OUR CORRESPONDENT IN CAIRO

LIEUT.-COLONEL GAMAL ABDEL NASSER, Prime Minister of Egypt and its undisputed leader, is preaching the simple but profound truth that the living standards of the workers and peasants of Egypt cannot be raised without the development of the country's capital resources. He has with one hand destroyed the democratic institutions of the country and with the other clenched a fist in the face of Communism. His revolutionary tribunal, having just seized by its own rough justice the newspapers and presses of Mahmoud Aboul Fath, Egypt's richest newspaper proprietor, is now turning its attention to Abdul Kher Neguib, the fellow-travelling editor of *Gomhour el-Misri*. He sees his enemies to the right and the left, and his potential friends in the mass of common people.

It is tempting to detect in this policy a repetition of fascist doctrines in which a subdued and supine people were told, not asked, what was good for them. As he calls for co-operation to raise the nation from the depths of its shame and servility, Nasser comes close again to the justification other dictators have given for the use and abuse of power. What is so far lacking to make the comparison real is the deification of The State and the temperament of Fascism. Colonel Nasser is not, at heart, a dictator; he exerts power where he must or, at least, where he believes he must. The weakness of his regime and the lack of confidence in its stability derive from its refusal to plan and apply the military power by which he and his group rule the country. Inevitably his empiricism has inflicted injustices upon some people. It is difficult for the outsider to see what some in prison have done worse than some at large. By what measure of justice, for example, is Ibrahim Abdel Hadi, who risked his own life to rescue the country from the tyranny of terrorist gangs, still condemned to prison, while sycophants who battened on the nation's corruption enjoy their freedom? Yet, on the whole, repression in Egypt has been modest in scale, because the will to rule by force has been acquired with reluctance.

The March crisis revealed additional enemies whose subjugation gives the regime a more dictatorial air; but this reaction to opposition was not sensibly different from the regime's past behaviour. It secured from President Neguib the subservience to the Council of Revolution which he had refused in February. It convinced Nasser that he must strike against the thinly veiled enmity of sections of the press. It led him to purge those sections of the cavalry which had been the most unwilling adherents throughout the eight years of the Free Officers' movement. The real change, however, was not the elimination of further enemies but the positive attempt to secure friends.

The March crisis brought Colonel Nasser to two conclusions which he had been approaching gradually. In the first place, he decided that those who enjoyed the political privilege of the old regime could not in the foreseeable future be persuaded to support him. Secondly, he saw that the developing chaos of March was exploited by subversive groups which he identified with the Communists. It may well be that he also clarified his views about the Moslem Brotherhood which he concluded he could leave aside since it was a movement opposed to the luxury of the rich and the ideology of Communism, although his decision to release the Brotherhood leaders may have been purely tactical. He turned to the workers' syndicates, the peasants and the rank and file of the government service whose allegiance, being uncommitted to any great extent, he believed he could win. Colonel Nasser had been worried for some months about the widening gap between the Council of Revolution and the people; he decided to fill it with the inert mass which in the past had been voiceless. This was not the evolution of an ideology. He merely turned to those who could be his friends and with whom his sympathies really lie.

Some Break with Austerity

There is no doubt that The People is a more real concept to him than that abstract organism called The State; but it is equally a more difficult one to serve. It has led him and his colleagues to a partial break with the austerity policy by which Abdel Gelil el-Emary, the former finance minister, saved the budget and the foreign exchange position. He intends to relax some of the restrictions, to permit a controlled inflationary tendency, to restir the sluggish blood of Egyptian commerce.

It is impossible to judge this policy without knowing how far it is intended to go. It is announced that £E114.5 million is to be pumped into public works through the Ministry of Municipal and Rural Affairs, which has been put in the charge of Wing Commander Abdel Latif Baghdadi, one of the most successful of the officer-ministers, so that he can direct immediate spending into works which will make visible improvements in the environment of the town and village people. Travel allowances have been increased in a manner which will help a large number of middle-class travellers; and in saying that the

increases will only raise the foreign exchange cost from £E4.5 million to £E6 million, the finance minister implies that restrictions through foreign exchange control on the traveller who needs more substantial allowances will be greater. The cuts in the bonuses of government servants are being restored.

These changes are necessarily modest, for the Egyptian economy hardly permits more. To the mass of the people Colonel Nasser has had to give warning that improvements in their lot cannot be quickly accomplished ; that he is not the apostle of "red revolution." Most of his lessons in elementary economics have been given at the places where he has been distributing land under the Agrarian Reform Law of 1952. Only 17,227 acres had been distributed up to the end of 1952 but he intends to distribute another 100,000 before the end of this year. The total scheme, however, affects only 600,000 acres of Egypt's 6 million acres of arable land.

The trouble with every plan for the benefit of the workers and peasants of Egypt is that there are too many of them for the national economy at its present level. It is difficult to better their lot with or without red revolution. The danger is that, faced with the difficulty of positive improvement in the economic position of the common people, the regime will express its sympathy in legislation which will have the effect of further discouraging foreign firms. It has been stated in the press, for example, that the existing labour laws will be amended to make it impossible to discharge workers until dismissal has been approved by the courts. In view of the fact that Labour Courts can spend a year over a case, this is hardly encouraging. The Labour Laws are one of the most discouraging elements in the commercial situation of the country.

At this moment when the power of his regime seems to be confirmed, Colonel Nasser was right to make friends and influence the people. He was equally right to warn, as he has done, that miracles are impossible. He cannot counterfeit prosperity in Egypt any more than in 1952 he could cut prices at the point of the sword.

Next Step in Malaya

THE observation that the fate of Malaya depends on events in Indo-China has become so common that it is almost ignored as trite. Equally, the feeling in which many British people indulge, that Malaya is prevented by its racial divisions from being as nationalistic as other parts of Asia, has become so comfortable and traditional that it is taken for granted. What is happening in South-east Asia, however, is soon likely to provide some sharp jolts to political and military complacency. On the one hand, Communist successes in Indo-China are already beginning to bring some doubters off the fence in sympathy with Malaya's own Communists. And, on the other, a storm is undoubtedly blowing up over the establishment of the proposed new Malayan Legislative Council and the holding of elections, presumably early next year ; how much of a storm this will be will depend on the way the current negotiations with Malaya's anti-Communist leaders are handled.

These two problems, the advance of Communism and the advance towards self-government, are not always as closely linked as might be supposed ; the drive against the Communist guerrillas in the jungle has been successful enough to provide a breathing space in which constitutional development has a chance of taking place peacefully. Admittedly, in interviews with American journalists the High Commissioner, General Sir Gerald Templer, has shown that he is fully alive to the reality of the military danger ; if Communist successes in Indo-China go on growing, he is quoted as saying, the number of troops required to control the situation in Malaya might also grow very rapidly. America's new interest in South-east Asia, on the other hand, should make it possible to draw a line somewhere, and, if it does, then the main emphasis of the political problem in Malaya is likely to remain on the gradual and constitutional transfer of power rather than on violence. The fact, however, that a breathing space for gradualism has been obtained, should not blind anyone to the way in which the move towards self-government is beginning to gather momentum ; for, in the end—though no one can yet say when—a freedom of choice about their own future will become as inevitable for the people of Malaya as it did for those of India and Burma.

General Templer's Compromise

It is against this background that the latest proposals for a new Legislative Council must be judged. In a lengthy dispatch to the Colonial Secretary last month, General Templer proposed that this new Council should after all have an elected majority: and Mr Lyttelton has endorsed his proposal. The effect will be to reverse the main report of the recent Electoral Committee, which favoured retaining a slight majority of nominated members on the Legislative Council for the first four years of its life. General Templer does not, however, go as far as the minority report's suggestion of a three-fifths elected majority ; his suggestion is to have 52 elected and 46 nominated members.

Most of the Malay Rulers were in favour of the committee's suggestions that there should not be an elected majority, since they were afraid of what might happen if one party got complete power. And although they were probably thinking mainly of their own positions, there was sense in what they said ; now, however, they appear to have been talked round by the High Commissioner and his advisers. On the other hand, General Templer's latest compromise by no means satisfies the moderate though progressive nationalists of the Malay-Chinese, UMNO-MCA Alliance. They claim that, although they were represented on the Electoral Committee, they had only seven members out of 46, and they were therefore voted down ; this was done—they assert—in spite of the fact that they alone were in a position to speak for the mass of the Malays and Chinese in Malaya. Against this claim, it should be stated in fairness to the government, is the fact that the Alliance never protested when the composition of the Committee was announced ; nor is it fully agreed that the Alliance has the real backing of a majority of either Chinese or Malays.

On the government side, one cannot help wondering why General Templer has taken the line he has in going against the report at this stage. It might have been better to let sleeping dogs lie. Much of the pressure for a more rapid advance to self-government comes from certain sections of the Chinese, who have on occasion criticised the High Commissioner as a natural autocrat and a military reactionary. In reality, he was always understood to be in favour of the electoral committee going rather further than it did. And considering how unwise it may be to force the pace when the balance of difficulties is poised so delicately this latest move can hardly be condemned on the ground of unwillingness to turn idealism into practice.

That being said, the High Commissioner's action in reversing the principle of a nominated majority on the Legislative Council can nevertheless lay some claim to being a shrewd political gesture. If it is condemned by the Alliance as not going far enough, something at least was gained by its being made at all. For the British are in a more difficult position than their opponents are sometimes willing to admit. The High Commissioner is bound, under the Federation Agreement, to consult the Rulers before making recommendations to the Colonial Secretary. Moreover, he is bound to abide by the constitutional principles that govern his relations with them, when considering the wisdom of any political advance which will in effect weaken their authority, even though such a process is eventually inevitable.

The Forces Emerging

The two political forces which are now beginning to be ranged against one another in Malaya are, in fact, those, like the Administration and the Malay Rulers, who favour only a slow advance from the *status quo* and those who want to press forward more quickly towards a more democratic form of government. The UMNO-MCA Alliance, representing the latter, is at present in a reasonable but determined mood. It is reasonable in that it does not seek to act outside the constitution ; it does not demand more power for the Legislative Council—it accepts the High Commissioner's reserve powers for at least a four year period as well as his absolute control of defence, foreign relations, finance and economics ; and it does not aim at ousting British capital or severing any links with the Commonwealth. But the Alliance is quite determined that, in return for the moderation of its leadership, it shall not be asked to accept so small an elected majority on the Legislative Council that it would stand what it regards as virtually no chance of real power ; if the Colonial Secretary insists on nothing more than General Templer's compromise, then the Alliance would boycott any attempt to hold the elections, however long that might mean deferring them.

So far the UMNO-MCA Alliance is the main political group on the scene and as such it has a strong case. The new right-wing Party Negara has not yet had time to find its feet, and the remaining communal parties are all small. The Alliance prides itself, in addition, on being a genuine fusion of Malay and Chinese, the very thing that the British profess to want most. Its claim to be heard is therefore something which should not be lightly brushed aside on technical grounds—such as, for instance, that it had its chance on the electoral committee and should not now try to go over the heads of the Rulers. This is true enough and no responsible government can afford to surrender too much power until Malaya's budding politicians have had more time and experience in which to prove themselves. But if the Alliance can substantiate its claim to the leadership of the still nascent national movement, then it will have a vital role to play in the country's political future, and no good purpose will be served by letting the Communists or other extremists take the wind out of its sails. In Malaya, as elsewhere, it is a question of balancing caution with liberalism. For the first time, however, there is just beginning to be some risk of falling into the old trap of failing to recognise the strength of a genuine national movement soon enough.

A Great Italian Liberal

FROM OUR ROME CORRESPONDENT

THIS week Luigi Einaudi began his seventh year as the first President of Italy, which is the last of his present term of office. Outside the country he is perhaps better known as an eminent economist than as President of the Republic. This is due in part to his own determination to shun the limelight and partly it is a tribute to his success in smoothing the path of the new Italy's economic and political system. Presidents, like doctors, leap into the public eye only in a crisis. And it was not till the Italian parliament ran into difficulties after the elections of last June that the nation became aware of the tremendous prestige and authority which Signor Einaudi had steadily built up for the institution of president, during his five years in office. Bypassing the Christian Democrat Party machine, he nominated his disciple and fellow-Piedmontese, Signor Pella, as caretaker Prime Minister and thus steered the Italian parliament out of dangerous impasse. Another similar crisis may well put the President's statesmanship to an even severer test. No one who knows his unique combination of qualities doubts that he will be equal to the demands made upon him.

President Einaudi's achievements are the more remarkable in view of the very limited powers conferred on him by the postwar constitution. Apart from the customary formal and honorific functions, he is authorised to nominate the Prime Minister, dissolve one or both Chambers, indict new elections, authorise the presentation to parliament of draft bills, return such drafts to the government if he is unwilling to endorse them, promulgate the laws when passed by parliament and make certain appointments on his own initiative but with the concurrence of the relevant minister. But Signor Einaudi had to struggle to secure the full exercise of even these few rights.

Deputies Have to Think Again

To start with, the President was identified with the monarch whom he had replaced. The King had been a mere rubber stamp and it was subconsciously assumed that his substitute would be equally pliant. After considerable public debate and a private tussle, the President's right to appoint, for example, five judges to the Constitutional Court on his own initiative, but with the government's endorsement, was accepted. In the same way, it is now common ground that the government of a prime minister nominated by the President is fully entitled to govern, even before it has received a vote of confidence. If a weaker or less lucid figure had occupied the Quirinal, the outcome of the disagreement might well have been different.

Had he been so inclined, President Einaudi could easily have created for himself powers far in excess of those laid down by the constitution. As it is, he has been content to make sure of the full enjoyment of his authority within the limits roughed out in the relevant provisions of the constitution. And the house that he has built on the slim foundations that these provide is an impressive edifice. To the surprise and, at times, annoyance of Parliament, he has made use on four occasions of the power to return a draft Bill to Parliament with a message requesting deputies to think again. Technically, he exercises this function as the guardian of the constitution. In fact, his messages are used to expound his own liberal convictions. One such *exposé* drew attention to a violation of the article of the

constitution (inserted at his insistence) that fresh expenditure must be met from a new or increased source of revenue. Another message, issued last November, laid bare the dangers inherent in the levying by certain sections of the civil service of charges on the public for the execution of services to them. He pointed out that this practice is not subject to proper parliamentary control, that it makes the citizen appear to exist for the benefit of the state and not *vice versa* and that it sets up a private monopoly or privilege.

Voice in the Wilderness

It would hardly be possible to deliver a more telling blow at three of the major abuses which vitiate Italian economic life—the private cut, the authoritarian official, the tendency to regard every business or official position as a potential monopoly. But, alas, Signor Einaudi's voice has too often sounded in the wilderness. Nevertheless, his influence in detail on public affairs has been far from negligible. Every draft Bill submitted to him is carefully studied and minuted and in this task, as in others, he has at his disposal the services of a small but hand-picked staff of outstanding ability.

Much more apparent and incontestable has been the decisive influence exercised on finance and economy, through his disciples and former subordinates such as Signor Menichella, Governor of the Bank of Italy, and Signor Pella, first as Minister of Finance and subsequently as Prime Minister. These men and others like them have done little more than continue the "Einaudi line" formed when he himself became Governor of the Bank of Italy at the end of 1944 and, in 1947, Minister of the Budget. By restricting credit, dismantling a large part of foreign exchange control, liberalising imports, trying to balance the budget and encouraging saving, he laid the foundations for Italy's remarkable economic recovery. It may be contended that, in a country with the millstone of the undeveloped South hanging round its neck, stability and freedom are not enough. But they are certainly three-quarters of the problem.

When President Einaudi retires to his model farm in Piedmont in a year's time, his departure will mark the end of the last link with the great days of liberal pre-fascist Italy. And the forces of integrity, simplicity and love of liberty, already gravely weakened in this country, will suffer a further and, it may be, irreplaceable loss.

Middle-Class Minister

FROM A CORRESPONDENT IN BELGIUM

FOR the first time in the history of this country—perhaps in all parliamentary history—the new Belgian government which appeared before parliament last week included a Minister of the Middle Classes. It is his task to defend the special interests of self-employed persons, artisans and medium-sized commercial and industrial enterprises, which account for about 650,000 working persons and 14 per cent of the national income. By adding the liberal professions and others, this number would be increased to 850,000 persons who, with their families, represent a quarter of the population. There was already a "Minister for Economic Affairs and the Middle Classes"; but the classes in question still considered themselves neglected by the authorities.

Their desire seems to have been stimulated by the belief that the Ministers of Agriculture and of Labour represented special classes of society, whereas the Minister of Economic Affairs was concerned more with large-scale industry or the mass of consumers than with small businesses and self-employed persons. This insistence on distributing ministries according to classes is obviously a threat to the planning of policies to serve the general interest; and only the pressure of electoral interests has necessitated the creation of this new ministry. In the last elections the victory of the Socialists, in alliance with the Liberals, was largely due to a swing of the floating middle-class vote in their favour.

This can be explained by the development of the Socialist Party, which since 1945 has stopped calling itself the "Belgian workers' party" and has worked hard to gain adherents in the middle classes. In the recent election campaign its attitude on any economic and social questions that might disturb these classes was conspicuously moderate. Nothing was said about class war or about planning; but much was said about grants in aid for education, about the period of military service, and about social security. These are all questions which interest middle-class people in Belgium.

The Liberals, who have seen their supporters dwindling in recent years, seized the opportunity offered by their alliance with the Socialists to draw the attention of the middle classes to their own efforts for them. It was at their insistence that the new ministry was created and given to a Liberal, a chocolate and biscuit manufacturer and mayor of Koekelberg, a suburb of Brussels.

Discontented Taxpayers

On the other hand, the Christian Social Party this time found the middle-class vote deserting it. The rifts within the party, notably in Antwerp and Brussels, were caused by middle-class elements. They were due to the Christian Social government's increasing trend towards the centre and the left, and also to the loss of popularity which affects every government in power. The middle classes resent state intervention more than anyone else, and have always provided a floating mass of discontented taxpayers. The same trend was seen in other countries after the appearance of authoritarian parties, and it showed itself in Belgium in 1936, when the Rexists won 21 seats in parliament.

A special cause of discontent among the middle classes has been the stricter, and retrospective, fiscal system introduced in 1953 by the Christian Social Minister of Finance. A law introducing compulsory pension schemes for independent workers was also badly received because it limited the freedom of those affected. The deductions needed to make the scheme financially sound are considerable and penalise those who are better off.

Yet the record of measures adopted in recent years to help the middle classes is impressive. In 1951 the tax rates for wage earners were conceded to these special classes, in spite of the risks of fraud; they had to be paid as earned, but they represented a reduction of 20 per cent. To protect the small shopkeeper against the big stores that have grown so rapidly in recent years, a law passed in 1937 restricted the growth of these giants and was renewed in 1953. And the general application—not yet achieved—of a single turnover tax is meant to restore fair competition between the big integrated concerns and the small shopkeeper, who has hitherto been threatened with a double or even triple imposition of turnover taxes.

Other measures have been taken to ensure the representation of the middle classes in the consultative councils of the government, and to develop professional training, for lack of which many small businesses have failed. There is now a scheme to regulate entry into the professions more strictly, and an "Institute of Economic and Social Studies for the Middle Classes" is already doing excellent work. Credit has been made easier by state guarantees; legal protection has been given to business tenants; electricity charges have been reduced; and the family allowances given to independent workers since 1937 have been improved. The questions of Sunday work and the closing hours of retail shops are also being studied.

Efforts to improve methods of distribution have run into serious difficulties. It is reckoned that Belgium has one retail shop for every 29 people, against one for every 63 in France, 89 in Britain, and 102 in the United States. There are said to be twice as many butchers in Belgium as there are in Holland, and four times as many grocers, for a smaller population. There is plenty of rationalisation still to be done here.

However, a Liberal minister, representing the middle classes, will have to rely on very liberal and flexible methods to solve these problems. The new government's declaration of policy insists on the need for independent workers to co-operate in restoring health to their sector of the economy. The programme includes simplification of taxes (but no reduction), a reform of the recently introduced pension schemes, protection of commercial property, security of employment, easier access to professional training and to credit —all for the middle classes. But in most respects the creation of this new ministry is above all intended to give psychological satisfaction to the middle-class Belgian, who traditionally distrusts state interference in economic life, whether it concerns taxation, price control, other controls, or public enterprises.

Thyssens Forge Ahead

THE Thyssen steelworks at Hamborn in the Ruhr have made a spectacularly rapid recovery and will soon be comparable to the great Margam plant in Britain. Thyssens, before the war the largest steelworks in Europe, were for a long time the centre of sharp controversy between the Germans and the Allies. The works, which have been separated from the *Vereinigte Stahlwerke* vertical trust by Allied law, were left after the dismantlement with a large iron production and a steel capacity that was supposed to be limited to 117,000 tons a year. The Germans carried on an unremitting campaign for the right to build a continuous strip mill at the works, and to have a large enough steel output to feed it. Where the capital was to come from was never revealed but those knowing the methods by which German recovery has been financed were in no doubt that the funds would be forthcoming.

Thyssens have now issued a report which make the old days of dismantlement and restrictions seem extremely remote and futile. About half of an investment programme of DM400 million (£33 million) has been completed, and funds are assured—mostly by means of long-term credits—for almost all of the rest of the expansion and modernisation project. The programme will bring Thyssens crude steel capacity up to 1.4 million tons, and present capacity is already 1 million tons a year. This is only the first stage, and the report states that a further increase in crude steel capacity to 2.4 million tons is possible without much greater investment. The work hitherto has been done extraordinarily cheaply, by British standards, presumably because the foundations still remained after destruction by bombing and dismantlement.

The present stage includes the erection of a complete continuous strip mill. The broad hot mill will be in operation at the end of this year, and the cold mill will be finished in 1955. A capacity of 1.1 million tons of rolled steel has been planned to match the initial capacity of 1.4 million tons of crude steel. All the new plant, of course, incorporates the latest improvements. And the company's board declares that the prospects of profits are not unfavourable, once the present stage of the investment programme is completed. Now that the *Vereinigte Stahlwerke* is split up, Thyssens are selling two-thirds of their rolled products to other works, mostly under long-term contract.

Journal of Geneva—III

MAY 6th. A Chinese spokesman said that China would demand that the "resistance governments" in Laos and Cambodia be represented at the Indo-China talks. A French spokesman said that this was unacceptable.

May 7th. The news of the fall of Dien Bien Phu overshadowed the conference, at which no plenary session was held.

May 8th. The Indo-China talks opened; it had been agreed that Mr Eden and Mr Molotov would take the chair alternately. Britain, France, the United States, the Soviet Union, China, Vietnam, Laos, Cambodia and the Viet Minh were represented.

M. Bidault accused the Communists of open aggression, and said that this was not a war for Indo-Chinese independence, which France had already granted. He presented a set of peace proposals based on these points:

French Terms

1. Withdrawal of the two armies into zones to be fixed by the conference. (M. Bidault drew attention to M. Laniel's suggestion, made on March 5th, that a demilitarised zone should be set up between the Viet Minh forces and the Red River delta.)
2. Disarming and disbanding of irregular forces.
3. Withdrawal of all Viet Minh forces from Laos and Cambodia.
4. Immediate release of prisoners of war and interned civilians.
5. Immediate ending of hostilities.
6. International supervision of the above arrangements.
7. All states represented at the conference to guarantee the agreement, and to have the right to act jointly or individually in the event of any violation of the terms.

The Viet Minh delegate, Pham Van Dong, then proposed that the conference should invite representatives of the Laotian and Cambodian "resistance governments." Mr

Bedell Smith, for the United States, opposed this, and added that if the conference could not agree to reject the proposal it should leave it to the four sponsoring powers. Chou En-lai and Mr Molotov backed Mr Dong's proposal, and argued that in any case judgment on it was a matter not for four powers but for five (including China). The delegates of Cambodia and Laos derided the claims of the "resistance governments" to represent anybody, as did M. Bidault, and Mr Eden also rejected Mr Dong's proposal.

May 9th (Sunday). No activity.

May 10th. Mr Molotov presided over the Indo-China talks. Mr Dong spoke first. After saying that the Viet Minh would now permit evacuation of seriously wounded French prisoners from Dien Bien Phu (an offer which M. Bidault at once accepted) Mr Dong gave a long account of events in Indo-China since prewar days. He asserted that the United States had intervened as early as 1946, always with the aim of ousting France and making Indo-China an American colony. He rejected M. Bidault's peace proposals, and put forward the Viet Minh terms as follows:

Viet Minh Terms

1. French recognition of the independence of Vietnam, "Pathet Lao" (Laos) and "Khmer" (Cambodia).
2. Withdrawal of foreign troops from all three states within an agreed time limit. Pending withdrawal, French troops to be assembled at agreed points and to abstain from intervention in local administrations there.
3. Elections in all three states, organised by commissions formed by "the governments of both sides in each state." For the time being these governments would administer their respective areas as defined by agreement.
4. "Vietnam, Pathet Lao and Khmer" would examine the question of entry into the French Union.
5. They would recognise French economic and cultural interests.
6. No prosecution of "collaborators" on either side.
7. An exchange of prisoners.
8. A cease-fire to precede these arrangements; no further entry of troops or arms into Indo-China; supervision of the agreement by joint commissions formed by the belligerents.

The Cambodian and Laotian delegates both refuted Mr Dong's claims as regards "resistance governments" in their territories, declared that it was not a case of civil war but of foreign invasion, and put forward proposals for a settlement broadly corresponding to those of M. Bidault.

Mr Eden rebutted Mr Dong's accusations against the United States, and supported M. Bidault's proposals. A simple cease-fire would be impracticable; what was wanted was a specific armistice with provisions for control and guarantees for enforcement. Mr Bedell Smith said that the United States would go on helping the three Associated States to assure their independence. He could not express a judgment on the French proposal for guarantees until it was clearer what the obligations of the guarantors would be, but he welcomed M. Bidault's proposals as a basis for discussion.

May 11th. The plenary session was devoted to Korea, but Mr Molotov, in a speech supporting Nam Il's proposals, ranged over China's claims to great-power privileges and concluded with an attack on military plans aimed against "the peoples of South-east Asia." The only security for Asia was a collective security of Asian states. Mr Molotov also demanded the dropping of EDC.

M. Spaak, for Belgium, said that the Communists were wasting time with their dividing tactics. Duly supervised elections were the only solution for Korea. He recalled witnessing the "death of collective security" in Geneva before the second world war, and said that in Korea "we have nothing to defend except principles, but they are vital principles on which depend the fate of peace and the world itself."

Mr Pyun, the South Korean foreign minister, appealed to the Communists to let down the barriers in Korea. "Let them vote in the North as they are doing in the South."

May 12th.—Mr Dinh, foreign minister of Vietnam, strongly opposed any idea of partitioning his country, even provisionally. He disclosed the terms of the two treaties envisaged in the Franco-Vietnamese declaration of April 28th; the first recognising Vietnam's absolute sovereignty, the second providing for free co-operation between the two countries. Thus, said Mr Dinh, Vietnamese independence would be achieved within a few days. The Vietnamese proposals for a settlement were as follows:

Vietnamese Terms

1. Recognition of Bao Dai's government as sole representative of Vietnam.
2. Only one Vietnamese army to remain; but Viet Minh troops could be fitted into it by action under international control.
3. Free elections, supervised by Uno, throughout Vietnam, as soon as the Security Council judges order and freedom to exist.
4. A representative government then to be set up, under the aegis of Bao Dai as chief of state.
5. No reprisals against collaborators with the Viet Minh.
6. International guarantee of Vietnam's integrity.
7. Economic aid from friendly nations.

Mr Dinh said the Vietnamese would consider any plan that provided sound guarantees of peace.

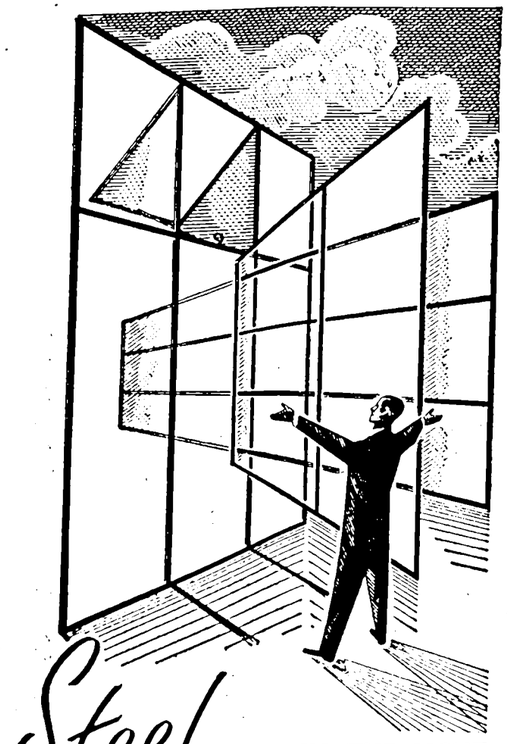
Chou En-lai, in a speech which in other respects closely resembled those of Mr Molotov and Mr Dong, said that Chinese intervention in Indo-China was mere fiction and slander.

Mr Eden, in an attempt to narrow down the practical problem of restoring peace in Indo-China, asked five questions:

1. Was it agreed that all troops be concentrated in limited areas?
2. Was it agreed that Laos and Cambodia be treated differently from Vietnam, and that Viet Minh troops be withdrawn from them?
3. Who should define the armies' concentration areas—the commanders in the field, subject to reference to the conference?
4. Was it agreed that irregulars be disarmed when the regular forces had been concentrated?
5. Was it agreed that there should be international supervision, and what form should it take?

Mr Eden said that both Britain and the Colombo group of Asian powers favoured the use of UN machinery to implement a settlement; an agreed panel of UN members could be set up to assist.

Mr Bedell Smith and M. Bidault welcomed Mr Eden's questions and hoped for early answers to them.



Steel LETS IN THE LIGHT

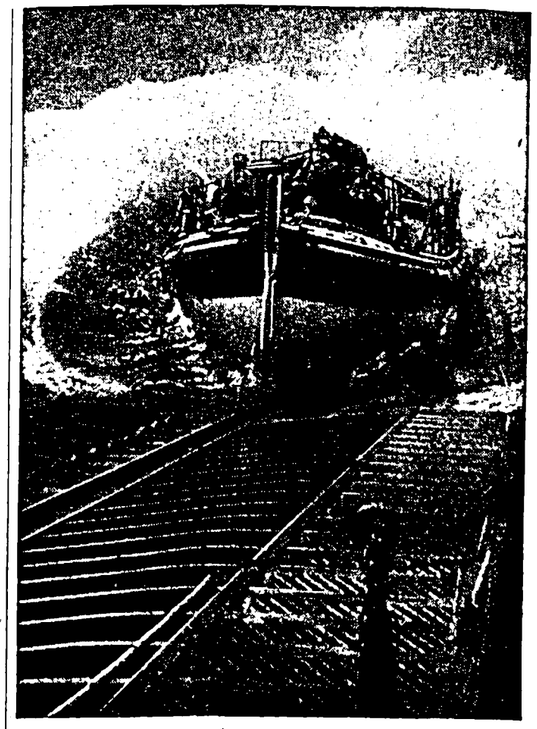
Over 190,000 of the 318,779 houses built in Britain last year had steel frame windows, and hardly a school or a factory is built today without them. These windows are slim, long lasting, inexpensive; they let in the maximum amount of sun and light.

The steel for the frames is rolled into small intricate sections from 30 foot billets in up-to-date rolling mills.

Not only at home, but overseas, steel windows are being used more and more. Windows made of British steel now go to seventy-five different countries, including the United States and Canada.

STEEL is at your service

THE BRITISH IRON AND STEEL FEDERATION S.73



Don't bother about a banquet

In the hundreds of times the lifeboat crews put out to sea, it is only once in a while, when the tide of events lifts routine courage to epic heroism, that their exploits hit the headlines. At other times, their swift-moving, ever-responsive reliability is taken for granted. In the motoring world, Ford reliability is accepted as inevitable and understood. The highlights are front page news (as for instance, when the Consul won the Tulip Rally, and the Zephyr swept to exciting victory at Monte Carlo, and the New Anglia made so dazzling a debut by taking the first six places in its class at the R.A.C. International Rally) but the excellence of any Ford product is normally expected from Ford. It does its duty well because it has been built in the Ford tradition—Ford's unique resources, resulting in lower prices for the purchaser, and unique after-sales Service.

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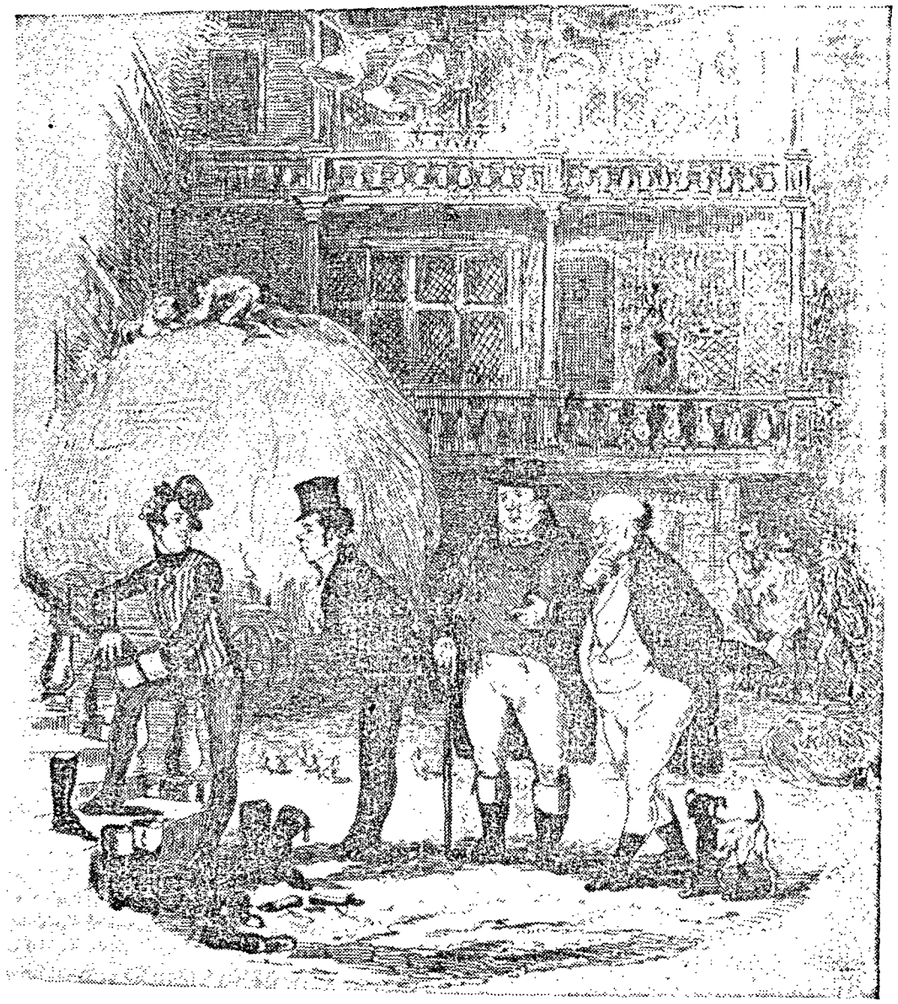

"FIRST APPEARANCE OF MR. SAMUEL WELLER", says the title of this illustration in *Pickwick Papers*. And such is the artistry of 'Phiz' that we know Sam would be the kind of man Mr. Pickwick found him to be—cheerful, cheeky, a willing servant and a true friend.

'Phiz', born Hablôt Knight Browne, illustrated ten novels by Dickens between 1836 and 1859. He modelled his pseudonym on 'Boz', the nom-de-plume under which Dickens published his first major work at the age of twenty-five.

It can be said of all the classic figures in literature, whose names are as familiar as our own, that without paper they could never have lived. Nor, indeed, would these famous characters have given delight to so many people all over the world had not the paper-maker made it possible to produce inexpensive editions in vast quantities.

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THE BUSINESS WORLD

Investment in Chemicals

THE massive expansion of the chemical industry over the last few years is not easy to demonstrate. It cannot be measured like so many extra tons of steel or millions of barrels of oil; it cannot be expressed in terms that catch the public imagination like the booming output of cars or aircraft. The procession of major chemical companies to the market for fresh capital during the past five years is one outward sign of growth, but leaves out the large sums ploughed back into the industry. The Association of British Chemical Manufacturers has recently calculated that the capital employed in the industry has risen from £230.6 million in 1948 to £406.8 million at the end of 1952; but figures of capital employed, again, are notoriously difficult to interpret. This comparison was made by the association on the basis of replies to a questionnaire that was sent out in 1949 and again last year; the results of the second survey were published in March, 234 companies having made returns last year as against 272 in 1949. This report does, indeed, give a figure that should be the best yardstick of all, turnover. This is estimated to have increased from £323 million in 1948 to some £520 million by 1952. Allowing for a 25 per cent increase in prices this implies a 60 per cent increase in volume in the four years. Even this figure, however, is based upon a very conservative definition of chemicals, and values them at fairly early stages in their roundabout journey towards the consumer.

The expansion set on foot at the end of the war is expected to cost the industry about £229 million, excluding projects sanctioned or proposed since the questionnaires were completed in mid-1953. The original estimate in 1948 was £191 million; and £83 million had actually been spent by the end of 1952. These sets of figures cannot, however, be directly compared; plant and construction costs rose sharply during the interval between the two reports, in addition, certain projects were abandoned and new ones added as work progressed. About 40 per cent of the 1948 schemes had been completed by the end of 1952, and a further 34 per cent were in hand; by now, the huge job may be three-quarters done. This might leave £50-80 million still to be spent under the original programme—apart from plans made after the questionnaire had been sent in.

How much money has been spent is perhaps less significant than who has spent it and where. The ABCM report gives some interesting details of the expenditure in each of the main branches of chemical production (partly summarised in the table on page 552), but does not name the companies concerned. By far the biggest spender, inevitably, is Imperial Chemical Industries, which is probably responsible for half the output of the industry and half its new investment, too. ICI has spent £146.5 million on capital construction between 1945 and 1953 (though not all on chemical products as defined by the association). Credit for being the second largest producer is divided between Distillers and Monsanto. Monsanto Chemicals, which has trebled its capital since the war and put up new plant to the value of £6.5 million, with a further £2.5 million in hand to finance current expansion. Distillers has gone into partnership with Anglo-Iranian in the £7 million British Petroleum Chemicals venture, which includes two-thirds of the £1.8 million capital of its Forth Chemicals subsidiary, shared with Monsanto. Shell chemicals has invested £6 million in the Stanlow petroleum chemicals plant, and the detergent plant put up during the war represents at least another million pounds. Albright and Wilson, frequently classed as the

fifth biggest producer in the industry since the completion of its new detergent factory, has spent £3.7 million since the war.

Most of the big spending has gone to increase capacity for heavy organic chemicals and their associated industries. Nearly £43 million had been earmarked for this group ; 60 per cent of the original work was finished by 1952, and nearly £30 million worth of plant was still under construction. These " basic " plants should not really be considered apart from the production of plastics and synthetic resins, which use them as the starting point for further synthesis. Investment in these associated materials, which include ICI's nylon Polymer and terylene plants, was originally scheduled at some £22 million ; with the projects 67 per cent complete, £18 million worth of work remained in hand.

CAPITAL EXPANSION

	Estimated cost 1948	*Percentage completed by end 1952*	*Percentage still under construction*	Estimated total cost of work in hand
	£'000s	%	%	£'000s
Sulphuric acid	11,119	*30·0*	*23·0*	8,049
Alkalis (incl. chlorine)	39,100	*34·0*	*64·5*	31,261
Other inorganic acids & salts	13,736	*42·5*	*26·0*	16,051
Industrial gases	4,286	*14·0*	*50·0*	6,932
Fertilisers	21,658	*38·0*	*15·0*	1,915
Heavy organic chemicals (e.g. solvents generally, and products from petroleum)	42,794	*60·5*	*21·0*	28,184
Chemicals for pharmaceutical and veterinary products	7,131	*35·0*	*33·0*	4,490
Miscell. fine chemicals	1,862	*57·5*	*22·5*	569
Dyestuffs & intermediates	16,381	*13·0*	*72·5*	15,142
Pigments	5,143	*45·0*	*35·0*	4,265
Explosives (industrial only)	2,031	*7·0*	*21·0*	1,135
Chemicals for pest control	686	*38·0*	*35·0*	362
Plastic materials and synthetic resins	21,974	*67·0*	*26·0*	17,714
Miscell. chemicals and general services not assignable to particular groups	1,947	*50·0*	*6·0*	2,056
Total	191,306	41	34	138,125

Source : Association of British Chemical Manufacturers.

This high rate of progress is in sharp contrast to the slower advance of investment in bulk chemical capacity. Take sulphuric acid : of the original plans, expected in 1948 to cost £11 million, only 30 per cent had been completed by the end of 1952. It was originally planned to spend some £40 million to expand the production of alkalis, planned to cost nearly £40 million ; only 34 per cent had been completed by the end of 1952. Despite discrepancies in the two surveys, it is clear that work has been pushed ahead on the organic chemical field and, by comparison, held back in the traditional bulk chemicals.

The explanation lies in the different rates of return on investment in the two fields. The newly discovered chemical products, plastics, textiles, solvents and detergents, give a high rate of return on investment, and under normal conditions the expanding companies would naturally put most of their money into making these. But an increase in the output of these highly refined, new and exciting products automatically increases demand for certain less exotic bulk chemicals that figure in their production—chlorine, caustic soda, sulphuric acid and the like.

Current market prices for many bulk chemicals are based upon production costs of much written-down capacity, and have not risen to a level that would make new investment attractive. Companies that have previously supplied large tonnages of bulk chemicals to other producers, therefore, have begun to divert a growing proportion of those supplies to their own new organic chemical plants ; and those that formerly relied on purchasing from other producers are being obliged to make bulk-chemicals themselves.

★

These changes are having a noticeable effect upon the structure of the industry. Its growth since the war has had a clearly defined objective, to make the country independent of imported chemicals. With one striking exception, synthetic rubber, this object has largely been achieved, and almost as an incidental the country has developed a substantial export trade. Parallel with this move towards national self-sufficiency in chemicals, there has been a trend towards greater self-sufficiency among the major chemical companies themselves.

The petroleum gases needed for the newer chemicals afford interesting examples of this tendency. ICI has obtained these gases by erecting its own oil cracker ; Shell Chemicals works up gases from its own refinery ; Distillers has gone into partnership with an oil company, Anglo-Iranian. These arrangements over supplies of petroleum gases, again, partly explains the hiatus that surrounds synthetic rubber. Production of general-purpose synthetic rubber in this country is strategically desirable but not economically attractive, and is strongly opposed by the Colonial Office, but a special-duty rubber such as butyl is a border-line case. Production might become economically feasible if the necessary tonnage of butylene, one of the petroleum gases, were available. The Esso refinery at Fawley is the only potential source of butylene in Britain big enough to form the basis of butyl rubber production, and Esso also owns the butyl patents. But it may be more attractive for Esso to confine its butyl experiments to France, where the government might support a syndicated project, and to reserve the Fawley butylene for aviation spirit.

These questions of bulk chemical supplies may have a significant effect upon the further expansion of chemical capacity. For, in spite of the ambitious scale of many of the latest projects, all the indications are of a fresh round of investment in new plant, if the industry is to do no more than maintain its present share of the world market. A high proportion of the immense new

tonnage of chemicals finds its way into the consumer market, and comparatively little into the heavy industries ; so the industry can take the rising rate of domestic consumption as a guide to general demand if not demand for individual chemical products. It would not be surprising to find that the capital expenditure facing the industry in the next few years is nearer £100-120 million than the £50-80 million possibly remaining under the 1948 plan. This further expenditure, moreover, must include considerable investment in capacity for bulk chemicals ; and these chemicals may offer a somewhat lower rate of return on such investment than has been earned from the more elaborate and more profitable materials that have been dominant in the industry's current expansion.

But even if that should reduce the very adequate cover for the companies' present dividends, it should hardly prove a problem to finance a further large programme of capital construction for one of Britain's big and prosperous industries. That is the very task that London's financial machine was best designed to tackle and it has so far tackled it easily. For the seven companies named in the accompanying table alone, over £120 million of new capital has been found since the war. The figure does not represent the whole of the new capital resources which those companies have employed, for they have also ploughed back large sums of shareholders' money, still less does it represent the whole of the new money which the chemical industry has raised.

Disasters occur in all industries ; the affair of Petro-Chemicals is still fresh in investors' minds and the fate of some millions of investment poured into that venture still hangs in the balance. But, in general, the chemical industry can make a sufficiently seductive appeal to investors. The City institutions, among which the insurance companies are prominent, have played a large part in the post-war financing of the chemical industry—witness the private placing of Monsanto's £5 million loan stock, the private placing by Morgan Grenfell of the Laporte Debenture and the decision of

	New Money Raised Since the War	Year ends	Price	Div. %	Times Covered	Yield per cent
	£ mn.					£ s. d.
I.C.I. (£1)	90·9	Dec. 31	59/3xd	15	2·9	5 1 3
Fisons (£1)	4·4	June 30	48/9	12½	2·4	5 2 7
Monsanto (5s.)	9·4	Dec. 31	26/3	20	2·2	3 16 2
Albright Wilson (5s.)	6·3	Dec. 31	22/9	17½	2·6	3 16 11
B. I. Plastics (2s.)	1·4	Sept. 30	6/4½	20	1·1	6 5 6
Laporte (5s.)	3·4	Mar. 31	16/–	12½	1·9	3 18 2
British Oxygen (£1)	10·2	Dec. 31	58/6	15	2·1	5 2 7

ICI to raise £30 million by a 4 per cent unsecured loan stock, evidently pitched as to terms so as to appeal to the investors of pension funds. That is a spring of savings for investment which will not run dry. The worst that could happen would be that the terms became stiffer if the demand for new money increased. But there is no sign of that yet. The leading companies continue to raise the bulk of their needs cheaply, and small but useful pickings for the equity holders arise from time to time.

Commodities Thrive on Recession

COMMODITY prices have broken the rules: they have risen steadily in face of the recession in the United States, the largest consuming country. The rise began last November, long before the slide in American production showed any signs of levelling out, and it has gathered momentum since. At the end of last month *The Economist* commodity price indicator reached 109.2 (1952=100), its highest point for two years. There is no clear-cut explanation of this perverse strength of prices ; a number of factors have played a part:

1. The effects of the recession have not spread throughout the American economy, nor—contrary to the experience of 1948/49—have they spread to Europe, which is still enjoying a dollar surplus and where production is still increasing.

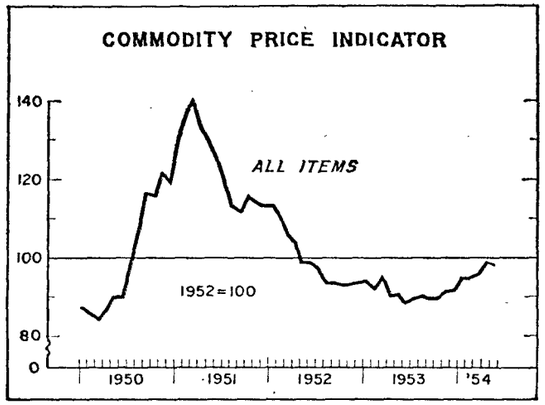
2. The coming of the recession had been so long expected, and the post-Korean decline in markets so [illegible] recurrences, and consumers' stocks were already [illegible] above those ru[illegible] liable to respond quickly to even [illegible] those in New Yc[illegible] drop in supplies.

[illegible]ved, that private a fractio[illegible]ends to feed on itself, because [illegible]ence prices were [illegible]all rise in demand or

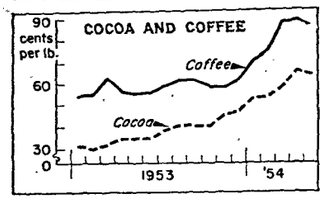
3. Once begun, a revival t[illegible]m prices encourage buyin[illegible]

4. Businessmen now appear to be more confident that the recession really is no more than an inventory adjustment, which will correct itself in time.

5. Fears that the war in Indo-China might become another Korea, threatening to cut off the West from Asian supplies, have lately strengthened several markets.

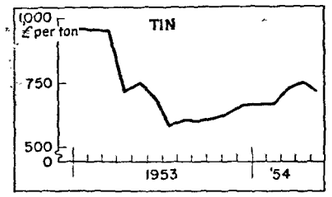


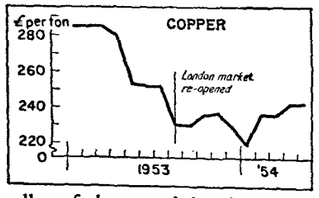
This helps to explain the firmness of commodity prices as a whole; it does not explain either the extent or the unevenness of their recovery. The reasons for that lie in the behaviour of individual commodities.

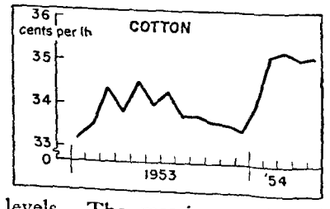


Coffee, cocoa and **tea** have soared to their highest prices in history. Production of all three has either dropped this season or failed to respond to the growth in world consumption. Coffee and cocoa have since fallen from their peaks but tea has not. Prices are likely to remain relatively high, barring an exceptional increase in the next season's crops or an exceptionally strong consumer resistance.

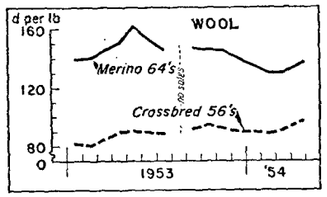
Among the other leading commodities, **tin** has recovered strongly. The immediate threat of surplus has disappeared. The American Government is buying another 20,000 tons from Indonesia, and may buy a further quantity from Bolivia to bolster its neighbour's ailing economy. A narrow market has magnified the improved prospects of an International Tin Agreement and the fears of worse conflict in Indo-China. The strength of **copper** prices is the despair of consumers. Statistical weakness has been countered by the withholding of Chilean stocks, the refilling of private supply pipelines to Britain, and reductions in American production. Of Chile's large surplus of nearly 200,000 tons, half has been bought for the American stockpile, and Chile is not yet an eager seller of the remaining half, nor of its current production. American consumption is now picking up, and supplies of electrolytic copper are generally tight. The brunt of the American recession fell on **lead** and **zinc**; but recently prices have more than recovered, thanks to the drastic reduction in American production of these metals, some improvement in demand and the announcement of an expanded buying programme, concentrating on domestic materials, for the American stockpile.



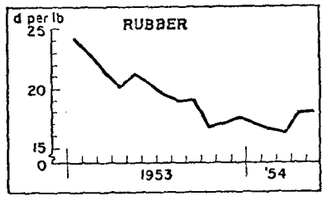




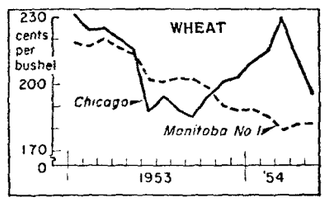
World consumption of raw **cotton** is rising to near-boom levels. The massive surplus of American cotton has been taken off the market by support operations; supplies of outside growths are no more than adequate; supplies of long-stapled cotton are low. The recovery in prices has been relatively largest in outside and long-stapled growths. Dominion **wool** prices eased in the first half of the season but rose in the second half; Russia's decision to buy no more Australian wool came at a time of strong markets and had no effect. This season's Dominion wool clips have sold more rapidly than was generally realised, and the manufacturing industries will probably need all the wool that remains until the new clips become available. Among the non-apparel fibres, prices of raw **jute** are fluctuating freely, but on a high level. Crop restriction in Pakistan, unless undermined by unusually favourable growing weather from now on, should sustain prices.



Prices of **rubber** have rallied in the past two months, partly owing to speculative buying, for rubber is one of the commodities most susceptible to any worsening of the Indo-China situation. This buying has now subsided, and prices are lower. But basically the market seems to be reasonably firm at present. Natural rubber is winning an increasing share of total American consumption. Production is showing a seasonal decline; the current rate of surplus has apparently been exaggerated by double-counting of a part of Indonesian exports, and the Rubber Study Group's estimate of the total surplus in 1954 is unexpectedly low.



In contrast to the general trend, prices of **wheat, sugar** and certain **edible oils** and fats are stagnant or falling. Wheat prices have drifted downwards for most of the past eighteen months. The recent strength of Chicago wheat futures lay in the American support operations and was a purely local phenomenon. The enormous North American surpluses are in strong official hands, but the elevators are bulging and those hands will have to be even stronger when the new crops are harvested this summer. Stocks in the four main exporting countries at the end of this season, allowing for a reasonable carry-over, will probably be sufficient to meet world demand next season, without touching the new crops. Prices of raw **sugar** in the "free" market have remained just above the minimum indications are of cents in the International Sugar Agreement, if the industry existence of the agreement has its present share of the effect of the surplus; so has portion of the immense new



hold for the time being the greater part of its export quota. Prices of **copra, coconut oil, palm kernels** and **palm kernel oil** have recovered slightly from their sharp fall, but are still vulnerable. Supplies of copra are ample, palm kernels are in surplus, and the American Government is now an active seller of its huge stock of cottonseed oil. Its recent decision to offer its large stock of butter for export at the world price is a further threat to prices of other edible oils and fats.

Provided that America rolls out of its rolling adjustment, the prospect for commodities as a whole should continue to be set fair. The rebuilding of stocks should have some way to go when the end of the recession encourages businessmen to hold normal stocks again. But the extent of any further rise will depend greatly on whether American production simply ceases to fall, or whether—and how far—it recovers.

It cannot be long before the rise in commodity prices begins to affect the terms of trade of Britain and other industrial countries. A small reversal of the long movement in Britain's favour could do little, if any, harm. The higher cost of imports would tend to be offset by the increased purchasing power of primary producing countries, some of which, such as Australia, are Britain's largest customers and the dollar earnings of the sterling area as a whole may not suffer. So far the rise in prices has benefited the so-called sterling commodities slightly more than the dollar commodities. But any hopeful conclusion rests on two main assumptions: that the American recession does not go much further; and that the American Government will hold its huge surpluses off the market. The first assumption is reasonable but no certainty. The second is a matter for serious concern, for American eagerness to unload surpluses of agricultural commodities is already apparent. Such action would have to be weighed against the American decision to expand its strategic purchases of industrial materials. At this juncture, no one can tell whether the United States will take away with one hand more than it gives with the other.

Business Notes

Flexible Bank Rate

After the disappointment of their expectations of ten days ago, many people in the City were taken rather by surprise by the news on Thursday of a reduction of Bank rate from 3½ to 3 per cent. It had been argued, indeed, that the "obvious" occasion for a change had passed. The previous week's denial of any intention to widen the scope for fluctuation of exchange rates had had its intended effect of reducing the strength of the buying pressure upon sterling; the sterling-dollar rate had slipped back a little from its upper limit; and at last Friday's tender for Treasury bills applications had fallen sharply from the peak reached a fortnight ago, while the discount rate was maintained at the lower level of 2 1/32nd per cent then established.

The authorities have obviously taken the view, however, that the underlying forces that had been pushing sterling up and pulling London money rates down were still operating. The tide of funds, as an article in *The Economist* last week explained in some detail, has been flowing strongly towards London; and although the exaggeration of this movement in response to the rumours of sterling appreciation had subsided, there was clearly a possibility of its recurrence so long as London money rates were kept much above those ruling in overseas centres—and especially above those in New York (where the Treasury bill rate this week, despite a fractional rise, was still only 0.825 per cent). By reducing Bank rate in response to an easing that had already occurred in market rates, the authorities are therefore reacting in the classical way, by allowing natural forces to exert themselves in the market-place unless there are compelling reasons of high policy for resisting them.

This latest move is, therefore, the clearest demonstration yet given that monetary policy now seeks to be genuinely flexible. It is, indeed, the first normal reduction of Bank rate since use of the orthodox monetary regulators was revived in 1951. Last September's reduction from 4 to 3½ per cent, it will be recalled, was officially described as an "adjustment," because its primary purpose was to "unify" the Bank rate with the special rate at which the Bank had granted seven-day loans against Treasury bills; the unification was then achieved by reducing Bank rate but not the special rate (which thereupon ceased to have any separate existence). The objective then was purely technical, in the sense of getting rid of an anomaly; this latest move is also technical, but only in the classical sense of keeping a due relationship between market rate and Bank rate.

For this reason the authorities have had to run the risk—and perhaps a greater one than was run last September—that their move would be construed as a "green light" to the business world that all danger is past. The falling trend of unemployment and the still rising trend of production plainly show that the economy is in no need of a monetary stimulus, and any new surge of demand or of speculative activity would be dangerous. But the more clearly it is understood that money policy really is flexible,

and that Bank rate can be moved as often as necessary in either direction, the less will be the risk of such misunderstandings. The authorities evidently considered that, if policy is to develop in this fashion, there was no justification in present circumstances for rating this risk so high as to let it outweigh the case for technical alignment.

Impact on Money Rates

WHEN this issue of *The Economist* went to press, within a few hours of the Bank rate announcement, the impact upon the pattern of market rates was still not fully discernible. The dominant rates are those allowed by the clearing banks on deposit balances (at 21 days' notice) and charged by them for call loans to the discount market against the security of Treasury bills. These rates, which last September were reduced by only ¼ per cent (because the Bank rate reduction was not a "normal" one) have this time been reduced by the full ½ per cent, from 1¾ to 1¼ per cent. Rates for clearing bank call loans secured against commercial bills and short bonds have been reduced correspondingly, to 1½ and 1⅜ per cent respectively. The effect upon discount rates had not been tested by the close of business on Thursday; it will be determined by the outcome of yesterday's Treasury bill tender.

The consequences for normal commercial borrowers from the banks will necessarily be less clear-cut; although, since 1951, charges for bank loans and overdrafts have once again become linked to Bank rate, the agreements with customers are subject to a varying range of minimum rates. The best generalisation that can be made is that the principal direct beneficiaries will be the major commercial and industrial borrowers from the banks—borrowers whose loans were running at rates between 4 and 4½ per cent, subject to minimum charges of 3½-4 per cent. Such borrowers, and also the nationalised industries, will generally secure a reduction of ¼-½ per cent, but most personal borrowers and many small businesses are already being charged at the minimum rates fixed by their agreements. In most of these cases, therefore, there will be no automatic reductions, but pressure upon the banks for rate concessions will no doubt increase still further. The Building Societies' Association, as on some previous occasions of Bank rate change, promptly issued a statement drawing attention to the fact that their lending rates have no direct link with short money rates.

Share Markets Advance

THE reduction in Bank rate, though a tactical surprise to the stock markets, had often been foreseen. On each occasion Stock Exchange prices had moved up, never falling all the way back again when hopes were deferred. Therefore, the event produced, at first impact, only a moderate Stock Exchange rise. At noon on Thursday an immediate upswing of prices carried gilt-edged up nearly a point with proportionate advances through the industrial market. But the close of business on Thursday showed that the rise had not been wholly maintained. The biggest advance was of ⅞ in 4 per cent Consols which closed at 96$\frac{13}{16}$. War Loan 3½ per cent rose ⅜ to 87⅝. Leading industrials advanced but still closed below the highest of the day. Fords rose 7½d. to 60s. 4½d., ICI 9d. to 61s. Nearly all sections of the market moved ahead but nowhere was the advance spectacular. A new high point was reached by the *Financial Times* index of industrial equities, which rose from 147.4 on Wednesday to 149.4 on Thursday. The Government security index rose from 102.97 to 103.49. As investors become accustomed to the new level of money rates the market should develop a new trend, but on the first day Stock Exchange people did not know what the charge for loans to them would be.

The event must at least be favourable to potential borrowers. And since there remains a formidable volume of gilt-edged and industrial borrowing to be done it must be favourable to a long waiting list of corporations, Commonwealth countries, public boards and industrial companies. Particularly fortunate are the applicants to those issues now in progress the terms of which were fixed before the Bank rate cut. Lists for the Trinidad 4 per cent issue closed yesterday before the announcement, applicants for up to £10,000 receiving full allotment, and the larger applicants about two-thirds of their requirements. They can now look for a premium where before a small discount was feared. An issue of one million 6½ per cent £1 Redeemable Preference shares of Cyril Lord, the textile firm, to be made at par on Wednesday also finds its prospects improved.

£8¾ Million Steel Sale

ANOTHER round of selling of the nationalised steel undertakings has begun. Guest, Keen and Nettlefolds, in a complicated transaction, is buying back the bulk, but not the whole, of its former steel assets for the equivalent of £8,768,759. The group is buying all the shares of Guest Keen Baldwins Iron and Steel Company including not only the 57 per cent formerly owned but also the minority interest previously held by Richard Thomas and Baldwins. It is also buying the whole of Guest, Keen (South Wales), which will be made a subsidiary of Guest Keen Baldwins. The name of Baldwins will then disappear from the title. Excluded from the deal are two of the former Guest, Keen subsidiaries, the small Brymbo Steel Works, and John Lysaght's Scunthorpe Works (with which however a long-term agreement covering maximum and minimum tonnages has been made) as well as the 6,386,328 £1 ordinary shares of Steel Company of Wales formerly owned by Guest Keen Baldwins.

The accountancy of the operation is complicated, but the answer is simple, and it shows that the Iron and Steel Realisation Agency will again probably end with a profit. The Government investment in the assets which have been involved in the transaction was compensation stock to the value of £17 million. The sum to be paid by Guest Keen Baldwins is £8.8 million consisting of £8.3 million cash or the equivalent and the cancellation of a loan of £500,000, due from the Agency to Guest Keen Baldwins. The Corporation holds a debenture of £7½ million, 50 per cent paid up, in Guest, Keen Baldwins; it is a 4½ per cent debenture dated 1970-84 with a good sinking fund and will eventually be sold to institutions who will no doubt be willing to pay at least the par value of £3¾ million for it. Thus the Agency will receive upwards of £12½ million and can write down the 6,386,328 Steel of Wales shares from their compensation price of 25s. to around 14s. That should make the risk of loss small.

Thus one of the greatest obstacles to a resumption of the sales of iron and steel companies to the public has been removed. City interests felt strongly that the two big private deals ought to be concluded before the Iron and Steel Holding and Realisation Agency, of which Sir John Morison is chairman, asked the public—which had burnt its fingers in United Steel and Lancashire Steel—to come in again. By implication the other private deal, the resale to Vickers and Cammell Laird and Company of English Steel Corporation, is still distant. Mr. J. C. Mather, chairman of Cammell Laird, recently expressed his disappointment at the lack of progress. But buoyant share markets dangle the opportunity and Sir John Morison would be most reluctant to let time slip away until the autumn. His plans for the re-sale of several of the big companies, particularly of Stewarts and Lloyds, are well advanced. It can also be argued that as a yardstick for increasing the basis on which to sell a big company to the public a private sale, however big, is of little value; the advantages of integration between a big engineering unit like Vickers, and a big steel company like English Steel are difficult to evaluate. What the Agency wanted from Vickers, Cammell Laird and Guest, Keen and Nettlefolds was not a measure with which to gauge the right offer price for Stewart and Lloyds, but a gesture of confidence.

Pricing Steel Offers

A DECISION to go ahead with another steel offer to the public, with Stewarts and Lloyds as the most probable starter, is therefore possible. It would oblige Sir John Morison to solve several knotty problems. The table shows that the shares of both United Steel and Lancashire Steel still stand below the price at which they were first sold to the public and that the indicated equity dividend yield is now around 7½ per cent. Since dealings in both shares have recently shrunk to a vanishing point, he may feel that even now the market puts no measure on the price at which investors will buy a steel equity in the light of Labour's re-nationalisation threat. If the choice does fall on Stewarts and Lloyds he must also allow for the fact that he is choosing a share that traditionally sold on a lower yield basis than the average for the industry; the yield before nationalisation was nearly 1 per cent less than on United Steel.

To fix the price is no easy task. What can be said with certainty is that some of the expedients of the past should now be abandoned. The usefulness of allowing applicants to offer a wide selection of British Government stocks in payment is doubtful and its introduction makes the operation cumbersome. Probably the Agency would be glad enough to dispense with the option to tender gilt-edged altogether, but since the law is considered not to permit that course it may be decided, as with Lancashire Steel, to limit the offer to a single stock, the Treasury 3½ per cent 1979/81 stock. It may be assumed, too, that the device of making underwriters support their underwriting with firm applications for a like amount of stock will be discontinued. It has the effect of developing all the buying power on the day of the issue and leaving the market friendless

Share	Offer Price	Indicated Yield at Offer Price	Lowest Price	Present Price	Indicated Yield at Present Price
		£ s. d.			£ s. d.
United Steel £1 Ord.	25/-	7 4 0	22/-	24/6	7 6 11
Lancashire Steel £1 Ord.	22/-	7 5 5	19/6	20/9	7 14 3
Lancashire Steel £1 5½% Pref.	21/-	5 9 6	20/3	20/7½	5 11 6

afterwards. It may well happen that the lessons of the past will lead Sir John Morison to be more conservative rather than more liberal in the pricing of his next issue. The problem is not so much to make the offer successful as to ensure that the shares enjoy a good market afterwards. Sir John may, therefore, find that the right solution is to offer not on the promise of an enormous dividend but on the basis of a dividend that could and probably would be increased from time to time, leaving the long-term investor something for which to go.

Recovery in Exports Maintained

THE recovery in British exports in March was maintained last month. April had 24 working days, three fewer than March. So that although the preliminary figures show that exports fell by £21.4 million to £225 million fob, and

UNITED KINGDOM TRADE
(£ million—monthly averages)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit
1953 1st quarter ..	272·4	208·5	10·0	53·9
2nd ,, ..	291·7	210·0	8·0	73·7
3rd ,, ..	274·8	211·6	8·5	54·8
4th ,, ..	276·1	230·6	8·7	36·8
1954 1st quarter ..	273·7	224·4	9·3	40·0
March	298·6	246·4	11·7	40·6
April*	284·0	225·0	8·0	51·1

EXPORTS TO NORTH AMERICA

	U.S.A.	Canada	Total N.A.
1953 1st quarter ...	12·7	11·3	24·1
2nd ,, ...	13·9	15·7	29·5
3rd ,, ...	13·9	12·8	26·7
4th ,, ...	12·4	12·5	24·9
1954 1st quarter ...	11·9	10·5	22·4
March	12·9	11·2	24·1
April*	12·2	12·9	25·1

* Provisional

re-exports by £3.7 million to £8 million, the daily rate of total shipments was £9.7 million, slightly higher than in March. The value of exports, excluding re-exports, was about the same as the monthly average in the first quarter. Imports in April fell by £14.6 million to £284 million cif, but showed the usual seasonal rise on a working day basis, and the gross visible trade deficit rose by £10.5 million to £51.1 million.

Exports to North America rose by £1 million to £25.1 million, and were 12 per cent above the monthly average in the first quarter. Shipments to the United States dropped by £700,000 to £12.2 million, but were slightly higher per working day. Shipments to Canada rose sharply by £1.7 million to £12.9 million. Much of this increase, if not all, may have been seasonal, reflecting the reopening of the St Lawrence river

Britain's EPU Debts

THE main result of last week's meeting of the OEEC Council in Paris was the agreement to prolong the European Payments Union for another year, an agreement made possible by new arrangements to lighten the burden carried by the Union in the form of accumulations of long standing debts. The main initiative in the repayment of such debts is being taken by Britain, which has undertaken to withdraw from EPU one half of its present overdraft of about £180 million. The amount to be repaid outside EPU will thus be £90 million, and one quarter of this, or £22½ million, will be made available immediately in gold. The remaining £67½ million will be funded and repaid on terms and over periods that will have to be agreed with the individual creditor countries. These bilateral negotiations between the EPU debtor and creditor countries will begin in Paris in the near future and are due to be completed before the end of this month. The most important of these negotiations will be those between Britain and Germany. The funding and repayment arrangements in this case will be attuned to the terms agreed last year for the repayment of the German postwar debt to the British Government.

Although the details of these repayments remain to be worked out, some attention has been given to the complicated problem of adjusting EPU accountancy to this process. According to the normal EPU procedure, a reduction in the cumulative debit or credit positions of members involves a payment in gold to the debtor and a corresponding payment by the creditor—provided that the member's position had passed beyond the first "tranche" of his quota. Therefore, when Britain reduces its accumulated deficit by withdrawing part of its debt to EPU, it would under the normal rule be entitled to receive gold from the Union; similarly, if the German credit position is reduced by the same operation, Germany would hand over a proportionate amount of gold to EPU. But gold payments of this kind would be contrary to the spirit of the exercise of debt withdrawal; they are to be avoided on this occasion by a new and complicated principle known in EPU circles as that of the "sandwich tranche." Under this new procedure the gold payments that would otherwise be due are to be postponed until such time as the member countries concerned have completely reversed their position with EPU.

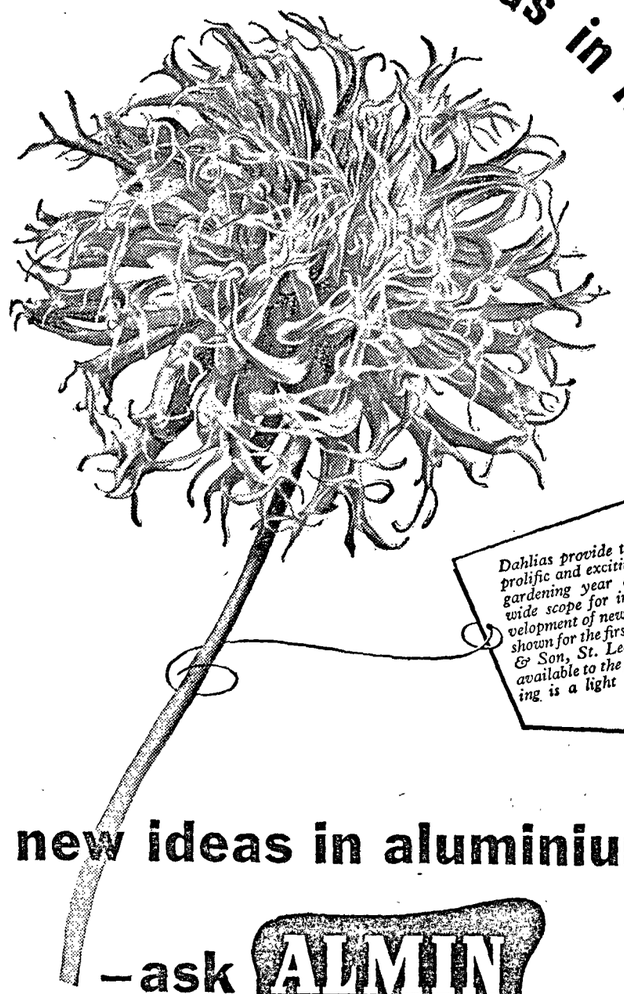
Thus, the gold to which Britain would have been entitled on reducing its debit position will be receivable only when Britain comes to occupy the same "tranche" on the credit side as that from which it is now being pulled down on the debit side. This will considerably complicate EPU accountancy, but it will make the most of the effect of the funding of long-outstanding debts upon the credit balances and overdrafts of member countries with EPU. The credit facilities available to members of EPU will not be permanently reduced as a result of the funding of these long-standing debts. The members' drawing rights will be reconstituted to the extent that cash payments are made under the funding schemes.

When Convertibility Comes

LAST week's meeting of the OEEC Council of Ministers also considered the report of the Managing Board of EPU upon the problems that any move to convertibility by European countries would raise for the future of the Union. The Council does not appear to have been entirely satisfied with the contents of the report, since it decided to set up a ministerial group, under the chairmanship of the British Chancellor of the Exchequer, "to examine the different problems which will arise if a number of member countries re-establish convertibility." This is precisely the question that was intended to be answered by the Managing Board, but the answer does not emerge with any great clarity from the report, which has now been made public. The report opens by differentiating between "full" and "limited" convertibility. It defines the first as absolute or complete convertibility, involving freedom of payments to residents as well as non-residents, absence of quantitative import restrictions and of exchange controls either on current or capital transactions, and including, also, fixity of par rates of exchange. "Limited" convertibility obviously comprises an infinite variety of shades of grey, but the board has chosen the term to describe a system under which balances in the currency in question acquired by non-residents *after* the date of its introduction would be freely convertible into gold, dollars or any other currency. Under "limited" convertibility, the authorities would retain exchange control over the transactions of residents, could continue to apply quantitative restrictions on imports "in accordance with internationally agreed rules," and would retain the right to allow the rate of exchange between their currencies and those of other countries to vary. The report comes to the general conclusion that, whatever type of convertibility is chosen, if one or two of the more important members of the Union embark on it, there will be an end of EPU as it has functioned in the past.

In its more general comments on the impact of convertibility on the economies of EPU countries, the view of the Managing Board is that "a move to convertibility of either type is likely to involve some important readjustments both for those countries which make the move and for those which do not, but that the net result would probably be an improvement in the general economic situations not only of the countries which make the move but also, though probably to a lesser extent, of those who do not." The

New Ideas in Horticulture



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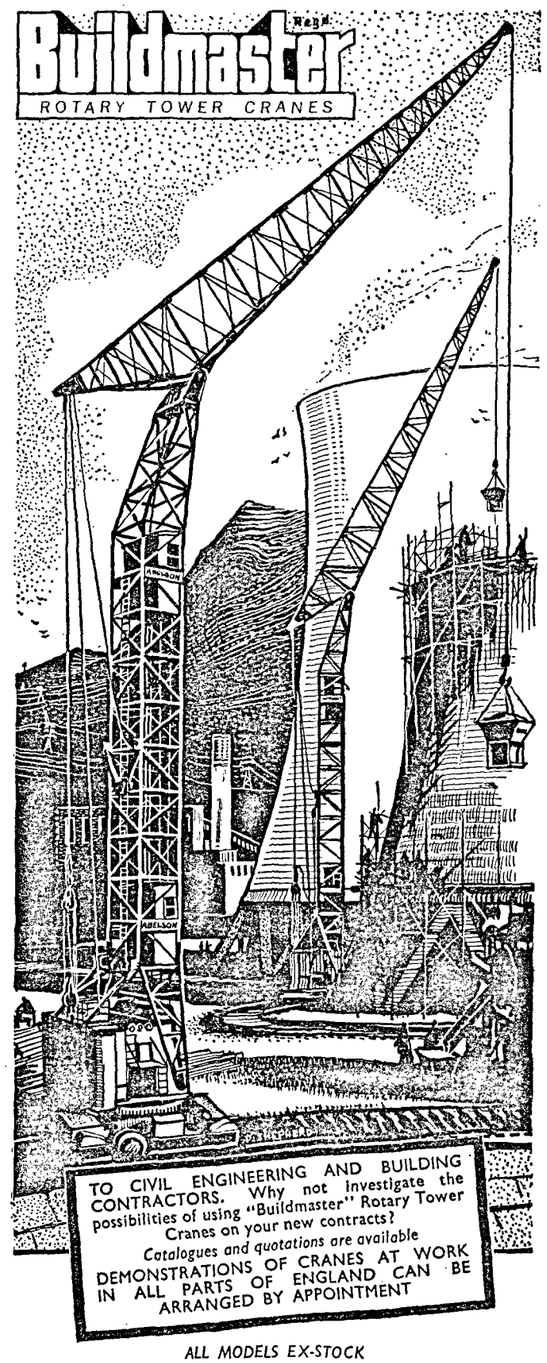

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Board expresses its desire to see the move to convertibility maintained, but it shows a strong desire to save from dissolution the kind of co-operative machinery that has been set up within OEEC.

BOAC's Solid Profit

It has become customary for the air corporations to give details of their financial results long before their full accounts appears, and the preliminary results for British Overseas Airways Corporation in 1953-54 were published this week. In spite of the disastrous disappearance of the Comet over Elba, in January, and the grounding of the Comet fleet that followed it, this appears to have been BOAC's best year so far. After paying interest of £933,050 from its operating profits, the corporation was left with a net surplus of slightly over £1 million, compared with a deficit of £838,664 in the previous year. The clue to the improvement lies in a fractional decline in operating costs; in pence per ton-mile these fell by ½d. from 40.1 pence to 39.6 pence. In total figures, revenue rose from £36.2 million to £37.7 million, while expenditure dropped from £36.1 million to £35.7 million. The actual load factor, the proportion of aircraft space filled with paying passengers, stayed unchanged at 64.5 per cent, a little too low for comfort.

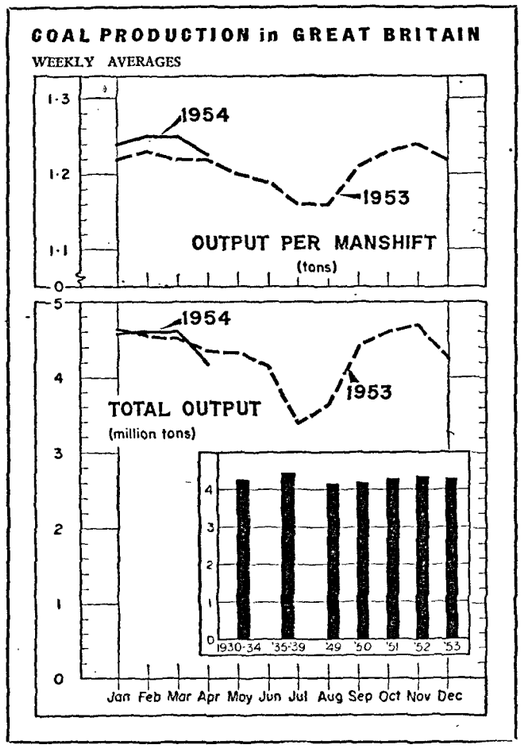
To a greater degree than ever, the corporation's financial future turns on the Comet. All seven remaining in service have been grounded, but in September, the more ambitious Comet II services were expected to start. The corporation is already finding it difficult to fill the gap left by its grounded aircraft; it is being brought home in a peculiarly ironic way just how many more miles the fast-flying Comets had been able to cover than piston-engined aircraft. Canadair IVs, not the most modern of machines, are being switched from the South American routes, where they were serving as stopgaps for the Comet II, to Africa and the Far East, and associated companies in Africa and Australia are lending other aircraft to BOAC. Some of the Hermes will be de-cocooned—just when the engineers had agreed to service them for sale to the independent operators—and put back into BOAC livery; these are high-cost aircraft and will not help the coming year's financial out-turn. Until there is some indication of the time likely to be taken by the Comet investigations, it will not be clear whether BOAC can get by on these makeshift arrangements or whether it will have to buy stopgap aircraft, pending delivery of the Britannias.

Colour TV in Black and White

A DEMONSTRATION of colour television given in London this week by Marconi's Wireless Telegraph Company was not—nominally—intended to press the claims of any one particular colour system so much as to show in a subtle way that Marconi will be capable of providing any system chosen. What the company chose to demonstrate was the basic colour system that has been approved in the United States (which was sponsored by the Radio Corporation of America) modified for British standards and embellished with a number of technical refinements by Marconi's own engineers.

The first difficulty is one of space in the ether. Colour television, based on a red, a green and a blue signal, normally needs three times the band-width of a black-and-white picture; 15 megacycles against five. Space on the frequency bands fit for television is not unlimited, and there is not room for a service needing 15 megacycles per station. The RCA colour system has achieved the near-miracle of compressing the three colour signals into as little as 5 megacycles, the same amount of space now used for black-and-white services, at the expense of some deterioration in the quality of the colour. It has also met the second practical problem, that of transmitting a colour service that can be picked up in black-and-white by existing monochrome receivers. The quality of the black-and-white reception on this "compatible" system is variable. Marconi engineers have suggested that if the band-width is increased from 5 to 7½ megacycles, defects in the black-and-white picture are corrected. Both systems were demonstrated, the 5 and the 7½ megacycle, with colour and monochrome receivers working simultaneously from each; but the vast difference between the colour picture and its poor shadow of a black-and-white equivalent made it visually impossible to detect these minor nuances in the quality of the two monochrome pictures fed from the slightly different colour systems.

It is the first time that a "compatible" colour system has been seen in this country; while the Radio Corporation of



America does not grant exclusive licences for any of its patents, the existence of a cross-licensing agreement between Marconi and RCA undoubtedly smoothed the path for the demonstration, which was based in part on the use of RCA cathode tubes. There still remains, however, the third practical difficulty, the cost of colour receivers. Estimates of retail price are still somewhere in the impossible region of three times the price of a standard television set. Only further development in tube design can bring these prices down to a level that makes a colour service practical.

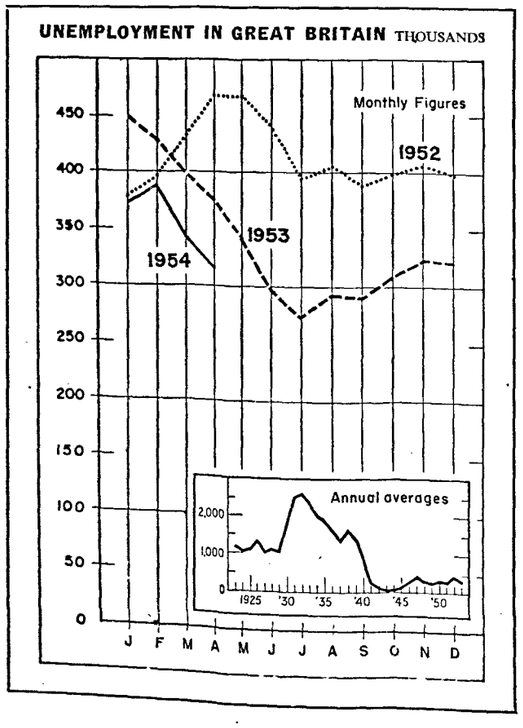
ICFC and Investment

THIS country is now reasonably well supplied with special financial institutions designed to help out industry, if for some reason the normal machinery of the capital market is not available. While Lord Bruce, presiding over Finance Corporation for Industry, cares for the giants in trouble, Lord Piercy presides over Industrial and Commercial Finance Corporation, set up by the English and Scottish banks to look after the fortunes of those who are not yet big enough to come forward with a public issue. Lord Piercy's review and the Corporation's report again give a clear and comprehensive picture of what is going on in the small capital market. The point in that review that may puzzle the investor, as it puzzles Lord Piercy himself, is that for a fairy god-mother his volume of business is remarkably small.

In the year ended March 31st the volume of business he transacted was only £4 million—a fair recovery from the figure of under £3 million in the previous year but well below the figure of over £6 million reached in earlier years. After allowing for repayments of advances, for the corporation's cautious provisions for doubtful debts and for commitments that have not yet resulted in actual advances, the addition to loans and investments outstanding is again smaller at £1.5 million compared with £2.6 million in 1952-53. Surely there is room for more and faster capital investment in small and medium sized industry.

This is not merely the result of a more stringent combing out of applicants. The number of applicants fell from 634 in 1950-51 to 364 last year. Lord Piercy attributes the decline partly to the rise of competition in his field by old and new institutions. One of the new institutions indeed lives under the same roof. "Edith," one of the companies designed to help owners of private businesses to raise money for death duties, covers part of the field which otherwise ICFC might have covered. Thus good steps have been made towards covering the notorious "Macmillan gap." But that is not the whole story. The actual desire by manufacturing industry for investment seems low. It is naturally still too early to see how far the new investment allowances will help to increase it, but Lord Piercy doubts whether they will be sufficient.

The banks who are Lord Piercy's shareholders are not averse from receiving increased dividends. This year he raises the maiden dividend of a year ago from 4 per cent to 5 per cent. But he will not make a habit of dividend increases. The intention is to stabilise at the new level. For an institution in which profit earning is not the main consideration ICFC has done well. The gross income for the year is up from £1,602,192 to £1,891,013. After raising the provision for doubtful debts from £100,000 to £250,000, meeting the loan interest of £624,913 compared with £539,079 and the tax charge the net profit rose from £417,931 to £466,492.



Propping Up "Free" Sugar

THE International Sugar Agreement, which embraces the "free" market comprising less than half the world trade in sugar, has now formally come into force. When the International Sugar Council met in London last week the total votes of the exporting countries which had ratified the agreement by May 1st were 15 short of the minimum of 750. Nevertheless, the countries which had ratified decided to bring the agreement into effect, as they were entitled to do under article 41, particularly as they knew that West Germany was on the point of ratifying. West Germany has now ratified and the members of the agreement are:

Importers: West Germany, Japan, Portugal, United Kingdom, United States (Canada, Greece and the Lebanon intend to ratify).

Exporters: Australia, Cuba, Czechoslovakia, Dominican Republic, Formosa, Haiti, Hungary, Mexico, Netherlands, Philippines, Poland, South Africa, USSR (Belgium, Brazil and France are in the process of ratification).

The agreement is thus more representative of the world sugar trade than either of its two predecessors, and is the only postwar commodity scheme to include representatives of the Soviet bloc. Among the exporting countries of consequence, only Indonesia, Peru and East Germany remain outside. On the importing side, the only important non-members are India, which hopes to become an exporter, and mainland China, potentially a large importer.

At the beginning of the year the council reduced the effective export quotas by 15 per cent to 3,930,000 metric tons in 1954, and has now reduced them further by the remaining 5 per cent that lay within its power, to 3,709,000 tons. It also recommended that exporters should export in the first eight months of the year 75 per cent (2,948,000 tons) of their initial quotas, compared with 80 per cent laid down in the agreement. The council has wisely resumed its prewar practice of publishing its estimates of the requirements of the free market. The new estimates amount to a total of 3,864,000 tons in 1954, which is practically the same as the previous total, although the requirements of a few countries, such as Britain and India, have changed significantly. When allowance is made for the likely exports of non-member countries, the existing quotas are still too high. But at this early stage of the agreement, the council could not be expected to agree to lower the basic quotas, nor to lower the agreement's existing minimum and maximum prices of 3.25 and 4.35 cents per lb, f.a.s. Cuba. It also considers that the outlook for the 1954/55 European beet sugar crop is poor, and will re-examine the situation at its next meeting not later than September 8th. By then more will be known about the European crop A very high yield such as last year's is normally followed by a much smaller yield, which would tend to reduce exports from Europe later this year, and increase imports of cane sugar into Europe next year.

Employing the Disabled

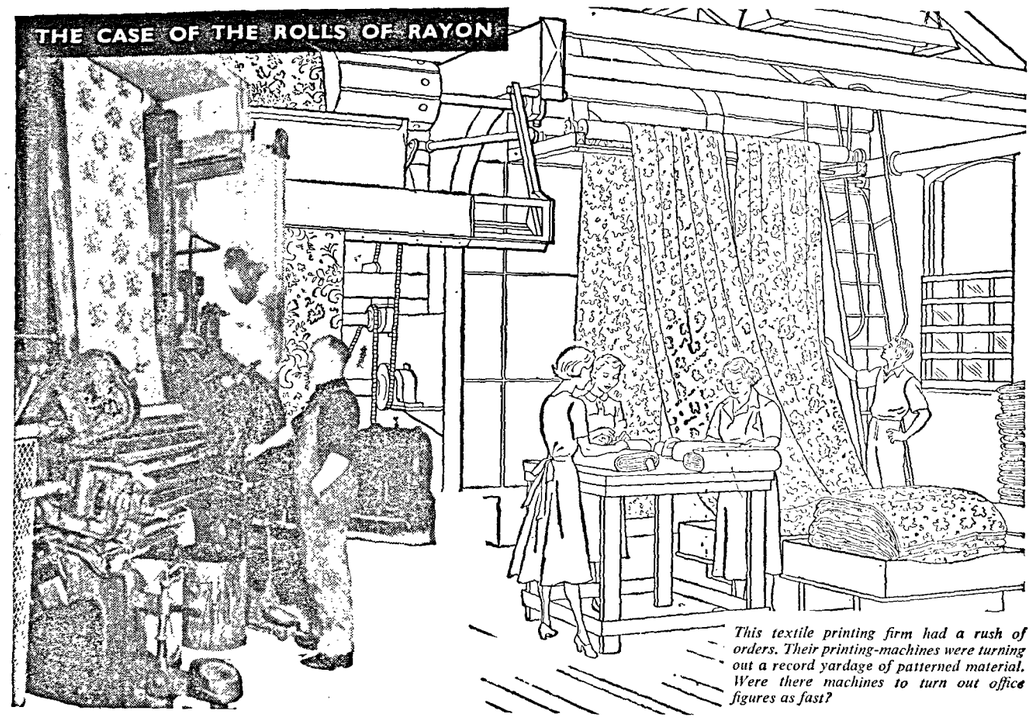
THERE are roughly 850,000 people on the Disabled Persons Register of the Ministry of Labour, and at present all but 6½ per cent of them are in employment. That rate of unemployment compares with less than 2 per cent for able-bodied people; even so, it may appear as reasonably full employment for the disabled—until it is realised that the Ministry's Register leaves out a wide fringe of disabled people who cannot work in open industry, many of them not maimed, but housebound through chronic illness. Sir Harry Platt has recently argued that some central body should be set up to co-ordinate the present multiplicity of services that affect employment or welfare of disabled people—a view that has already been urged upon the Piercy Committee, which was set up last year to study existing arrangements. The primary disadvantage that arises from the independence of the services provided by the Ministries of Health, Education, Labour, the local authorities, and the many voluntary organisations concerned, is simply that nobody really knows the dimensions of the problem.

About half a million of the men and women on the Register have found jobs under the "standard quota" scheme by which companies employing more than twenty people are obliged to reserve 3 per cent of their jobs for disabled people. A further 60,000 are employed by Government departments, and some 4,000 have jobs generally reserved for them, such as lift and car park attendants. These are in "open industry"; it is the people who could work only under "sheltered conditions" or in their own homes, who are at present neither catered for adequately nor even fully counted under the employment service. The Remploy organisation provides jobs under sheltered conditions for about 6,000 people in its 90 small factories, and employs a small number of outworkers in their own homes, while one or two commercial companies have experimented with employing outworkers. Another 5,000 or so places have been filled in sheltered workshops run by local authorities and voluntary organisations. But the Ministry of Labour knows of 5,000 more severely handicapped men and women who want sheltered work but cannot get it, while some of the voluntary organisations that have given evidence before the Piercy Committee argue that there are many others, not on the Register, but at present living on public relief in institutions or their own homes, who could be made economically and socially useful. The problem is in part one of definition and even of diagnosis—at some point it may hinge on a medical opinion about any individual—but it is also one of economics, and of cost to the community.

Rehabilitation or Jobs?

THE Remploy organisation runs its factories mainly in competition in the open market, though public authorities have powers to give it preferential treatment in allotting supply contracts, and have recently been urged by the Treasury to use these powers. Since its workers are more or less seriously disabled, its competitive ability is not always great; but these commercial principles have limited the extent to which it can seek out disabled people in remote places and provide them with work—often hopelessly uneconomic—to do at home. It is, moreover, concerned with providing "sheltered employment" not with rehabilitation; though some 600 people have graduated from its workshops into "open industry" in the last seven years, it has never been organised as a corridor between complete infirmity and work in the ordinary factory. Some witnesses before the Piercy Committee have argued that it has consequently been precluded from discovering all the disabled people who could possibly do useful work; and that the over-many authorities concerned with employing disabled people have put insufficient emphasis on the possibilities of rehabilitation. Certain workshops in this country are successful examples of an alternative approach—in which rehabilitation, under medical supervision, is the ruling principle.

Both Remploy and its critics have often sought to find out "the full cost of disablement" to the economy; this might well, on the one hand, offset the losses that Remploy has had to report, or on the other justify extra expenditure in bringing more disabled people back towards commercial employment. Adequate data for an estimate, at present, simply do not exist. The facilities for rehabilitation and training, which at present can handle some 14,000 people a year, cost some £13 a week for each trainee—against which might be set the equally high cost of beds in hospitals and institutions, plus large sums in public assistance to the disabled and chronically sick. There are indica-



This textile printing firm had a rush of orders. Their printing-machines were turning out a record yardage of patterned material. Were there machines to turn out office figures as fast?

"Finished"—
but the office work was only starting . . .

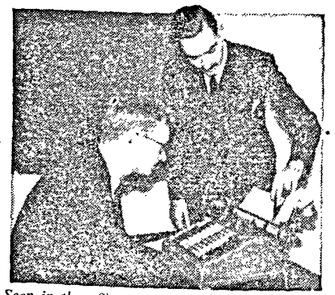
Flaxall Products Limited, of Belfast, Northern Ireland, have become a thriving business since the end of the war. Their main business is printing and finishing textiles—especially rayon and the famous Irish linen.

But production in their offices, they found, was not keeping pace with production at their Carrickfergus factory. Bookkeeping was being done by hand, and monthly statements frequently went out late. Control over an increasing volume of postings to Sales, Purchases, and Nominal Ledgers was becoming more difficult every day.

Not wishing to engage more office staff. Flaxall put the problem to Burroughs.

After investigation, Burroughs suggested that the firm should install one of their electrically-operated Desk Bookkeeping Machines to handle all Ledger work, Statements (and Purchase Tax computations), and some Commodity Analysis. This course was adopted.

Result: With this Burroughs machine at work, Flaxall Products Limited have solved their bookkeeping problem without adding any new office staff. Now, their monthly statements go out on the dot, and their accountant can control all figure-work without being directly involved in its production.



Seen in the offices of Flaxall Products Ltd. is Mr. T. R. W. Dark, the Chief Accountant. With him is Mr. B. McM. Thomas, the Burroughs man who installed their Burroughs Desk Model Bookkeeper—the machine that helped to solve the Case of the Rolls of Rayon.

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

LONDON TIN CORPORATION is the giant of the tin mining industry; its interests are spread through Malaya and Nigeria; they spread out into Australia and Nyasaland. It is also an investment company, drawing its income from its holdings in numerous tin mining companies and from the earnings of the management companies of the Anglo-Oriental group. The holding company's earnings therefore tend to reflect the fortunes of the tin mining industry with a substantial time lag. The directors strive to cut down that lag by giving a preliminary estimate of profits (which is always correct to within a few pounds) well in advance of the full accounts, and by declaring the only dividend in the form of an interim well ahead of the meeting. The preliminary figures now announced are therefore a preview of accounts due about September. But they reflect dividends declared by the operating companies in the year ended April 30th which themselves naturally spring from earlier profits.

Even bearing in mind that the present earnings spring mainly from the period of high tin prices the figures are encouraging. The profit before tax showed only a modest fall at £1,198,000 compared with £1,358,000 and the net figure after tax actually a small increase at £480,000 compared with £448,893. The future seems to have few terrors for the board, who possibly take a rosy view of the prospect of the international tin agreement coming into force. They have properly decided to distribute almost the whole profit. (In this group the operating companies naturally make proper provision for the future, and there would be little justification for duplicating reserves in the parent's accounts.) The dividend is up from 22 per cent to 24 per cent and will absorb £477,607 of the estimated net profit. Tin mining is none the less a speculative business and at 6s. 4½d. the 4s. ordinary shares yield a little over 15 per cent.

★

WIGGINS, TEAPE. Recovery in the paper manufacturing industry has been general. The Wiggins, Teape group have shared in it to the full. Its gross profit for 1953 was more than doubled, and although much of the additional earnings were absorbed in tax and in higher pension provisions shareholders still receive an increase in dividends from the equivalent of just over 12½ per cent to 17½ per cent. As the offer to shareholders of Thomas Owen which Wiggins, Teape is just in the process of absorbing does not expire until June 30th of this year the present results do not reflect the projected broadening of the basis of the company's business. The history of the company indicates that though its fortunes have fluctuated widely, recovery, when it comes, tends to be sharp.

	Years to Dec. 31, 1952 £	1953 £
Group profits, after debenture interest	1,081,764	2,692,905
Taxation	663,487	1,271,454*
Pensions	207,194	68,607
Net profit	1,047,286	1,252,595
Minority Stockholders	25,521	15,175
Preference dividends	68,403	85,137
Ordinary dividends	263,545	375,795
Ordinary dividends (per cent.)	12.381†	17½
General Reserve	647,000	730,000
Added to carry forward	42,817	46,488

£1 ordinary stock units at 55s. 0d. yield £6 7s. 3d. per cent.

* After a credit of £167,240 (*£20,551*) relating to previous years.

† Int. 11% tax free, and final 10% less tax, equivalent to 12·381% less tax.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100) April 28, 1953	Jan. 26, 1954	Feb. 23, 1954	Mar. 30, 1954	April 27, 1954	Average Yields (per cent) April 28, 1953	Jan. 26, 1954	Feb. 23, 1954	Mar. 30, 1954	April 27, 1954
2½% Consols	85·1	90·7	90·6	90·8	93·5	4·16	3·90	3·91	3·89	3·78
Debenture stocks:										
Industrial	82·1	87·7	87·8	88·3	88·1	5·01	4·69	4·69	4·66	4·67
Investment trust	82·2	89·6	90·0	89·9	90·5	5·02	4·61	4·59	4·59	4·56
Preference stocks:										
Industrial	87·4	91·7	91·7	91·3	91·9	5·19	4·95	4·95	4·97	4·94
Investment trust	84·4	88·6	88·5	88·5	88·9	5·23	4·98	4·98	4·98	4·96
Ordinary stocks:										
Banks	85·6	98·7	97·1	96·5	99·1	4·75	4·42	4·50	4·56	4·44
Industrial insurance	109·9	110·4	117·7	114·5	115·6	5·24	5·22	4·90	5·09	5·04
Investment trust	119·3	140·6	147·3	147·9	153·7	5·62	5·10	4·92	5·02	4·83
Electrical engineering	98·7	105·0	108·3	109·1	116·2	5·88	5·65	5·49	5·51	5·33
Engineering	109·5	117·9	122·6	123·0	135·7	5·37	5·11	5·07	5·12	4·75
Motors and aircraft	109·7	120·1	125·8	128·9	133·4	6·06	6·02	5·74	5·88	5·67
Breweries	92·1	102·6	104·0	102·8	105·9	6·95	6·45	6·38	6·62	6·55
Chain stores	130·3	178·1	179·7	186·4	197·0	4·39	3·89	3·88	3·74	3·53
Cotton textiles	89·1	113·8	116·3	118·2	125·7	7·13	6·10	6·46	6·69	6·57
Household goods	87·0	118·6	124·1	125·5	128·7	5·96	4·82	4·85	5·40	5·36
Rayon	70·7	81·5	84·3	82·4	86·2	4·66	4·33	4·77	5·00	4·86
Tobacco	81·7	87·4	84·6	79·1	80·5	7·21	6·76	6·98	7·86	7·73
Wool textiles	83·6	104·8	106·5	106·2	108·1	6·26	5·51	5·81	6·18	6·09
Chemicals	113·3	134·9	143·9	141·0	149·6	5·36	4·75	4·51	4·67	4·66
Oil	107·8	133·9	139·5	144·6	149·6	6·92	6·51	6·30	6·28	6·06
Shipping	110·3	120·4	126·3	129·1	125·1	6·70	6·35	6·06	5·74	6·07
Total (capital goods)	*107·7*	*115·2*	*119·6*	*120·6*	*130·0*	*5·80*	*5·70*	*5·55*	*5·61*	*5·26*
Total (consumption goods)	*95·3*	*114·5*	*115·9*	*114·7*	*118·8*	*6·28*	*5·60*	*5·68*	*5·94*	*5·81*
Total industrial (all classes)	**100·9**	**117·1**	**120·5**	**120·7**	**125·7**	**6·14**	**5·65**	**5·60**	**5·73**	**5·61**

LONDON STOCK EXCHANGE

Next Account begins: May 19th.
Next Contango Day: May 19th.
Next Settlement Day: May 25th.

Up to noon on Thursday it had not been a week of big movement in the stock markets. Gilt-edged had held their own. The *Financial Times* index on Wednesday was 102.97 compared with 103.09 a week earlier. Industrial equities moved forward to a new peak of 147.4 on Wednesday compared with 146.2 a week earlier. But the movement had been slow and in general the markets firm, with little excitement. With the fall in the Bank rate an immediate upward adjustment in active dealings took place. Long-dated gilt-edged rose almost a point, and industrial and other groups showed advances.

Gilt-edged dropped back early in the week when the success of the Birmingham Corporation Loan was followed quickly—perhaps a shade too quickly—by the announcement of a £4,245,000 Trinidad Government loan of 4 per cent dated 1973/76 at 99½. The price was well calculated to the market and the effective amount offered for subscription in the United Kingdom was £3,200,000, but the interval had been so small that the premium which might have been expected on the Birmingham loan failed to develop. The gilt-edged market, however, remained basically firm and by Wednesday was showing signs of a further advance.

In a dull foreign bond market the Austrian 4½ per cent 1934/59 stock rallied following the formal debt offer, and insurance shares have been a consistently firm market through the week as the flow of good financial results rolled in. Prudential "A" reached 40¾ on Wednesday, a rise of 1¼ on the week.

The industrial market as a whole has remained persistently firm with advancing prices. On balance United Drapery have gained 9d. on the week at 59s. 9d. xd, Gussies 9d. to 75s. 6d. Rises have been well spread through the heavy engineering and motor groups.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
May 5	146·2	114·00	3·67	5·11
„ 6	146·9	114·02	3·67	5·11
„ 7	147·1	114·01	3·67	5·14
„ 10	147·0	114·05	3·68	5·14
„ 11	147·3	114·04	3·68	5·13
„ 12	147·4	114·05	3·68	5·12
			Total bargains	
1954, High	147·4 (May 12)	114·05 (May 10)	1954 May 5	11,891
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 6	11,225
			„ 7	11,772
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 10	13,103
			„ 11	10,853
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 12	10,727

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to May 12 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 5, 1954	Price, May 12, 1954	Net Yield, May 12, 1954 § £ s. d.	Gross Yield, May 12, 1954 £ s. d.
100 7/32	99 7/8	Exchequer 2½% 1955	100 3/8	100 3/8	0 13 4	1 19 11
103 3/8	101 1/4	Exchequer 3% 1960	103 3/8	103 3/8	1 2 1	2 9 7
102 3/4	99 13/16	Exchequer 3% '62-63	102 1/4	101 1/4*	1 10 0	2 16 6
99 29/32	99 3/8	Serial Funding 1½% 1954	99 7/8	99 7/8	1 4 1	1 19 9
100 1/4	99 31/32	Serial Funding 2½% 1957	100 1/8	100 1/8	1 2 11	2 3 1
101 11/32	100 1/16	Serial Funding 3% 1955	101 1/8	101 1/8	0 16 2	2 2 10
100 1/16	100	War Bonds 2½% '54-56	100 1/8	100 1/16	0 18 11	2 3 9
101 1/4	100 11/32	Funding 2½% '52-57	101 1/8	101 1/8	1 1 11	2 5 9
101 11/32	100 1/16	Nat. Def. 3% '54-58	101 1/4	101 1/4	1 3 6	2 12 5
102 1/4	101 1/8	War Loan 3% '55-59	102 1/8	102 1/8	1 3 11	2 11 0
98 3/8	95 11/16	Savings Bonds 3% '55-65	98 1/4	98 1/4	1 16 9	3 4 9
99 1/16	97 1/8	Funding 2½% '56-61	99 1/16	99 1/16	1 10 4	2 13 2
94 1/2	92 7/8	Funding 3% '59-69	94 3/8	94 3/8	2 2 0	3 10 2
95 7/8	93 1/16	Funding 3% '66-68	95 1/8	95 1/16	2 0 7	3 9 0
102 11/16	100 1/16	Funding 4% '60-90	101 1/8	101 1/16	1 17 4	3 13 2
93 1/4	90 3/8	Savings Bonds 3% '60-70	93 5/8	93 1/8	2 3 3	3 11 11
92 3/8	90 1/8	Savings Bonds 2½% '64-67	92 1/4	92 1/8	2 1 5	3 5 0
103 1/16	101 3/8	Victory 4% '20-76	102 3/8	102 1/8	1 19 9	3 15 11
91 1/2	87 1/8	Savings Bonds 3% '65-75	90 1/8	91 1/8	2 4 0	3 13 1
96 1/8	93 1/4	Consols 4% aft. Feb. '57	96 1/8	96	2 6 2	4 4 4
89 1/4	84 1/2	Conv. 3½% aft. April '61	89 1/8	88 1/8	2 3 6	3 19 2
100 3/32	99 1/16	Conv. 3½% 1969	99 1/8	100	1 19 1	3 11 3
68 1/8	65 3/8	Treas. 2½% aft. April '75	67 1/8	67 3/8	2 0 9	3 14 3
79 3/8	74 1/16	Treas. 3% aft. April '66	78 1/8	79 1/4	2 1 10	3 16 2
96 1/2	92 1/16	Treas. 3½% '77-80	96 3/8	95 15/16*	2 3 4	3 15 7
96 1/2	92 1/16	Treas. 3½% '79-81	96	95 15/16	2 3 0	3 15 11
87 1/16	83	Redemption 3% '86-96	86 3/4	87 1/8	2 2 2	3 12 0
89 1/16	84 3/16	War L'n 3½% aft. Dec. '52	88 1/4*	87 1/4*	2 3 9	3 19 6
68 1/16	63 1/16	*Consols 2½%*	68 1/4	67 3/4	2 0 7	3 13 11
91 1/16	88 1/16	Br. Elec. 3% '68-73	91 1/2	91 3/8	2 4 2	3 12 10
90 1/2	87 1/16	Br. Elec. 3% '74-77	90 3/8	90 3/8	2 3 9	3 12 9
105 1/16	103 3/16	Br. Elec. 4½% '74-79	105 1/8	105	2 1 1	3 18 7
96 1/16	93 1/16	Br. Elec. 3½% '76-79	95 15/16*	95 15/16*	2 2 8	3 14 11
88 3/8	83 3/16	Br. Trans. 3% '78-88	88 1/4	87 1/8	2 3 7	3 13 7
91 1/8	88 1/16	Br. Trans. 3% '68-73	91 3/8	91 3/8	2 4 3	3 12 11
103 3/16	100 1/2	Br. Trans. 4% '72-77	102 1/8	102 1/8	2 1 4	3 17 11
87 1/2	84 1/4	Br. Gas 3% '90-95	87 1/2	87 3/8	2 2 3	3 11 10
99 1/8	96 3/8	Br. Gas 3½% '69-71	99 1/4	99 1/8	2 0 1	3 12 3
103 1/16	99 1/2	Br. Gas 4% '69-72	102 1/16	102 1/16	2 0 5	3 16 8

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ *years approximately.*

Prices, 1953 High	Low	Prices, 1954 Jan. 1 to May 12 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, May 5, 1954	Price, May 12, 1954	Yield, May 12, 1954 £ s. d.
92	84 1/2	93 15/16	90 1/4	Aust. 3½% '65-69	93 1/2	93 1/2	3 16 9
		97 3/8	97 1/4	Ceylon 4% '73-75	97 1/2	97 1/2	4 4 0
98 11/16	98 3/32	102 1/4	98 1/4	N. Zealand 4% '76-78	101 1/2	101*	3 18 8
73 3/8	66 1/4	76 1/8	71 3/8	L.C.C. 3% aft. 1920	76*	76 1/2	3 18 5
95 3/4	90 3/8	96 1/4	95	Liverpool 3% '54-64	95	96	3 9 8
81 3/8	73 1/4	83 1/4	80 3/8	M. Wtr. 'B' 3% '34/2003	82 1/4	82 1/2	3 16 10
104 1/2	101 1/2	103 3/8	101 1/4	Agric. Mort. 5% '59-89	103	103	4 6 5
102 1/2	65	142	102	German 4½%	127 1/2	128 1/2	...
139 1/2	119	159 1/2	132 1/2	Japan 5% 1907	148	151	...
176	136	186 1/2	168 1/2	Japan 5½% Conv. 1930	172 1/2	177 1/2	...

Prices, 1954 Jan. 1 to May 12 High	Low	Last Two Dividends (*a*) (*b*) (*c*) %	%	ORDINARY STOCKS	Price, May 5, 1954	Price, May 12, 1954	Yield, May 12, 1954 £ s. d.
				BANKS & DISCOUNT			
46/-	42/3	7	9	*b* Barclays £1	45/-	45/6	4 7 11
62/6	58/9	6	8	*b* Lloyds "A" £5, £1 pd.	61/-	62/-	4 10 4
81/6	74/9	8	8	*b* Midland £1, fully pd.	76/-	77/-	4 3 1
81/-	72/7½	8½	8½	*b* N. Prov. "B" £5, £1 pd.	75/-	76/6	4 8 11
90/-	79/6	9	9	*b* Westminster £4, £1 pd.	85/-	87/-	4 2 9
101/-	92/-	7½	17½	*b* Alexanders £2, £1 pd.	98/9	101/-	4 19 0
48/6	40/10½	5	5	*b* Nat. Disc. "B" £1	47/-	48/-	3 2 6
51/6	44/6	5	5	*b* Union Disc. £1	49/-	50/6	3 19 2
41/-	37/6	4	4	*b* Barc. (D.C. & O.) "A" £1	40/-	39/6	4 1 0
45/1½	40/3	7	7	*b* Chart. Bk. of India £1	43/-	43/-	6 10 3
				INSURANCE			
12/16/0	9½	50	*a*	85 *b* Leg. & Gen. £1, 5/- pd.	11⅜	12⅜	2 13 6
22½	20⅜	20†	*a*	40† *b* Pearl £1, fully pd.	21⅜	21⅜	5 3 4
41	35 13/16	105†	*c*	112½† *c* Prudential "A" £1	39⅜	40⅜	5 0 4
				BREWERIES, ETC.			
130/3	126/-	10	*a*	33 *b* Bass £1	128/1½	129/4½	6 6 10
21/-⅜	17/4½	15	*b*	7½ *a* Distillers 4/-	20/-	20/6	4 7 10
33/6	31/-	7	*a*	11 *b* Guinness 10/-	32/6	32/6	5 10 9
120/-	90/-	8	*a*	15⅜ *b* Whitbread 'A' Ord. £1	115/-	118/9	3 10 9

† Free of tax. Yield calculated on gross basis (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (*i*) 12% paid for 9 months; yield basis 16%. (*j*) Also 5% Coronation bonus, not included in yield. (*k*) Yield basis 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 22% gross. (*r*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*v*) Yield basis 7½%. (*w*) Yield basis 20% (*x*) Yield basis 18·18% gross. (*z*) Yield basis 11½%.

Prices, 1954 Jan. 1 to May 12 High	Low	Last Two Dividends (*a*) (*b*) (*c*) %	%	ORDINARY STOCKS	Price, May 5, 1954	Price, May 12, 1954	Yield, May 12, 1954 £ s. d.
				STEEL & ENGINEERING			
12 1/16	15	*c*		B.S.A. £1	53/9	52/9	5 13 8
10	*b*	Cammell Laird 5/-			14/-	14/6	7 13 9
10	*b*	Guest Keen N'fold £1			59/3	55/-	5 9 1
7 1/16	*b*	United Steel £1			24/6	24/6	7 6 11
12 1/16	*b*	Vickers £1			57/-	57/6	5 4 4
				TEXTILES			
11	*b*	Bradford Dyers £1			39/-	41/-	7 6 4
12	6	*a*	Brit. Celanese 10/-		28/6	30/6	5 4 11
5	*a*	Coats (J. & P.) £1			57/6	57/6	4 6 11
6 1/16	*a*	Courtaulds £1			28/6	29/3	4 15 9
10	*b*	Lancs. Cotton £1			57/3	56/3	5 6 8
20	*c*	5	*a*	Patons & Baldwins £1	71/-	73/-	5 9 7
				ELECTRICAL			
7 1/16	*a*	7 1/16	*b*	Assoc. Elect. £1	48/6	48/6	4 12 9
2 1/16	*a*	1 7/16	*b*	B.I.C.C. £1	41/6	41/-	4 17 7
6 3/16	*a*	3 1/16	*a*	English Elect. £1	45/-	45/-	4 8 11
7 1/16	*b*	3 1/16	*a*	General Elect. £1	42/6	43/9	5 2 10
				MOTOR & AIRCRAFT			
6 1/16	*b*	3 1/16	*a*	Bristol Aero 10/-	19/9*	19/6*	5 2 7
4	*a*	6 1/16	*b*	British Motor 5/-	7/9	8/1½	6 9 3
7 1/16	*c*	De Havilland £1			24/6	25/3	5 18 10
12	*c*	Ford Motor £1			57/6	58/9	4 1 8
9	*b*	Hawker Siddeley £1			60/-	61/-	4 18 4
25	*c*	25	*c*	Leyland Motors £1	91/3	91/3	5 9 7
10	*b*	5	*a*	Rolls Royce £1	73/9	72/6	4 2 9
12	*c*	12	*c*	Standard Motor 5/-	6/4½	6/6	9 4 7
				SHOPS & STORES			
12 1/16	*b*	Boots Pure Drug 5/-			25/3	25/3	4 9 1
7 1/16	*a*	Debenhams 10/-			36/6	37/6	5 6 8
15	*a*	Gt. Universal 5/-			75/6	75/9	3 9 4
17 1/16	*b*	5	*a*	Lyons (J.) "A" £1	100/-	102/-	4 8 3
45	*b*	Marks & Spen. "A" 5/-			91/9	94/-	3 9 2
20	*a*	40	*b*	Woolworth 5/-	77/-	79/9	3 15 3
				OIL			
37 1/16	*b*	Anglo-Iranian £1			11 1/16	11⅛	3 13 2
12	*b*	Royal Dutch 100 fl.			£44⅛	£47	3 6 4
10†	*b*	Shell Reg. £1			115/-*	117/6*	4 12 11
5†	*a*	Trinidad L'holds 5/-			21/9	24/-	3 15 9
				Ultramar 10/-	29/3	28/9	Nil
				SHIPPING			
37 1/16	*b*	Anglo-Iranian £1			11 1/16	11⅛	3 13 2
12	*b*	Royal Dutch 100 fl.			£44⅛	£47	3 6 4
10†	*b*	Shell Reg. £1			115/-*	117/6*	4 12 11
5†	*a*	Trinidad L'holds 5/-			21/9	24/-	3 15 9
				Ultramar 10/-	29/3	28/9	Nil
				MISCELLANEOUS			
12 1/16	*b*	Assoc. Port. Cem. £1			75/-	78/9	4 8 10
16	*c*	Bowater Paper £1			54/4½	59/4½	5 7 10
6	*b*	Brit. Aluminium £1			34/4½	36/-	5 11 7
4 7/16	†*a*	Brit. Amer. Tob 10/-			39/6	39/6	5 15 1
3	*a*	3	*b*	Canadian Pacific $25	$43¼	$42	6 8 10
35	*c*	5	*a*	Decca Record 5/-	38/3	38/-	4 12 1
14	*c*	Dunlop Rubber 10/-			23/3	23/9	5 5 3
9	*b*	Imp. Chemical £1			59/3*	60/3*	4 19 7
11 1/16	*b*	Imp. Tobacco £1			51/-	51/6	7 15 4
$2·60*c*	$2·35*c*	Inter. Nickel n.p.v.			$71¼	$71½	5 17 5
9	*b*	London Brick £1			58/9	58/9	4 15 4
12 1/16	*b*	Tate & Lyle £1			66/6	67/6	4 14 10
7 1/16	*a*	Tube Investments £1			65/-	63/9	4 14 1
15	*b*	Turner & Newall £1			79/6	83/-	4 4 4
9 3/16	*b*	Unilever £1			68/9*	72/-*	4 7 6
7 1/16	†*b*	United Molasses 10/-			36/3	36/-	6 2 3
				TEA & RUBBER			
Nil	*c*	10†	*c*	Cons. Tea & Lands £1	31/-	34/6	10 10 9
35	*c*	10	*c*	London Asiatic Rbr. 2/-	2/2½	2/1½	9 8 3
15	*b*	United Sua Betong £1			46/3*	45/7½*	8 15 4
				MINES			
20	*a*	40	*b*	Anglo-Amer 10/-	6 3/16	6 5/16	4 17 6
80	*a*	120	*b*	De Beers 5/- Bearer	80/6	83/3	12 0 4
...	...			Free State Geduld 5/-	79/4½	88/1½	Nil
10	*c*			Randfontein £1	58/6	60/7½	3 6 0
24	*c*			London Tin 4/-	5/10½	6/4½	15 1 0
50	*a*			Rhokana £1	20⅝	21½	10 13 0

* Ex div dend.

New York Closing Prices

	May 5 $	May 12 $		May 5 $	May 12 $		May 5 $	May 12 $
Balt. & Ohio.	20⅝	21	Am. Smelting.	33½	35⅞	Inter. Paper..	68½	71
Can. Pac....	23⅞	23⅝	Am. Viscose..	31½	36	Nat. Distill..	17½	18
N.Y. Cent....	22	21⅞	Cel. of Amer..	16⅝	19⅜	Sears Roebuck	63⅜	64⅞
Pennsyl.....	17	16⅛	Chrysler	58½	60½*	Shell	49	49
Amer. Tel....	168⅝	168½	Gen. Elec....	119⅝	116⅝	Std. Oil of N.J.	88*	88½
Stand. Gas...	12⅜	12⅜	Gen. Motor...	71	71½	U.S. Steel....	45½	47
United Corp..	5⅜	6	Goodyear	65⅞	64½*	*Westinghouse.*	70½*	69⅝
W. Union Tel.	35⅝	36⅜	Inter. Nickel .	39½	40⅜	Woolworth...	40½*	40⅞

* Ex dividend.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	May 8th	Western Europe: Production and Trade	May 8th
Production and Consumption	This week	British Commonwealth	This week
Manpower	April 17th	Western Europe: Prices and Money Supply	April 17th
External Trade	May 1st	United States	May 1st
Financial Statistics	This week		
Industrial Profits	April 24th		
		World Trade.....April 24th	

UK Production and Consumption

M = Monthly averages or calendar months. W = Weekly averages. Stocks at end of period.

		Unit	Monthly averages 1951	1952	1953	1953 Jan.	Feb.	Mar.	Dec.	1954 Jan.	Feb.	Mar.
INDUSTRIAL PRODUCTION												
Index:		1948 = 100	117	114	121	118	122	124	121	127	130	132–133[a]
All industries		"	108	109	109	118	116	115	108	117	118	...
Mining and quarrying		"	101	103	109	99	109	109	106	...	...	...
Building and contracting		"	124	127	132	153	151	142	148	161	165	...
Gas, electricity and water		"										
Manufacturing, total		"	121	115	123	119	123	126	123	130	133	...
Engineering, shipbuilding, electrical goods		"	127	127	130	129	132	135	132	...	...	...
Vehicles		"	124	124	138	128	139	140	138	153	...	...
Chemical trades		"	134	132	150	143	149	157	149	...	...	...
Textiles and clothing		"	116	99	114	111	121	122	105	119	...	...
Food, drink and tobacco		"	105	108	114	102	105	112	114	110	...	...
BASIC MATERIALS												
Production of:												
Coal [1]	W	'000 tons	4,275	4,332	4,300	4,630	4,557	4,522	4,251	4,595	4,609	4,612
Pig-iron	W	"	186	202	215	214	214	216	225	230	222	231
Steel, ingots and castings	W	"	301	310	339	346	352	351	339	360	357	365
Sulphuric acid	M	"	133·8	125·5	156·3	149·5	138·3	162·5	178·5	174·8	166·1	...
Newsprint	W	"	10·13	10·32	11·60	11·64	11·79	12·21	10·99	11·92	12·53	...
Electricity [1]	M	mn. kwh	4,964	5,166	5,459	6,609	5,802	5,992	6,533	7,122	6,609	6,650
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb	20·71	14·82	17·97	16·84	17·70	18·24	18·63	19·80	20·05	20·54
Worsted yarn	M	"	16·61	14·84	18·40	19·26	17·58	19·09	18·85	19·27	18·19	...
Rayon and synthetic fibres, total	M	"	32·00	23·59	34·94	34·38	32·74	36·29	34·86	37·24	34·80	40·18
" " " " staple fibre	M	"	13·93	10·59	16·85	17·12	15·87	17·21	16·69	18·68	17·18	19·94
Cotton cloth, woven	W	mn. yds	42·3	32·5	35·2	32·9	34·5	35·3	36·5	39·1	39·5	40·4
Wool fabrics, woven	M	mn. sq yds	34·8	31·5	34·3	37·5	33·9	36·1	33·4	36·8	33·4	...
Engineering production:												
Passenger cars and chassis	W	'000s	9·15	8·62	11·44	10·21	10·06	9·62	12·11	13·40	14·04	14·68
Commercial vehicles and chassis	W	"	4·96	4·66	4·61	5·15	5·03	4·04	4·71	5·00	5·06	4·87
Metal-working machine tools	M	'000 tons	11·09	12·58	12·63	17·47	11·94	13·11	11·06	10·09	10·94	...
Internal combustion engines	M	'000 BHP	353	331	311	311	307	317	303	330	326	...
BUILDING ACTIVITY												
Permanent houses completed: [1]												
Total	M	'000s	16·24	19·99	26·56	20·58	20·12	28·73	33·51	24·60	19·79	33·71
For private owners	M	"	1·88	2·86	5·24	3·51	3·20	4·51	6·80	5·60	4·73	7·07
For local housing authorities	M	"	13·55	16·11	19·91	16·08	16·05	23·16	24·42	17·14	13·97	24·54
Other	M	"	0·81	1·03	1·41	0·99	0·87	1·05	2·29	1·86	1·09	2·10
WHOLESALE SALES [1]												
Textile houses:		Av. value 1950 = 100	104	90	95	58	87	117	87	53	86	116
Total home sales		"	100	90	96	56	91	126	85	52	92	123
Women's and children's wear		"	104	82	91	52	71	104	86	48	69	110
Men's and boys' wear		"	103	68	66	51	80	90	57	46	79	87
Piece-goods		"										
RETAIL SALES [1]												
Large retailers:		Weekly av. value 1950 = 100	109	117	124	112	112	120	162	118	115	...
All merchandise		"	110	110	113	85	83	104	175	99	89	...
Clothing and footwear		"	108	102	110	104	94	107	133	112	99	...
Household goods												
Independent retailers:												
Clothing and footwear		"	100	95	94	83	72	85	131	90	72	...
Household goods		"	112	109	120	114	113	113	149	120	115	...
STOCKS												
Basic materials:												
Coal, distributed [1]		'000 tons	16,115	16,311	18,178	14,179	13,074	12,720	18,178	15,956	13,933	13,225
Steel		"	640	817	1,112	853	850	892	1,112	1,086	1,039	...
Copper [2]		"	113·4	132·0	50·6	135·2	146·9	149·2	50·6	60·4	60·1	...
Sulphur		"	99·4	211·8	66·8	203·8	180·5	180·2	66·8	53·8	87·1	...
Newsprint		"	109·9	189·7	110·6	189·6	183·1	164·6	110·6	111·6	108·4	...
Textiles:		Av. value 1950 = 100	129	74	89	81	89	87	89	101	118	118
Wholesale houses, total [3]		"	106	92	102	87	100	112	102	95	114	...
Large retailers, clothing and footwear [3]												

[1] Great Britain. [2] Provisional estimate. [3] Excluding government stocks from August, 1953.

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	1,526	74	...	363	2,180	...	118	478
1952	1,617	1,153	3,025	2,302	646	14·7	975	5,149	517	301	1,045
1953	1,545	1,031	2,987	2,362	911	15·8	...	5,457	560	...	1,112
1953, November	1,744	1,219	2,677	2,284	1,008	18·0	1,140	5,448	563	282	1,123
„ December	1,252	1,206	3,163	2,383	1,063	19·0	1,124	5,718	604	277	1,101
1954, January	1,167	1,134	2,903	2,422	1,067	...	1,079	5,634	590	266	1,111
„ February	1,464	1,080	...	2,118	...	...	...	...	...	258	...

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
1952	17·2	25·1	8·0	48·7	5·24	137	275	132	103	81·9	373	983·3
1953	16·0	28·4	7·8	47·9	5·20	171	306	126	107	89·7	339	994·7
1953, November	12·3	30·6	8·0	48·4	4·31	182	297	147	105	93·3	273	1,002·6
„ December	13·1	27·9	10·5	52·6	4·92	166	273	148	98	106·6	275	1,021·1
1954, January	11·9	26·6	6·5	50·1	5·10	169	267	...	108	83·1	293	1,015·2
„ February	13·3	23·2	4·0	44·0	5·55	142	...	...	...	...	...	979·7
„ March	21·0	29·6	...	...	...	...	...	...	...	...	...	1,074·2

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
1952	87·5	55·7	336	363	550	482	22·96	19·98	178·3	167·4	34·83	28·02
1953	42·5	70·9	365	348	...	...	16·01	19·60	112·6	125·8	35·45	26·88
1953, November	50·7	85·2	351	355	389	487	17·30	15·00	92·1	99·6	33·50	29·50
„ December	58·7	79·3	338	361	395	515	17·50	25·00	131·9	121·1	35·10	26·20
1954, January	60·4	58·0	280	265	398	438	...	19·00	112·6	118·5	35·10	21·00
„ February	45·7	58·9	300	280	399	388	...	...	94·9	98·6	34·80	27·20
„ March	67·4	86·8	...	...	...	...	...	...	...	...	...	...

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	72	66	35	72	...	68	71
1952	944	1,864	1,729	120	381	167	121	105	128	101	126	133
1953	...	1,825	1,765	204	291	183	120	108	134	112	130	137
1953, November	...	1,813	1,737	207	266	188[5]	121	107	138[5]	112	131	137
„ December	...	1,825	1,765	204	291		120	105		111	130	137
1954, January	...	1,840	1,789	207	230	187	120	...	...	111	131	138
„ February	...	1,860	1,811	235	274		120	...	...	112	131	137
„ March	...	1,833	1,828	255	...		120	...	...	...	...	...

(1) Petroleum production in Canada in 1938 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 and tin refer to metal production. (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 and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. Annual figures for Australia are for year ending June 30th. (5) Average of fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 8th, there was an "above-line" surplus (after allowing for Sinking Funds) of £45,703,000 compared with a surplus of £5,823,000 in the previous week and a surplus of £18,646,000 in the corresponding period of last year, bringing the cumulative deficit to £15,120,000 (£7,930,000 in 1953-54). Net expenditure "below-line" absorbed £9,356,000, raising the total cumulative deficit to £34,507,000 (£38,336,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to May 9, 1953	April 1, 1954 to May 8, 1954	Week to May 9, 1953	Week to May 8, 1954
Ord. Revenue					
Income Tax	1800,000	139,883	117,113	9,349	9,986
Sur-tax	132,000	11,700	11,700	1,900	1,800
Death Duties	164,375	22,500	17,800	3,500	3,500
Stamps	55,000	6,500	6,800	1,200	1,500
Profits Tax & EPT	172,000	18,500	13,000	3,200	2,500
Excess Profits Levy	60,000	3,900	6,100	1,000	1,400
Special Contribution and other Inland Revenue	1,000	170	100	60	—
Total Inland Rev.	2384,375	203,153	172,613	20,209	20,686
Customs	1062,500	114,132	119,690	19,961	22,912
Excise	719,000	92,915	78,450	39,485	32,970
Total Customs and Excise	1781,500	207,047	198,140	59,446	55,882
Motor Duties		6,148	6,846	2,068	1,955
PO (Net Receipt)	77,000	400	—	400	—
Broadcast Licences	21,000	1,000	1,250	—	—
Sundry Loans	24,000	112	1,948	58	1,842
Miscellaneous	245,000	12,008	17,733	93	10,183
Total	**4532,875**	**429,868**	**398,530**	**84,274**	**90,548**
Ord. Expenditure					
Debt Interest	570,000	77,395	77,274	2,649	5,440
Payments to N. Ireland Exchequer	51,000	4,408	5,137	1,469	1,713
Other Cons. Fund	10,000	567	440	—	—
Supply Services	3855,399	352,571	328,014	60,200	38,550
Total	**4486,399**	**434,941**	**410,865**	**64,318**	**45,703**
Sinking Funds	36,000	2,857	2,785	1,310	1,060
"Above-line" Surplus or Deficit		**7,930**	**15,120**	**18,646**	**43,785**
"Below-line" Net Expenditure		30,406	19,387	7,003	9,356
Total Surplus or Deficit		**38,336**	**34,507**	**11,643**	**34,429**
Net Receipts from:					
Tax Reserve Certificates		25,093	28,563	432	2,067
Savings Certificates		9,500	1,300	2,900	900
Defence Bonds		−9,901	−5,262	−2205	−1498

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
May 9	3,030·0	1,462·3	238·6	3·5	4,734·4
1954					
Feb. 6	3,040·0	1,362·5	236·5	...	4,638·5
„ 13	3,040·0	1,303·8	265·7	...	4,609·5
„ 20	3,040·0	1,331·9	293·5	...	4,665·4
„ 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
„ 13	3,080·0	1,345·5	301·7	0·3	4,727·4
„ 20	3,100·0	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
„ 8	3,240·0	1,272·2	266·9	...	5,134·2

THE MONEY MARKET

BANK rate was reduced from 3½ to 3 per cent on Thursday and the clearing banks subsequently announced corresponding reductions in their deposit allowances and short loan rates. The clearing banks' and discount houses' deposit rates are thus down to 1¼ per cent; and the banks' rates on call money to 1¼ per cent against Treasury bills, to 1½ per cent against bank bills and to 1⅝ per cent against bonds. Outside banks also appear to have reduced their lending rates by ½ per cent, to 1½ per cent. Discount rates on fine trade bills are reduced down to ½ per cent, and rates on bank bills by ¼-⅜ per cent. The new rate structure is set out below.

In the preceding week the surplus of credit in Lombard Street disappeared. But the acute stringency that developed on Thursday of last week and again on Monday was relieved by substantial official purchases of bills, both directly and through the banks.

Applications for the increased offer of £240 million of Treasury bills at last week's tender dropped back sharply from their record level of £437.5 million to £405.6 million. The market maintained its bid at £99 9s. 9d. and received a slightly higher allotment (42 per cent against 38½ per cent in the preceding week).

The gold market has had another quiet week. Prices at the fixings remained between 248s. 11d. and 249s.

The Bank return shows that bankers' deposits fell by £4.9 million to £270.6 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅞
Deposit rates (max)		3 months	1⅞
Banks	1½	4 months	1⅞
Discount houses	1¼	6 months	2
Money—Day-to-day	...	**Fine trade bills**:	
Short periods	1¼-1⅜	3 months	2⅛-3⅛
Treas. bills 2 months	2⅛*	4 months	3-4
3 months	2⅛*	6 months	

* Rates prevailing before change in Bank rate.

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	May 13	May 5	May 12
Issue Department:*			
Notes in circulation	1,519·7	1,613·3	1,612·9
Notes in banking dept.	30·6	12·0	12·5
Govt. debt and securities*	1,546·8	1,621·8	1,621·8
Other securities	0·7	0·7	·07
Gold coin and bullion	2·9	2·9	2·9
Banking Department:			
Deposits:			
Public accounts	14·7	15·4	19·9
Treasury special account	45·7	13·1	4·6
Bankers	263·4	275·5	270·6
Others	67·2	69·3	70·7
Total	391·0	373·3	365·8
Securities:			
Government	348·2	353·1	346·2
Discounts and advances	10·0	9·6	8·4
Other	18·4	13·9	14·0
Total	376·6	376·6	368·6
Banking department reserve	32·4	14·7	15·1
"Proportion"	% 8·2	% 3·9	% 4·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate %
1953						
May 8	240·0	347·4	2·400	47	7·83	56
1954						
Feb. 5	220·0	386·4	220·0	41	3·68	49
„ 12	230·0	369·9	230·0	41	4·00	58
„ 19	240·0	398·9	240·0	41	3·56	45
„ 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	412·9	270·0	41	3·83	53
„ 12	270·0	414·6	270·0	42	2·61	45
„ 19	260·0	365·6	260·0	42	3·64	60
„ 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
„ 9	270·0	392·2	270·0	42	4·05	59
„ 15	230·0	417·2	230·0	41	7·41	44
„ 23	230·0	415·4	230·0	41	7·34	38
„ 30	230·0	437·5	230·0	40	11·36	38½
May 8	240·0	406·6	240·0	40	10·84	42

* On May 7th tenders for 91 day bills at £99 9s. 9d. secured about 42 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	May 12	May 6	May 7	May 8	May 10	May 11	May 12
United States $	2·78-2·82	2·81 15/16-2·82 1/16	2·81 15/16-2·82 1/16	2·81 15/16-2·82 1/16	2·81 15/16-2·82 1/16	2·81 15/16-2·82 1/16	2·81 15/16-2·82 1/16
Canadian $	...	2·77 13/16-2·77 15/16	2·77 13/16-2·77 15/16	2·77 13/16-2·77 15/16	2·77 13/16-2·77 15/16	2·77 13/16-2·77 15/16	2·77 13/16-2·77 15/16
French Fr.	972·65-987·35	986 1/4-986 3/4	986 1/4-986 3/4	986 1/4-986 3/4	986 1/4-986 3/4	985 3/4-986	985 3/4-985 7/8
Swiss Fr.	12·15 3/8-12·33 3/8	12·24 1/4-12·24 1/2	12·24 1/4-12·24 1/2	12·24 1/4-12·24 1/2	12·23 1/2-12·24	12·23 1/2-12·23 7/8	12·23 1/2-12·23 1/2
Belgian Fr.	138·95-141·05	140·70-140·80	140·70-140·80	140·70-140·80	140·70-140·80	140·70-140·80	140·65-140·75
Dutch Gld	10·56-10·72	10·64 1/8-10·64 3/8	10·64 1/8-10·64 3/8	10·64 1/8-10·64 3/8	10·63 7/8-10·64 1/8	10·63 7/8-10·63 7/8	10·63 7/8-10·64
W. Ger. D-Mk.	11·67 3/8-11·84 1/8	11·76-11·76 1/4	11·75 1/2-11·75 3/4	11·75 1/2-11·75 3/4	11·74 1/2-11·75	11·74 1/2-11·74 3/4	11·74 1/2-11·74 7/8
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05
Swedish Kr.	14·37 1/8-14·59 1/8	14·56 1/4-14·56 1/2	14·55 1/4-14·56 1/4	14·56 1/4-14·56 1/2	14·56-14·56 1/4	14·56-14·56 1/4	14·56 1/4-14·56 1/2
Danish Kr.	19·19 1/2-19·48 1/2	19·43 1/2-19·43 3/4	19·43-19·43 1/4	19·43-19·43 1/4	19·43 1/4-19·44	19·43 1/4-19·43 3/4	19·43 1/2-19·44 1/4
Norwegian Kr.	19·85-20·15	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4
One Month Forward Rates							
United States $		1/4c. pm-par	1/4c. pm-par	1/4c. pm-par	1/4c. pm-par	1/4c. pm-par	1/4c. pm-par
Canadian $		1/8-1/4c. dis	1/4-5/8c. dis	1/4-5/8c. dis	1/4-1/2c. dis	1/4-1/2c. dis	1/4-5/8c. dis
French Fr.		1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis
Swiss Fr.		1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm
Belgian Fr.		1/4 pm-1/4 dis	1/4 pm-1/4 dis	1/4 pm-1/4 dis	1/4 pm-1/4 dis	1/4 pm-1/4 dis	1/4 pm-1/4 dis
Dutch Gld.		1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm
W. Ger. D-Mk.		1/2pf. pm-1/2pf. dis	1/2pf. pm-1/2pf. dis	1/2pf. pm-1/2pf. dis	1/2pf. pm-1/2pf. dis	1/2pf. pm-1/2pf. dis	1/2pf. pm-1/2pf. dis
Swedish Kr.		3-1/8 pm	2-1/8 pm	2-1/8 pm	2-1/8 pm	2-1/8 pm	2-1/8 pm
Danish Kr.		1/8 pm-1/8 dis	1/8 pm-1/8 dis	1/8 pm-1/8 dis	1-3/8 dis	1-3/8 dis	1-3/8 dis
Norwegian Kr.		1/8 pm-1/8 dis	1/8 pm-1/8 dis	1/8 pm-1/8 dis	Par-2/8 dis	Par-2/8 dis	Par-2/8 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/11 1/2	248/11	...	248/11	248/11 1/2	249/-

ABRIDGED PARTICULARS

CYRIL LORD LIMITED

(Incorporated in Northern Ireland)

Authorised	SHARE CAPITAL	Issued or to be issued
£1,250,000	in 6½ per cent. Redeemable Cumulative Preference Shares of £1 each	£1,000,000
£1,250,000	in Ordinary Shares of £1 each	£1,000,000
£2,500,000		£2,000,000

ISSUE OF

1,000,000 6½ per cent. Redeemable Cumulative Preference Shares of £1 each at 20/- per share

Redeemable at 22/6d. per share between 30 June 1979 and 30 June 1984.

The list of Applications for the shares will open at 10 a.m. on Wednesday, 19 May, 1954, and close on the same day.

Firm applications have been received from sub-Underwriters for 350,000 Preference Shares which will be allotted in full.

The full prospectus will show *inter alia* that:

1. **BUSINESS:** The Company and subsidiaries form a group which has been built up during the past eight years by Mr. Cyril Lord, with the assistance of Mr. W. H. McMillan, who are 42 and 43 years of age respectively, and who between them own the whole Ordinary Share capital of the Company. The Group is engaged in the spinning and weaving of cotton and rayon and other synthetic fibres, and is considered to be one of the most efficient and up-to-date in the textile industry. Total manufacturing units comprise 490,000 spinning spindles and 1,600 weaving looms. Since 1946, some £800,000 has been spent on new plant. The Company has additional retail outlets through 23 retail fabric shops.

2. **ASSETS: £2,424,965, sufficient to cover nominal amount of Preference Shares now being issued, together with the minimum premium of 2/6d. per share, over TWO TIMES.**

3. **PROFITS, (less losses, before taxation).**

Period or Year ended 31 December (1)	Cyril Lord Limited (2)	Subsidiary Companies (3)	Combined Profits so far as they concerned Cyril Lord Limited (4)
	£	£	£
1945 (from 23 June)	381	59,603	381
1946	15,443	188,016	15,443
1947	25,310	285,391	25,310
1948	44,860	437,842	44,860
1949	45,488	451,943	102,628
1950	64,001	666,050	208,747
1951	100,414	654,830	234,201
1952	142,360	555,465	566,174
11 months ended 30 November, 1953	137,281	439,818	516,901

Such of the profits shown in column (3) as are not included in column (4) are attributable to the respective periods during which the subsidiary companies were not owned by the Company.

Annual average of combined profits so far as they concern the Company as shown in column (4) above after deducting additional depreciation for the 3 years and 11 months ended 30 November, 1953, was £363,545, sufficient to cover the gross amount required for the dividend on the present issue of Preference Shares (£92,857) **NEARLY FOUR TIMES.**

In the absence of unforeseen circumstances, the Directors consider that after providing for additional depreciation but before providing for taxation, the profits of the Group, for the year ending 30 November, 1954, should substantially exceed the average profits for the 3 years and 11 months ended 30 November, 1953, of £363,545 per annum.

The full prospectus on the terms of which alone application will be considered and forms of application are now available from:

COUTTS & CO., New Issue Department, 440 The Strand, London, W.C.2, *or any of its branches.*

NATIONAL PROVINCIAL BANK, LTD., New Issue Department, 15 Bishopsgate, London, E.C.2, *or any of its branches.*

Or from the Brokers to the Issue:

HOARE & COMPANY, 4 Crosby Square, London, E.C.3.

or

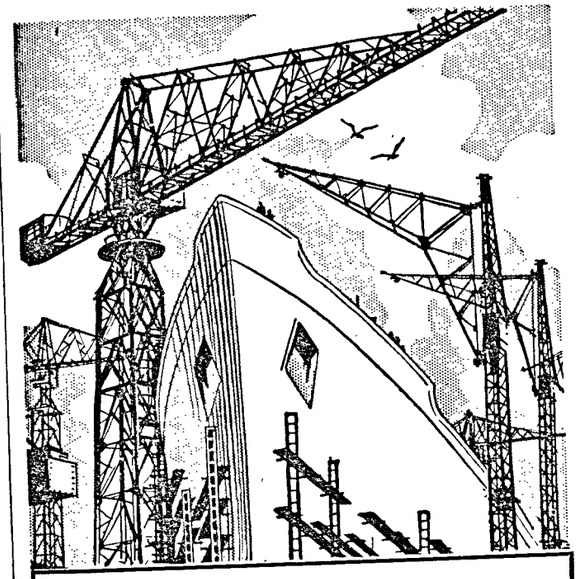
OCEAN TRUST COMPANY LIMITED,

99a Park Lane, London, W.1.

MARTINS BANK HELPS YOU

MARTINS BANK LIMITED

London District Office: 68, Lombard Street, E.C.3.
HEAD OFFICE: 4, WATER ST., LIVERPOOL, 2.
Total Assets (as at 31st Dec., 1953) £359,885,065

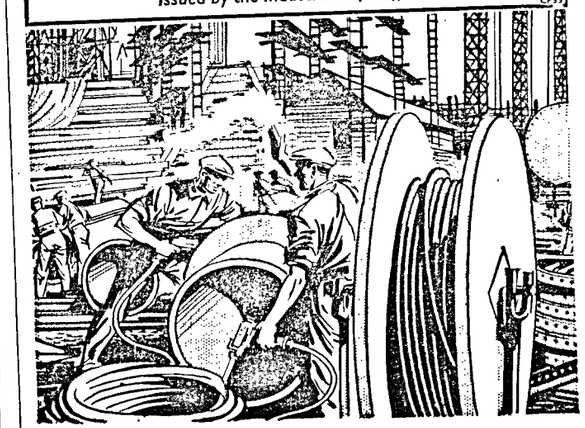


MONEY AT WORK IN BRITISH INDUSTRY

The regular calls of the Home Service Insurance Man provide much-needed capital for investment in industry and commerce

Issued by the Industrial Life Offices

CP33



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 £181,183,000

ABBEY NATIONAL
BUILDING SOCIETY

HEAD OFFICE: ABBEY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory

ALLIANCE

ASSURANCE COMPANY LIMITED

Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

The Finest Service

for

All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

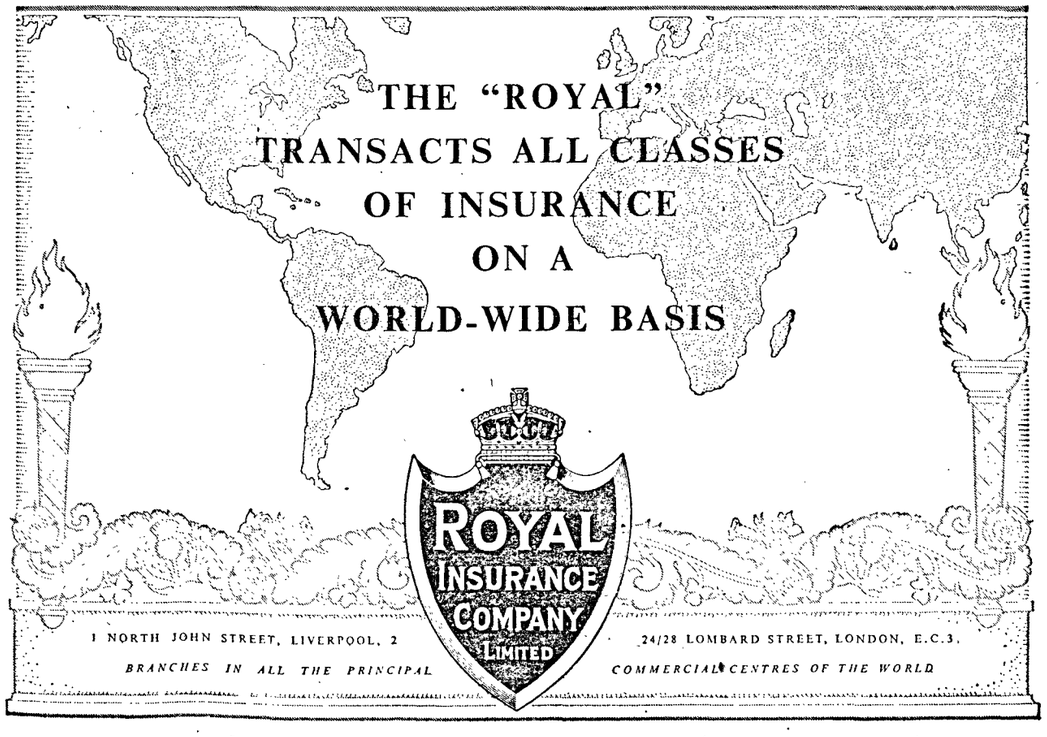
The Company undertakes the duties of Executor and Trustee

The Chartered Bank of India, Australia and China was incorporated in England by Royal Charter on 29th December, 1853, and during the ensuing century its system of Branches has been progressively extended to most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. At all these Branches a complete banking service is available and, in particular, facilities are provided for the financing of international trade in co-operation with the Bank's offices in London, Manchester and Liverpool, its Agencies in New York and Hamburg, and a world-wide range of Banking correspondents.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

Head Office: 38 Bishopsgate, London, E.C.2.

'Realms of Silver,' Sir Compton Mackenzie's history of the Bank, has been published by Routledge & Kegan Paul. Copies of the book may be ordered through any bookseller at a cost of 25/-



COMPANY MEETINGS

CANADIAN PACIFIC RAILWAY COMPANY

ANOTHER YEAR OF NATIONAL PROGRESS

IMPRESSIVE STRENGTH AND GREAT POTENTIALITIES

THE RAILWAY'S VITAL ROLE

MR W. A. MATHER ON RATES AND COSTS

The seventy-third annual general meeting of the Canadian Pacific Railway Company was held on May 5th at Montreal, Mr George A. Walker, QC, chairman of the company, presiding.

Mr W. A. Mather, the president, addressing the meeting, said:

We are meeting at a time of some uncertainty in business outlook. We are hopeful, however, that, before the year has progressed much further, the steady expansion of the Canadian economy, which has been so manifest in recent years, will be resumed.

PROBLEM OF RISING COSTS

1953 was for Canada another year of progress, one in which the productive capacity of the nation was again expanded and in which it produced a record volume of goods and services. Official figures show, however, that while the increase in the national output amounted to about 4 per cent there was an increase of 8 per cent in labour income. The comparable figures for 1952 showed rises in that year of 6 per cent in the national output and 12 per cent in labour income. Thus, for the second successive year the rise in national output has lagged behind the increase in wages and salaries. This trend towards an increasingly high cost economy poses serious problems for all of us. Unless halted, it could aggravate still further the deterioration in market conditions reflected in the worsening trade balances of recent months.

Perhaps the most significant and perplexing problem on the trade front is the marketing of the 1953 grain crop. Export sales in the first part of the year were satisfactory, but subsequently declined drastically. As a result, stocks of grain available for export are taxing all available storage facilities, although the crop in 1953 was not as large as in 1952. The reduction in the volume of grain moving to foreign markets was reflected in a decrease of 3.6 per cent in the grain traffic of your railway in 1953. Marketing problems were also manifest in some manufacturing industries. Export sales have declined, while imports from other countries have increased. There is reason to believe that the difficulties experienced by Canadian manufacturers are not unrelated to the fact that labour costs have continued to outstrip the increase in productivity. With the postwar backlog of demand now largely filled, competition for the consumers' dollar has increased.

INCREASING COMPETITION

In short, we have returned to the condition of a buyer's market—one in which the normal interplay of costs and prices should, over a period of time, strengthen and invigorate our economy in relation to the rest of the world. Increasing competition, while affecting many domestic markets, has been particularly noticeable in its effect on our foreign sales. Canada ranks third among the trading nations of the world. Hence, it is most important to the maintenance of a high level of employment in Canada and of a steady volume of traffic for your railway and steamships that our international trade remain at a high level. When Canadian labour costs, and therefore Canadian prices, tend to be high, our competitive position in world markets deteriorates and our prosperity suffers. Only by constant scrutiny of our prices can we ensure that the standard of living which we seek will not be so high as to prove self-defeating by pricing Canadian goods out of world markets. Experience has shown that inasmuch as competition promotes economical and efficient production, it is healthy for both consumer and producer.

Competition, however, presents a challenge to both management and labour to strive together for low cost by increasing output, improving the quality of product, and examining closely price and wage levels. Non-productive, make-work projects and similar devices offer no substitute for efficient and economical production in bringing about a high level of employment and economic well-being. Canadian industry, as a result of the large capital investments made in the postwar years, is well equipped with modern tools and machinery to meet and to take advantage of the challenge of competition. I am confident that with a realisation of the nature of the problem, the inherent good sense of Canadians will ensure that this challenge will be met vigorously and effectively.

The potentialities of Canada cannot fail to impress even the most timorous. Throughout the length and breadth of this vast country there is abundant evidence of the strength of our economy—sound and impressive strength that justifies optimism on the part of all Canadians as to the future. Possibly the greatest strength lies in the growth of our population. Last year, the number of people in Canada increased by 381,000, bringing the total to over 15 million—each an individual with needs and desires, who must be fed and clothed and for whom the goods and services required for modern living must be produced. The resulting expansion in our domestic market and in our productive capacity are major factors in maintaining the buoyancy of our economy.

WEALTH OF NATURAL RESOURCES

One of the best known of our basic strengths is the wealth of our natural resources. As has been frequently said, this country is witnessing a great surge of mineral development not only of the basic and familiar metals but also of the new materials of the jet and the atomic age. Among the more spectacular of the present and proposed developments are iron ore in Labrador; nickel, lead and zinc in the Yukon, the North-West Territories and the Maritimes; copper and titanium in Quebec; uranium in Ontario and Saskatchewan; and asbestos and tungsten in British Columbia. Much of the productive forest area, which accounts for about one-third of the total land area of the ten provinces, is yet untouched. Recent progress in forest management encourages the hope that these lands will prove capable of a far greater productivity than was once thought probable.

These developments broaden the foundation of our industrial potential—a potential that is becoming all the more impressive since it is accompanied by the discovery and development of various additional sources of energy. Not many years ago there were some who, looking only at the traditional source of industrial power—coal—considered that the industrial potential of Canada was limited by the geographic location of its vast coal reserves. Today, with a growing realisation of our reserves of water power, improved transmission methods, oil and natural gas and, for eventual development, nuclear energy, our sources of power are considered not as a limiting factor to our industrial potential but rather as one of the major forces in the expansion of the economy.

OIL RESERVES

Reserves of oil are now estimated at 3 billion barrels, establishing Western Canada as one of the important oilbearing regions of the world. The rich potential of new and expanding fields leads us confidently to expect a considerable increase in proven reserves as exploration and discovery move northward and eastward across the prairies. Since the discovery of the Leduc Field early in 1947, one billion dollars has been spent on oil exploration and development. Additional large sums have been invested is refinery and pipeline facilities. As new facilities come into operation, the flow of oil from established fields will steadily increase.

Average daily production of crude oil rose to 282,000 barrels per day in 1953. This amounts to one-third more than in 1952, and almost ten times more than in 1946. The availability of oil and its products is transforming the economy of parts of our Western Provinces. Chemical and other industries have already been established there and are stimulating the general industrial expansion of areas previously predominantly agricultural. Moreover, the export of natural gas from Western Canada will bring a new source of energy to Central Canada.

The potential of our hydro-electric power has recently been estimated at 65 million horse-power. Over one-fifth of this is at present developed—equivalent to approximately one horse-power per head of population. The many hydro-electric projects under construction or being planned assure a substantial increase in installed capacity. Those along the St. Lawrence alone will provide Canada with an increase of some 3 million horse-power.

Our growing population, the development of our natural wealth, and our industrial expansion are transforming our economy from one dependent on a few basic commodities to one of broad diversification. Today the number of people employed in agriculture is about the same as it was fifty years ago, while the number of those employed in other occupations has roughly tripled. Today, the industrial labour force accounts for almost 84 per cent of the working population of Canada—a truly impressive proportion when compared with that of 89 per cent for the United States. Particularly impressive in this respect is the change that has occurred in the prairie provinces, where, in the seven years since World War 2, the industrial labour force has risen from 50 per cent to 62 per cent.

EVIDENCE OF CONFIDENCE

Equally important for the continuing progress of the economy are sound and adequate financial institutions and transportation facilities. Canada is renowned for the strength of its banking system and soundness of its fiscal and monetary policies—factors which favourably impress investors and encourage them to make long-term investments in Canadian enterprises. Continuing and widespread confidence in the future strength, soundness and growth of Canada is clearly reflected in the all-time high capital investment planned for 1954. The latest official appraisal indicates probable capital expenditure amounting to $5.8 billion, about 3 per cent more than last year and equivalent to about 23½ per cent of estimated gross national product.

In this development, your railway is playing a vital part by carrying raw materials to industry and by helping producers get their products to market quickly and economically. As a result of some $430 million spent since World War 2 on additions and betterments to your railway properties, the capacity of your railway and its efficiency in operation and service are greater than ever before. Through the application of technological and improved operating techniques, your railway is constantly striving to increase the effectiveness with which it employs men and materials in order that it may produce more units of transportation at less cost.

The largest single factor in achieving efficient and low cost operation has been the substitution of diesel for steam power on certain lines of your railway. Some $70 million already spent on diesel locomotives and facilities is reducing operating expenses by about $12 million per annum. While experience indicates that the greatest savings in any programme of improvement are usually achieved from initial installations, nevertheless, room exists for further substantial economies from the substitution of diesel for steam power.

INCREASED EFFICIENCY

The statistical record shows striking evidence of the strides towards increased efficiency made possible by the capital expenditures undertaken. While total traffic volume in 1953 exceeded that of 25 years ago by almost one half, there was a reduction of almost 10 per cent in the required number of man hours. Operation of longer trains, together with greater average capacity of freight cars and increased train speeds, resulted in the attainment last year of a new high in the number of gross ton miles per freight train hour. Increases in wage costs and materials prices have been such, however, that, notwithstanding improved efficiency and high traffic volume, the financial results of your railway have worsened to the extent that the level of net earnings has been reduced to almost half of that of 25 years ago.

Clearly the low earnings reflect the need for modification of restrictions to permit adjustment of the rate structure to meet changed conditions. Since the original freight rate structure and methods of regulation were designed, competition in many forms has become most keen. Meanwhile, the railways have been handicapped in meeting that competition by the continuation of restrictions originally designed for the monopoly conditions which existed in the nineteenth century, and by the effects of perpetuating monopoly thinking into new restrictions. The time is long past due, not only from the standpoint of the welfare of the railways, but also in the vital interest of the country as a whole, for the railways to be permitted the greatest possible freedom in pricing their services.

A BURDENSOME RESTRICTION

The most burdensome restriction is that which requires the continuance by the railways of the reduced level of rates on Western Grain established in 1898 and 1899 under the terms of the Crowsnest Pass Agreement of 1897. That Agreement originally provided for a lower scale of rates on grain moving eastbound to Fort William and on certain commodities moving westbound to Western Canada from Eastern Canada. These rates were increased during the years 1918-1922 to enable the railways to meet increased costs resulting from World War 1. Upon removal of these increases, the railways filed tariffs in respect of the westbound commodities which applied the Crowsnest Pass rates only between points on your railway in existence at the time the Agreement was made.

The Board of Transport Commissioners set aside these tariffs, but the Supreme Court of Canada, in 1925, decided that the railways had correctly interpreted the Crowsnest Agreement. Parliament, which was in session when the judgment was announced, promptly enacted legislation the effect of which was to apply the Crowsnest Pass level of rates to all grain and flour moving eastbound from all points on all lines of railway west of Fort William whenever constructed but leaving to the board full power to deal with the westbound rates. These grain rates fixed at the level of 1899 are still in force.

Moreover, in 1927, under an Order of the Board, the rates on export grain moving to Pacific ports were lowered to the same level as those for grain moving to Fort William. It is pertinent to compare the conditions thus created with the terms of the original agreement. Last year one-third of the total freight traffic of your railway moved at these low rates. The rail charges amount to only 12 cents a bushel from an average shipping point such as Regina, 775 miles distant from Fort William.

NEED FOR LARGER REVENUE

In 1899, the average hourly wage rate of all employees was 18 cents, new rail was $22.32 per ton and the price of a new box car was about $600. By 1953, the average hourly wage, at $1.59, was more than eight times the 1899 rate, new rail, at $101.36 per ton, was more than five times, and a new box car, at $6,700, was more than eleven times the prices in 1899. These are burdensome increases and explain the need of the railways for increased revenue. Even though the efficiency of railways has greatly improved during the past fifty years, some general advances in rates were inevitable.

In sharp contrast to the rate increases granted on other traffic, the Crowsnest Pass rates have remained at their old level. In consequence they have become grossly unfair to the railways and to the shippers of other commodities. By contrast, the rates on grain in the United States, south of the border, are approximately three times those for comparable distances in Western Canada. Because the net earnings of your railway tended to be buoyant in years of good crops, some assume that this proves that grain rates in western Canada are profitable to your company. The net achieved in those years cannot, however, be attributed to the movement of grain. It resulted, rather, from the general stimulation of the economy of the country flowing from the prospect and realisation of a large crop. When the rainfall in late June and early July gave promise of good crops, there was a movement to Western Canada of agricultural implements, general merchandise and other commodities, the purchase of which had been delayed pending indication of the size of the crop. As cash and credit accrued to Western Canadians, business conditions improved and traffic for your railway increased. Canada has reaped large grain crops in recent years, but the growing burden of low grain rates, because of the mounting costs of wages and materials, has been the major factor in depressing railway net in relation to gross earnings to unprecedented low levels.

NO SPECIAL PRIVILEGES SOUGHT

It is believed, in view of all the altered conditions to which I have referred, that a change in Government policy directed to a lifting of the restrictions on grain rates by whatever action may be deemed to be expedient, would effect an improvement not only in railway net earnings but in the economy as a whole. The restrictions imposed on the railways have hindered the effective meeting of competition and have been indirectly responsible for the diversion to less economical means of transportation of much high-grade traffic that could best be moved by rail. This has resulted in loss of earnings for the railways. It has also increased the overall outlay for transportation for the country as a whole because the agencies handling the diverted traffic have costs greater than those of rail transport.

Your directors do not seek any special privileges for your railway. They ask only that the transportation policy within which, by statute or regulation, your railway is required to operate, should be appropriate to the conditions of today. It is encouraging to note the growing public appreciation of the difficulties which the present rate structure is imposing upon the railways. Given an opportunity to compete freely and fairly, your directors are confident that your railway, because of its high standard of service, its efficiency and its low cost relative to competing forms of transportation, will recapture and retain such traffic as can most advantageously be moved by rail, and that its returns will be attractive to investors.

REPLACEMENTS

An urgent postwar duty of your directors was the replacement of worn-out freight equipment, provision for movement of the mounting volume of freight traffic and the securing of economies to be derived from Diesel operations. These considerations have had a first claim on the financial resources of your company. Thus, there has been long delay in giving attention to the needs of your passenger service and of attracting back to the railway an important segment of traffic to which it has been beyond the financial resources of your company to do full justice. Delivery is expected next month from the Budd Company of the first units of an order which by the summer of 1955 will provide for a full complement of ultra-modern transcontinental passenger equipment. This equipment, to be constructed of stainless steel both for pleasing appearance and economical maintenance, will incorporate the latest features of comfort and convenience. Sky-view "scenic-domes" will permit the traveller to enjoy more fully the incomparable Canadian scenery.

For the operation of these smooth-riding streamlined trains, delivery is already being received of a fleet of new Diesel-electric locomotives, some of which will operate over the entire 5,700-mile round-trip between Montreal and Vancouver. Equipment released from present transcontinental service will permit improvement of service elsewhere on the system.

THE CURRENT YEAR

Net earnings from railway operations for the first quarter this year were down $1.6 million. The decline was the result of a decrease of some 13 per cent in traffic volume. Your traffic officers are hopeful that in the remaining months of the year traffic volume will move closer to that for the corresponding period of last year. Every effort is being made, through the attainment of the highest possible level of efficiency, to improve net earnings. Continuing the curtailment in maintenance expenditures put into effect last year, there will be no maintenance work undertaken beyond that required for pressing repairs and safe operation.

Little prospect exists for an increase in other income for 1954. Ocean cargo rates remain depressed and it appears unlikely that there will be any improvement in the volume of freight carried by your ocean steamships. Dividend income from your holdings of capital stock of the Consolidated Mining and Smelting Company of Canada, Limited, is unlikely to improve unless there is a recovery from existing low prices of lead and zinc. The prospect for increased receipts from petroleum rents, royalties and reservation fees continues favourable, although the rate of increase may not be as great as has prevailed in the last few years.

FURTHER PROGRESS ENVISAGED

The development of both Canada and your railway have been along sound lines; their productive capacity and their overall strengths are now greater than ever before. I see no reason why, providing rail transport is relieved of restrictive regulation which impairs its ability to meet competition, your company should not continue to go forward with Canada.

Your directors show their continuing confidence in the outlook for your company by again planning for a large capital expenditure programme in 1954, involving appropriations which total $75 million. These are listed in the annual report which is now before you for your approval.

The report and accounts were adopted.

THE BRITISH XYLONITE COMPANY LIMITED

INCREASED TURNOVER AND PROFIT

DIVIDEND RAISED TO 10 PER CENT

MR C. F. MERRIAM ON THE OUTLOOK

The annual general meeting of The British Xylonite Company Limited, will be held in London on May 31st.

The following is the statement by the chairman, Mr C. F. Merriam, circulated with the report and accounts:

The forecast which I made a year ago, that the manufacturing divisions of the parent company and the subsidiaries could look forward with confidence, has been fulfilled. The total turnover of the group increased by about 10 per cent, while the consolidated net profit of the parent company is £160,000 compared with £86,000 for 1952. This considerable improvement has been achieved in spite of the fact that BX Plastics contributed little to the result, being still in a period of consolidation.

DIVISIONS

The manufacturing divisions of the parent company, Halex, Cascelloid and Scintillex, which are engaged in making a wide variety of consumer goods, increased their turnover and profits. They have up-to-date equipment and make use of many modern processes and the newer plastic materials. Halex is best known for its long-established range of Halex toilet brushes and the rapidly increasing sales of Bex household goods. Although Cascelloid's main interest is in Palitoy dolls and toys, it has recently developed transparent and flexible packaging and the manufacture of Cascalite corrugated sheet for the glazing of industrial and other buildings. Each year Scintillex increases its sales in a range of fashion and fancy goods.

SUBSIDIARY AND ASSOCIATED COMPANIES

BX Plastics is still engaged in transferring plant from Dundee to Brantham, as well as installing some large new units there. These major schemes of development are nearing completion and in due course will strengthen the company's leading position in the field of thermoplastics. In spite of some recovery in the tonnage of plastics and chemicals produced and sold, the results of trading during 1953 were disappointing, and only during the latter part of the year reached a profitable basis. Owing to reductions in prices of raw materials, there was a substantial amount to be written off the value of stock.

The move from Dundee will be completed this year, and when all the units of plant (new and transferred) are on a full production basis, BX Plastic's factory at Brantham will contain some of the finest equipment in the country for manipulating plastic materials, such as calenders for polyvinyl chloride sheeting, both rigid and flexible, and extruders for rigid vinyl tubes and Saran mono- and multi-filaments.

The research department was responsible for the design of a polystyrene polymerisation plant which was completed in 1953, and Bextrene polystyrene moulding powder of excellent quality is now in full production.

The Expanded Rubber Company, which makes "Onazote" thermal insulation material and "Rubazote" light-density expanded rubber with many varied uses, has had a check in the very satisfactory progress made since the war, but even so the result is good. The sales trend is, however, downwards as a result of reduction in Government orders.

Bexford Limited, an associated company, whose factory adjoins the Brantham Works, has had another excellent year and is planning to increase its production, which will involve an additional building.

ACCOUNTS

Considerable alterations have taken place in the reserves shown in the consolidated balance sheet. These are explained in the notes printed at the end of the published accounts. The substantial increase in fixed assets in the consolidated balance sheet reflects the heavy capital expenditure undertaken during the year, mainly by BX Plastics. As a consequence, there is a decrease in net current assets, which, however, are still substantial, amounting to over £2,600,000.

The combined trading profits for the year amount to £823,000, against £529,000 for 1952. Income from trade investments, which was substantial last year, does not appear at all this year. This does not represent a loss of revenue, but an adjustment of the trading arrangements with an associated company whereby we receive a substantial benefit incorporated in the combined trading profits instead of by way of investment income. The profit for the group, before taxation, amounted to £429,000, compared with £236,000 in 1952, the consolidated net profit, after tax, being £178,000, against £75,000 last year.

Dividend.—In view of the improved results, the directors have recommended the payment of a final dividend of 8 per cent on the ordinary stock, making a total of 10 per cent for the year. This compares with a total of 8 per cent for 1952.

CAPITAL EXPENDITURE

Heavy capital expenditure has always been a feature of our business, and has been more than ever necessary since the war. BX Plastics, in particular, being manufacturers of plastic materials, find it essential to keep up to date with the latest discoveries and developments, and this is likely to continue in the future.

The Vogue Manufacturing Company.—As already announced in the press, The Vogue Manufacturing Company, Limited, of Melton Mowbray, has been acquired as from May 1, 1954. This development will strengthen our competitive position in the brush and toy trades.

THE FUTURE

Apart from the anticipated reduction in turnover and profits of the Expanded Rubber Company, and provided nothing unforeseen occurs, we can look forward to improved results for 1954, especially as we should have a better contribution from BX Plastics. However, with the new plants only gradually increasing production during 1954 we cannot reap the full benefit of the large capital expenditure of recent years until 1955.

Although we have been able to show an improved financial result, this has been anything but easy to achieve, and we must be grateful to the managements, staffs, and employees for their strenuous efforts and willing co-operation.

THE NORTHERN ASSURANCE COMPANY, LIMITED

118th ANNUAL GENERAL MEETING

STATEMENT BY THE CHAIRMAN THE RT HON LORD GLENCONNER

The one hundred and eighteenth annual general meeting of the Northern Assurance Company, Limited, will be held on June 2nd in Aberdeen.

The following is an extract from the statement by the chairman, the Rt Hon Lord Glenconner, which has been circulated with the report and accounts:

It is on effective administration, capable of speedy decision and providing efficient service, that the continuity and expansion of the group's world-wide business depends. You will be glad to know that further headway has been made in the policy of consolidating the company's administration, and that 1953 has been a year of real progress, as the results before you show.

In this connection, at the annual general meeting last year one board of directors, known as the General Court, was set up in place of the separate London and Aberdeen boards which had previously shared the responsibility for the conduct of the company's affairs. The new articles of association then adopted were the first step in this reorganisation; the second step was to secure an amendment of the Northern Assurance Act of 1908. The Bill to amend the Act was approved by the shareholders at the extraordinary general meeting held on February 10th last and it received the Royal Assent on March 26th.

As the chairman's statement foreshadowed last year, a new board has been set up at the Aberdeen Head Office to preserve the special connections with our business there.

SCOTTISH REGIONAL OFFICE

I feel sure, too, that you would like to know of another development in the company's plans for providing improved service to the public. A regional office for Scotland has been opened in Glasgow to provide specialist services, covering the whole of Scotland, for accident claims and for the development and handling of engineering insurance, life assurance, and pensions business. This office is under the general supervision of the manager for Scotland, and it includes on its staff experts in these subjects who are at the service of our clients and connections in Scotland. This development in Scotland may well lead to setting up similar regional offices in other areas.

RISE IN INVESTMENT VALUES

The total resources of the Northern group now stand at £58,170,761 compared with £54,628,991 at the end of 1952. They are principally secured by our holdings of Stock Exchange securities, the book value of which last year expanded from £36,111,015 to £40,032,907. The past year was marked by a rise in investment values, and the modest increase in dividends paid by a number of industrial companies has given the group a better return on its important holdings of industrial ordinary shares.

PROGRESS OF THE LIFE DEPARTMENT

Among the achievements of the past year, both of the parent company and its associates, the progress of the life department was again outstanding. New life sums assured last year by the Northern group reached £16,731,239 compared with £13,032,774 in 1952. This increase of 23 per cent is remarkable, as for the life offices as a whole last year's increase in new business was about 6 per cent. We have, indeed, every reason to feel satisfied with the share of life assurance business that we have succeeded in obtaining in the last two years, and it lays the foundation for a satisfactory expansion of premium income in the years ahead. The integration of the Northern and the London and Scottish life business has led to increased efficiency, and it is gratifying that the life business contribution by the London and Scottish connections shows an appreciable increase over 1952.

PENSIONS DEPARTMENT

The pensions department has fully justified our expectations and is handling a most satisfactory volume of group pension schemes. It has also been preparing itself against the day when the Government may accept the Millard Tucker Report.

FIRE ACCOUNT

Our general insurance business ranges across the free world. The fire account showed a modest increase in premiums and a satisfactory profit. Results in the United States were somewhat less favourable than in 1952, but 1953 was a year of widespread hurricanes and we were involved, with many other insurers, in the destruction by fire of the General Motors' plant at Livonia last August, one of the biggest single losses in insurance history. On the other hand our fire experience in Australia, Canada and South Africa was very good. In these circumstances last year's total fire profit of £685,642 compares well with the profit of £727,183 for 1952, and the profit ratio was only a fraction below 8 per cent.

ACCIDENT DEPARTMENT

Results in the accident department have for some years been dominated by motor insurance which is highly competitive and inadequately remunerative. Last year we secured a 10 per cent increase in accident premiums, and after providing on our usual conservative basis for a reserve of 50 per cent of the year's premiums to cover unexpired risks, the accident account shows a profit of £99,389, whereas in 1952 there had been a loss of £153,086. This is a more welcome result; it marks a further improvement in motor business, but there is still some way to go before the return that we and other insurers obtain on motor insurance can be considered satisfactory.

MARINE ACCOUNT

Marine insurance yields its final results only after a period of time and the lower profit transfer of £296,494 in the latest year reflects the less favourable results that emerged from the 1951 account. The marine fund now stands at just over £8 million. Last year's marine account was affected by the incidence of large losses in the early months, and last October the force of international competition led to the abandoning of the attempt to secure a 10 per cent surcharge on premiums to offset the continuing increase in the cost of ship repairs. Cargo rates, again, are falling and in many cases they must be reckoned inadequate.

THE YEAR'S RESULTS

The departmental transfers I have enumerated above total £1,081,525 as compared with the 1952 underwriting profits of £1,008,474. Together with other transfers and with the gross investment income on the shareholders' funds of £937,366 (against £801,845 in 1952) and after providing £142,332 for loss on exchange, the Northern group's trading profit is £1,908,642, compared with £1,837,644 in 1952.

Taxation at home and abroad has fallen somewhat less heavily on the past year's accounts; we are providing £1,064,295 compared with £1,303,974 in 1952, but even this absorbs 56 per cent of the profit, leaving £844,347 net. £400,000 has been set aside out of the past year's net profit to the contingency reserve; the group's resources and responsibilities are growing at a rapid rate and it is our first duty to ensure an adequate cushion of security for the protection of our policy holders and for the general support of our business.

DIVIDEND INCREASE

By long established practice, shareholders derive their dividends chiefly from the investment income of the non-life funds. I have mentioned last year's satisfactory expansion in the gross income of these funds before tax; the net investment income of the shareholders' funds, after deducting taxation, rose from £395,586 in 1952 to £448,799 last year.

The decision of your directors to recommend a final dividend of 11s. 6d. on the ordinary shares, making a total distribution of 20s. per share, takes this into account and recognises that shareholders, as proprietors, are entitled to benefit from the growth of the company and its prosperity. A 2s. step in the dividend is larger than in recent years, but it is well justified by the progress made in 1953. The increased ordinary dividend carried with it a further dividend on the 6 per cent participating preference shares of 9s. 10.209d. per share, payable with the usual half-yearly dividend on July 1st next. In this connection, and because the interim dividend has to be considered at a time when the results for the full year are not available, I would mention that your directors, in future, only intend to recommend an increase in the interim dividend in so far as they deem it desirable to effect a balance between the interim and the final dividends.

WIDOWS AND ORPHANS' FUND EXTENDED

Ten years ago, the company set up a widows and orphans' fund for the benefit of the home staff, and this was extended last year to the staff in South Africa. The directors have agreed that the fund should now be extended to the company's branches in Canada, Australia, New Zealand, India and Pakistan To cover the initial liability of the new entrants to the fund, a lump sum contribution of £12,500 is needed from the company, to which your agreement will be sought.

Further, the actuary recommended after his valuation of the fund at March 31, 1953, that the company should make an annual contribution to the fund, so that the benefits could be brought into line with present-day needs, and your directors agreed to this course.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

YEAR OF PROGRESS AND ACHIEVEMENT

LIEUT COL JOHN LESLIE'S REVIEW

The annual general meeting of Commercial Union Assurance Company, Limited, will be held on May 31st in London.

The following is an extract from the review by the chairman, Lieutenant Colonel John Leslie, DSO, MC, DL, which has been circulated with the report and accounts:

The gradual process of readjustment, which became apparent in 1952, has continued during the past year and the inflation in values to which we had become accustomed during the postwar era is no longer a predominant feature of world trading. In many instances prices and values have receded, but from a general point of view we have entered upon what may be regarded as a period of greater stability. This is a very welcome development and although the growth of our premium income has necessarily been slower, it does, in fact, reflect a more real expansion of our business rather than enhanced values and increased rates.

In spite of these changing circumstances, we can, I feel, look back upon another year of progress and achievement in 1953 and it is particularly gratifying to record that for the first time in the company's history the net premium income in the fire, accident, and marine departments has exceeded £50 million. Furthermore, as we shall see when we come to examine the departmental accounts later in this review, our operations through each of the main sections of our business were conducted upon a profitable basis.

FIRE DEPARTMENT

The net premium income was £22,054,866 (£21,771,090 in 1952). The fire fund now amounts to £19,488,254. At home the premium income advanced, but once again the rate of increase was smaller, due to the circumstances I have already described. Unhappily there is no sign of any abatement in the fire wastage in the United Kingdom, and no review of last year's working would be complete without a reference to the East Coast floodings, which occurred at the end of January. The total claim payments by us as a result of this disaster represented a substantial figure.

It is, however, overseas that our business has once again shown a welcome expansion, notably in the United States, Australia, Canada, New Zealand and South Africa.

ACCIDENT DEPARTMENT

The net premium income was £25,960,426 (£23,764,785 in 1952). The accident fund now amounts to £17,007,300 or 65.51 per cent of the premium income.

Business at home has again shown expansion, but the rate of progress, as was to be expected, has not been so rapid as in the two previous years.

The difficulties connected with the transaction of motor business in recent years have again been much in evidence. References to the number of accidents, the high level of repairs costs, and growing third party payments are all too familiar, and these and other difficulties continue to be very real factors calling for the exercise of underwriting skill.

The immense wastage of human life and limb by road and industrial casualties is a matter of the greatest concern. The adoption of every practicable form of accident prevention on the roads and in the factory should be the aim of all, motorist, pedestrian, employer, and workman alike. Much is being done to bring about a higher standard in safety measures in many quarters and insurers are making their full contribution.

In the Commonwealth and overseas field generally substantial progress has been made in the expansion of our business, and with satisfactory results, but the rate of increase of our premium income was not so marked as was the case in 1952 or, indeed, in most of the postwar years. This is due partly to the stabilising of values, but also to the fact that in most of these territories the increases in rates for motor business, necessitated in recent years by the heavy claims experienced, had already been applied by the end of 1952.

MARINE DEPARTMENT

The net premium income was £2,377,672 (£2,786,921 in 1952). The marine fund now stands at £3,921,263 or 164.92 per cent of the premium income.

There has been a decrease in our premium income from hull insurance, and this is due to a combination of two factors, namely, reduced rates and lower values. In some cases, where there is a satisfactory record over past years, a reduction in premiums can be justified, but there are other instances where intensified competition has given rise to rates which have been so reduced as to become, in our judgment, inadequate, and this has caused us to decline participation in the insurance of a number of fleets.

Our cargo premium income again shows a slight fall from the previous year. It is pleasing, however, to record that there has been a gradual increase in trade within the sterling area due to the lifting of import restrictions.

LIFE DEPARTMENT

Once again a record figure was reached for net sums assured retained at the company's own risk. The gross sums assured for 1953 totalled £18,473,819 compared with £17,677,560, and this is the first time that a figure of £18 million has been exceeded. The fall in the number of policies issued is not significant, since it mainly reflects our adoption of the modern practice of issuing a master policy to cover the whole membership for each life assurance and pension scheme. During the year the life fund increased by £2,556,351 to £46,761,740.

The net premium income in respect of life assurance contracts was £4,697,690 (1952, £4,421,824), and in addition we received £799,147 as single and annual premiums for various types of annuity contract.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The directors recommend a final dividend of 6s. 6d. per £1 unit of stock, making with the interim dividend of 5s. paid in November last a total for the year of 11s. 6d. per £1 unit of stock—an increase of 1s. 6d.

The directors have decided to apply to the Stock Exchange for quotations of stock in 5s. units instead of £1 units.

THE MANGANESE BRONZE AND BRASS COMPANY

NEW OVERSEAS INVESTMENT

The fifty-fifth ordinary annual general meeting of The Manganese Bronze and Brass Company Limited was held on May 7th in London, Mr J. C. Colquhoun, MBE (chairman and managing director), presiding.

The following is an extract from his circulated statement: The profit for the year before providing for taxation and dividends, amounts to £337,277 after charging £85,164 for depreciation. The comparable profit figure for the previous year was our all time record of £439,029. Provision for taxation amounts to £214,000 against £303,000 for the previous year. The amount available for distribution therefore is £123,277, or £12,752 less than a year ago.

Your directors recommend a final dividend of 6d. per share on the ordinary shares making 9d. per share for the year and a bonus of 1½d. per share, making a total of 10½d. (same) for the year.

SUBSIDIARY COMPANY: The amount shown in the balance sheet under this heading relates to an investment in Paxol Limited, a newly formed Canadian subsidiary at St. Thomas, Ontario, in which your company owns a controlling interest in association with the Clevite Corporation of USA. This subsidiary will shortly be producing bearings and other parts made from metal powders for the Canadian market. Your directors felt well justified in initiating this venture.

MARINE PROPELLER ACTIVITIES

The marine propeller side of your business at Birkenhead again had a satisfactory year with about the same volume of work as in the previous year. Orders in hand, which represented some 20 months' work at the beginning of the year, now represent 16 months' work. Thereafter it may be that there will be less work available. The inflow of orders into UK shipyards (in gross tons), as reported by "The Shipbuilding Conference," has dropped from 4 million in 1951 to little more than ½ million in 1953. Orders in hand are reported as 5½ million tons, but it is wrong to assume that this means three or four years' output for all shipyards. Large tankers constitute well over 50 per cent of the total order book and only tanker building firms have contracts to keep them busy for several years ahead.

The year is noteworthy for the number of very large propellers made principally for large tankers. Most of these propellers have been to our "Scimitar" design. The tonnage of propellers made in our new "Nikalium" alloy has again increased. The development of this alloy represents an important step forward and we expect a continuing increase in the demand for this superior material.

HANDFORD WORKS, IPSWICH: The demand for our special alloys, and in particular aluminium bronze, showed an increase.

ELTON PARK WORKS, IPSWICH: Your works manufacturing "Oilite" self-lubricating bearings and other parts made from metal powders, experienced a falling off in demand with severe competition to secure the work available with a consequent reduction in profit margins. The volume of orders booked in the last two quarters, however, showed an encouraging revival.

In regard to the prospects, our experience of 1954 to date indicates no improvement over 1953 and it is impossible to say at the moment that profits will not recede still further from the peak year of 1952

The report was adopted.

INNS & COMPANY

INCREASED TURNOVER AND PROFIT

The nineteenth annual general meeting of Inns & Company, Limited, was held on May 7th in London.

Mr Walter Wallace (joint managing director), who presided, said: The accounts for the year ended December 31, 1953, show a trading profit of £433,076 and a net profit of £352,273 for the year, being increases of £122,892 and £109,583 respectively on the figures for the preceding year. These satisfactory results have been produced by large increases in turnover, to which all departments have contributed.

I would like to add here that so far, for the year 1954, the business of all departments is running satisfactorily and compares well with that for the year under review.

Shareholders will note with pleasure that the reserves total a sum of £292,102, which is just under £50,000 more than the aggregate figure in last year's accounts.

The balance at bank and cash in hand is £202,868, and is one of the satisfactory features of the strong asset position of your company.

We are all aware of the heavy burden which taxation lays upon industrial undertakings, and I think it right that I should point out to you that the amount set aside for taxation in these accounts is £247,000, representing 70 per cent of the net profit of the company. The excess profits levy finishes with these accounts, viz., December 31, 1953, and a sum of £50,000 for that tax is provided in the accounts.

The company were grateful to the Chancellor for the small relief contained in last year's Budget in respect of sand and gravel pits. Your board regret that in spite of the strong and clear recommendations of the Millard Tucker Committee in their report, the Chancellor has not yet granted adequate and proper relief from all forms of national taxation in respect of wasting assets. The matter does not, however, appear to have passed entirely out of the official mind, as the current Finance Bill, by Clause 21, provides that cemeteries and crematoria are to be allowed the cost of land used up.

The directors propose that the final dividend on the ordinary shares be increased from 10 per cent, which has been paid for some years past, to 12½ per cent, actual, less income tax, and that there will also be a bonus on the ordinary shares of 5 per cent, actual, less tax.

The report and accounts were unanimously adopted and the dividend and bonus as recommended were approved.

THE LEADING BELGIAN BANK WITH 132 YEARS OF EXPERIENCE

BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE S.A.

3, Montagne du Parc, Brussels (Belgium)

ASSETS — BALANCE SHEET AS AT DECEMBER 31, 1953 — LIABILITIES

ASSETS	Fr.	Fr.
CURRENT ASSETS:		
Cash in hand, at the Banque Nationale and the Postal Cheque Office (1)		2,013,911,577.45
Money at Call		241,416,000.—
Balances with other Banks		583,296,331.93
Head Office, Branches and Affiliated Banks*		235,134,271.34
Other short-term assets		978,704,864.31
Bills portfolio:		
Trade Bills	4,343,379,481.12	
Government bills rediscountable with the Banque Nationale	3,650,000,000.—	
Government bills mobilizable up to 95% with the Banque Nationale	8,684,700,000.—	
		16,678,079,481.12
Loans and advances on securities		501,279,932.26
Liabilities of customers for acceptances		2,642,613,160.75
Sundry debtors		4,990,023,051.80
Securities portfolio:		
Legal reserve securities	60,000,000.—	
Belgian government securities	3,804,840,172.85	
Foreign government securities	29,183,867.15	
Bank stocks	679,176,296.90	
Other securities	277,968,964.—	
		4,851,169,300.90
Other Assets		991,884,604.53
FIXED ASSETS:		
Bank premises	125,000,000.—	
Participation in real estate subsidiary companies	1.—	
Amounts due from real estate subsidiary companies	1.—	
		125,000,002.—
	Fr.	34,832,512,578.39

(1) £1 = 140 Belgian francs.
* Affiliated Banks.

LIABILITIES	Fr.	Fr.
CURRENT LIABILITIES:		
Preferred or guaranteed creditors:		
Banque Nationale de Belgique		
Other creditors	23,345,995.92	
		23,345,995.92
Balances due to banks		1,433,492,200.23
Head Office, Branches and Affiliated Banks*		197,800,773.62
Acceptances		2,642,613,160.75
Other short-term liabilities		532,759,471.25
Bills in course of collection		164,094,439.02
Deposits and current accounts:		
at sight or at one month's notice	22,674,219,429.34	
time deposits	3,364,092,468.20	
		26,038,311,897.54
Bonds and notes†		329,300,000.—
Amounts callable on securities		334,489,550.—
Other liabilities		1,210,968,686.80
CAPITAL AND RESERVES:		
Capital	700,000,000.—	
Legal reserve (Royal Decree No. 185 art. 13)	60,000,000.—	
Available reserve	880,430,289.60	
		1,640,430,289.60
PROFIT AND LOSS ACCOUNT:		
Balance brought forward	39,866,537.19	
Profit for 1953	245,039,576.47	
		284,906,113.66
	Fr.	34,832,512,578.39

* Affiliated Banks.
† Notes.

CONTINGENT ACCOUNTS

	Fr.	Fr.
Assets pledged as collateral:		
for own account with the Banque Nationale (credit unused)	2,483,800,000.—	
for account of others	22,407,820.—	
		2,506,207,820.—
Securities pledged for own account		130,792,000.—
Guarantees received		14,129,236,563.57
Guarantees given for account of others		4,129,215,498.13
Bills rediscounted		2,952,558,277.44
Forward exchange		365,080,837.—
Securities held in safe custody		73,317,183,841.77
Monetary reform loan (law of 14.10.45, art. 1):		
(a) for private holders	4,497,207,000.—	
(b) for tax-collectors	—	
		4,497,207,000.—
Other accounts		7,798,723,273.46

Principal Correspondent in London: BANQUE BELGE POUR L'ETRANGER (OVERSEAS) LIMITED, 4, Bishopsgate, E.C.2.

BRITISH-AMERICAN TOBACCO

RECORD SALES

MR D. M. OPPENHEIM'S SPEECH

The fifty-first annual general meeting of the British-American Tobacco Company, Limited, was held on May 7th in London.

Mr D. M. Oppenheim, chairman, in the course of his speech, said:

We welcome movements towards a freer system of trade and towards greater freedom of currencies, all of which assist the growth of international trade and commerce. These trends are of direct interest to your company, which by its very nature largely depends for its prosperity on the free flow of international trade and particularly the free convertibility of currencies. There is a long way to go, but the trends are at present in the right direction.

Some countries, although recognising the need for foreign private capital, continue to maintain company and other laws which are not encouraging; or impose quite unrealistic and unacceptable conditions. They also subject existing investment to discriminatory treatment and impose limitations on or hindrances to remittances of earnings and repatriation of capital, thereby failing to create the necessary atmosphere of confidence. Whilst investors must clearly be prepared to further the proper aspirations of the country in question and subject themselves to the laws thereof, governments who seek investors must be realistic in creating the conditions and the sense of security without which no adequate volume of investment is likely to flow into their countries either from here or from the United States of America.

BURDEN OF TAXATION

Furthermore, both at home and abroad the burden of taxation is a major deterrent. Substantial relief from taxation would constitute the healthiest and most enduring encouragement and incentive to investment.

At home, the Chancellor of the Exchequer has stressed the need for creating a balance of trade surplus which will enable this country to make a worthy contribution to overseas development. But the level of taxation is very frustrating to efforts exerted to both these ends. Considerable progress has been made in recent years in relieving double taxation and full unilateral relief is now allowed in this country. Although this is valuable, the fundamental problem of double taxation remains unsolved; income and profits arising abroad to residents of the United Kingdom still pay the full rate of United Kingdom tax, even if such income and profits are not remitted here.

I think the ultimate solution may well be for each country—and this country in particular—to exclude entirely from charge to income and profits tax income which falls within the jurisdiction of other countries.

OVERSEAS INVESTMENTS

The annual accounts of your company over the years since the war bear witness to the very considerable extent to which, both directly and through its subsidiary companies, it has contributed to the furtherance of the policy of increasing overseas investment in the Commonwealth and elsewhere.

It is, of course, true that not the whole of that investment has been voluntary; the need, in more recent years, for adequate reserves to counter the effects of inflation on company finances, coupled with the compulsory retention of profits due to lack of remittance facilities in some countries, has made reinvestment unavoidable. Nevertheless, a comparison of the group's total investment in fixed assets alone between 1949 and 1953 shows an increase by the equivalent of £26 million of investment in improved and enlarged productive capacity, mainly overseas, to meet the increasing demand for the products of the group.

In certain of our overseas markets there has been an easing during the year of import restrictions in conformity with the general trend towards liberalisation of world trade, and one would hope eventually to see a complete abolition of such restrictions.

THE PATTERN OF TRADE

On the other hand, certain factors may have a more permanent effect on the pattern of trade. Such are: costs of production, which continue to increase, and a tendency on the part of smokers overseas to switch to a lower price class of cigarette, usually of local manufacture, with a consequent reduction in the consumption of the higher priced product exported by your company from this country. This tendency is particularly evident in countries where there has been a measure of disinflation. Such switches in demand regrettably cause some redundancy of labour and plant in our export factories here. Against this there arise increasing demands on the manufacturing and financial resources of our associated companies overseas.

I am happy to report that the total volume of sales of the group for the twelve months to September 30, 1953, reached a new record and for the first six months of the current year has continued to expand. On the evidence of results to date, I feel you can safely assume that the final figures for the current year should be at least as favourable as those for the year which we have had under review at this meeting.

The report and accounts were adopted.

HAMBROS BANK LIMITED

Expansion in Activities

Mr. R. Olaf Hambro's Statement

The FORTY-SECOND ANNUAL GENERAL MEETING of Hambros Bank Ltd. will be held on Thursday, 3rd June, 1954, at the offices of the Bank, 41, Bishopsgate, London, E.C.2.

The following is the statement of the Chairman, Mr. R. Olaf Hambro, circulated with the report and accounts for the year to March, 31st, 1954:

RELAXATION OF CONTROLS

In my statement last year I referred to a noticeable but gradual release of controls by the Government and during the year under review further relaxations from Exchange regulations have been made. It must be the hope of all of us that this year it will be possible for this country further to release the individual from the remaining controls which prevent him from freely using his own money, thereby approaching what has become to be known generally as convertibility which is only another name for freedom. It is, to my mind, remarkable that people all over the world who have had their money blocked here for years should be willing to trust London again. It does seem, however, that this is what they are willing, or at any rate, inclined to do, which shows great faith in this country. We all, of course, agree that the controls imposed on us were necessary after the war but the danger of these is that they build up a machine with officials who get used to the machinery and are loath to give it up. One way or another, if London is to resume its world financial position, which it can still do, all restrictions must be gradually removed.

RISE IN ACCEPTANCES

The past year, in spite of my foregoing remarks, has seen an increased expansion in the activities of the Bank. The rise in Acceptances is fairly spread over the countries in which we mostly operate which, as is well known, are Norway, Sweden, Denmark and Finland, also our old connections in Southern Europe, particularly Italy, Greece and Portugal. There has also been a rise in demands at home for advances against produce, both for export and import, which is reflected in the rise in Loans and Advances. The Balance Sheet generally shows expansion in all directions and the liquidity remains in the strong position which it has shown in past years.

Turning to the Profit and Loss Account, the net profit figure comparable to that of March, 1953, is £424,708, against £396,452. This is very satisfactory and shows the increase in the activity of the Bank.

The combined Statement of our Subsidiaries consists primarily of Hambros Investment Trust, together with the Executor and Nominee companies. The valuation of Hambros Investment Trust stands at the very considerable figure of £750,000 above the value in our Balance Sheet.

A NEW INVESTMENT

A new investment has been added during the year by the creation of a Canadian Trust Company known as Locana Corporation Ltd., in which we have participated with Messrs. Harrisons & Crosfield Ltd. and others, and to the Board of which we have appointed Mr. Jocelyn Hambro.

Owing to the recession in America the Hambro Trading Company of America Inc. has had to reduce further its activities as the difficulty in selling British goods in the U.S A. increases.

Last year I referred to certain changes in the management, and I would like to congratulate the Managers on the smooth working of the new arrangement and also, through them, the whole staff, who once again, during a very active year, have done excellent work and given that service which is proof of their continued loyalty to the Bank.

HAMBROS BANK LIMITED,

HEAD OFFICE: 41, BISHOPSGATE, E.C.2.

Statement of Accounts, 31st March, 1954.

LIABILITIES	£
Current, Deposit and other Accounts	49,389,748
Acceptances	18,079,878
Paid-up Capital	3,000,000
Reserve	2,250,000
ASSETS	
Cash in Hand, at Bankers and at Call	22,049,932
Bills of Exchange	6,882,264
British Government Securities	9,325,937
Loans, Advances and other Accounts	14,097,453
Investments in Subsidiaries	2,284,162
Liabilities of Customers for Acceptances	18,079,878

ATLAS ASSURANCE COMPANY LIMITED

CAPITALISATION OF RESERVES

The annual general meeting of the Atlas Assurance Company Limited will be held on June 3rd in London.

The following are extracts from the statement to shareholders by the chairman, Mr Rudolph E. F. de Trafford, OBE, which has been circulated with the report, accounts and balance sheets for the year ended December 31, 1953:

In the course of my review of our 1952 accounts, I referred to our having provided for possible losses in connection with exchange. Since then a further deterioration in the overseas currency principally concerned has necessitated some additional adjustments which have affected our fire, accident and marine revenue accounts, and also the profit and loss account.

FIRE ACCOUNT

In dealing with the 1952 accounts, I referred to the slowing down in the rate of expansion of our premium income which, it seemed to me, might be indicative of a deceleration of the inflationary trend. On the face of it, events appear to have lent some support to this view. Our premium income for 1953, at £5,832,505, is nearly £220,000 lower than the corresponding figure in 1952.

Losses by fire have, in the natural order of things, continued but it would be happier and more profitable for everybody, leaving insurance companies right out of it, if the general rate of burning—the funeral pyre of so much endeavour—could at least be checked in its pace.

After setting up the customary provision for unexpired risks at the close of the year, there is an underwriting profit of £586,918. This is some £60,000 less than the 1952 figure, but this does not in all the circumstances occasion surprise.

ACCIDENT ACCOUNT

Premium income, at £2,576,148, rose by £103,202. Much of this increase comes from higher rates for motor insurance in various parts of the world but, with the ever-increasing cost of repairs and the high level of Court awards in the case of third party damages, it seems doubtful whether rates are, even now, generally adequate. Our experience from other classes of accident business, however, has on the whole been favourable and the underwriting profit emerging amounts to the welcome figure of £196,855.

MARINE, AVIATION AND TRANSIT ACCOUNT

Our premium income for the year 1953 amounted to £759,133, as compared with £807,042 in 1952. Chiefly responsible for this drop in premium income is the continuing downward trend of cargo rates due to intense competition for a reduced volume of business, owing to lower commodity prices, in an expanding—if not overexpanded—marine insurance market.

Claims paid in 1953 at £521,918 were less by £19,716 than those paid in 1952 and, after transferring £100,000 to the profit and loss account, the balance of the marine, aviation and transit insurance fund at the close of 1953 amounted to £1,273,130.

LIFE DEPARTMENT

Our life assurance and annuity fund increased substantially and now amounts to more than £25 million.

The sums assured under new assurances were £5,039,709, after deduction of reassurances, as compared with £6,279,435 for the previous year. Deferred annuities amounted to £387,759 per annum against £549,206 per annum in 1952.

The fall in the amount of new business is principally due to a smaller volume of new staff scheme business which in the preceding two years had shown a very marked expansion.

The expense ratio shows a further fall from 12.0 per cent in 1952 to 11.6 per cent in 1953.

The gross rate of interest earned increased by 4s. 6d. per cent to £4 17s. per cent while the net rate fell by 5s. 9d. per cent to £3 15s. 10d. per cent. The fall in the net rate is due to the unequal incidence of income tax over the two years.

An interim bonus has been declared for the year 1954 at the rate of 35s. per cent per annum calculated on the sum assured and existing bonuses.

PROFIT AND LOSS ACCOUNT

You will notice that United Kingdom taxation, other than income tax on our investment income, appears as a credit. There are three factors responsible for this unusual position: lower taxable profits, coupled with a recovery in respect of excess profits levy; the effect of double tax relief flowing from a change in the basis of taxation relating to certain of our overseas business, and tax relief in connection with exchange losses.

It will be seen that the account has been charged with a loss on exchange of £148,514 which includes £90,000 written off overseas investments, the sterling value of which has been affected by currency depreciation.

APPROPRIATION ACCOUNT

The balance brought down from the profit and loss account amounts to £536,976. In anticipation of the changes in the company's capital to which I refer below, £440,000 has been transferred to general reserve.

THE COMPANY'S CAPITAL

Accompanying our accounts is a notice convening an extraordinary general meeting at which resolutions will be submitted relating to the subdivision of the company's shares, now of £5 each (£1 5s. paid), into five shares of £1 each, and the capitalisation of £550,000 of the reserves of the company for the purpose of paying up 5s. of the uncalled liability on each of the subdivided shares, making the amount paid up thereon 10s. per share. Our ultimate aim is, I may say, to extinguish this liability altogether.

STAFF

I am sure you will wish me to express our appreciation of work well done to all members of our staff, both overseas and in this country, whether they serve directly the "Atlas" or are more immediately associated with one or other of our subsidiary companies, and so serve us indirectly. All of them are part of the "Atlas" family upholding the "Atlas" tradition, a tradition of fair dealing with all people—a tradition second to none.

G. & J. WEIR LIMITED

A RECORD ACHIEVEMENT

The sixtieth annual general meeting of G. & J. Weir Limited will be held on June 7th at Glasgow.

The following is an extract from the circulated statement by the chairman, The Rt Hon Viscount Weir of Eastwood, GCB, LLD, for 1953:

My annual report deals with the performance of your company during the great Coronation Year of our beloved young Queen. It is, therefore, particularly gratifying and appropriate that I am able to submit a record achievement by our group.

The consolidated profit, after depreciation and all other charges, including taxation, amounts to £804,269, of which £312,894 (an increase of £122,808) has been retained in the accounts of the subsidiary companies, leaving the net profit of the parent company at £491,375, which is £111,063 more than last year. To this net profit is added the sum of £25,000, being the provision now no longer required against the initial loss in the starting up of a subsidiary company. The balance brought forward from last year is £223,566, giving an available balance of £739,941.

Since the company was made public in 1946 the value of the group's output has increased from an index figure of 100 to 456 and we anticipate further growth in 1954. The capital employed has naturally increased substantially and latterly most of it has been secured through our increased bank borrowing powers. We have spent large sums on new buildings, plant and equipment and on development of our products. Consequently our trading surplus has grown substantially and, in spite of the penal rate and form of taxation, our net profit has also risen.

PERFORMANCE SUMMARISED

To sum up our performance for 1953 the following data will be of interest to our stockholders:

Group output has increased by	50 per cent
Group taxation has increased by	90 per cent
Group net profit has increased by	30 per cent
Group retention of profits has increased by	40 per cent
Group dividend distribution has increased by	25 per cent

Turning now to our proposed dividend, your board have given this their very careful attention. As you have seen, we propose a final distribution of 16 per cent, to bring the total for the year up to 21 per cent. In making this proposal we have sought to strike an even balance between the restraint which the Chancellor has asked us to exercise, the legitimate claims of stockholders, and the necessity of ploughing back a proper proportion of our earnings.

After reviewing the performance of the individual firms in the group during the past year, the statement concluded:

It would appear that subject to the incidence of unforeseen eventualities, 1954 should be a better year overall than 1953. Looking still further ahead, however, I find it necessary to sound a note of caution. Although our order book is still large, and although we have substantially increased our rate of output, the maintenance of this will turn very largely on our ability to match it with increased sales. To secure these will be a difficult task and could be made still more difficult by any reduction in our competitive ability, or a general recession in the world demand for the type of capital goods manufactured by your engineering group.

AFRICAN AND EUROPEAN INVESTMENT COMPANY

(Incorporated in the Union of South Africa)

MR R. B. HAGART'S REVIEW

The following are extracts from the statement by the chairman, Mr R. B. Hagart, circulated with the annual report and accounts for 1953:

ACCOUNTS

The profit earned during the year ended December 31, 1953, was £855,194, as compared with £929,344 in 1952 and £856,531 in 1951. Taxation provision amounted to £126,000. The general reserve was improved to £3,350,000 by the transfer of £300,000 and dividends of 6 per cent on the preference capital, and 2s. 6d. per stock unit on the ordinary capital were maintained. The balance sheet shows reserves and unappropriated profits amounting to £3,585,622.

NEW ORDINARY SHARE ISSUES

As a result of favourable share market conditions, the financial position of the company has improved materially since the end of 1953, and available funds are now adequate for carrying out the investment policy of the company and for normal operating purposes. In these circumstances your board had to consider financial needs only in relation to moneys borrowed by the company in the form of £1,700,000 4½ per cent notes and the loan of £2 million. It is clear that these funds are required for permanent investment in the business of the company, and your board decided that immediate steps should be taken to raise new capital for the repayment of the whole of the indebtedness.

Accordingly, stockholders were advised by circular dated April 12, 1954, that they were to be offered subscription rights for 780,000 new ordinary shares in the company at 45s. per share in the ratio of three new ordinary shares for every ten stock units held, and that the board had accepted an offer by the Anglo American Corporation of South Africa, Limited, to subscribe for 800,000 new ordinary shares at 50s. per share.

The proceeds of these issues will enable the company to discharge the whole of the note and loan liabilities amounting to £3,700,000.

ORANGE FREE STATE INTERESTS

Your company has a very considerable stake in the Orange Free State goldfield, particularly in Welkom Gold Mining Company Limited, President Steyn Gold Mining Company Limited and President Brand Gold Mining Company Limited.

The progress of these companies over the last twelve months, especially President Steyn and President Brand, has been more than encouraging and the company can look forward with confidence to a satisfactory dividend income from these sources in the future.

WELKOM GOLD MINING COMPANY LIMITED

Gold production during the year 1953 totalled 148,540 oz, as against 106,116 oz in 1952, and revenue from sales of gold increased from £1,350,092 to £1,860,745.

The working profit was £146,882 and the debit balance on the appropriation account was reduced from £207,487 to £94,653 at the end of 1953. In arriving at the working profit a proportion of general mine expenses and the cost of excess development, totalling in all £325,418, and a sum of £182,611, being interest charges on loans raised to finance capital expenditure (other than on the uranium project) were charged to capital account.

PRESIDENT STEYN GOLD MINING COMPANY LIMITED

Gold production was officially commenced at the beginning of April, 1954. Underground development results on this property have been uniformly better than borehole indications, and the high percentage of payability in reef exposures at both shafts is encouraging.

Up to the end of March, 1954, the results of development on Basal Reef were, in total:

Footage on reef, 19,542 feet.
Footage sampled, 19,230 feet.
Footage payable, 16,375 feet.
Percentage payable, 85.15 per cent.

Average value of payable footage, 541 inch-dwts.

PRESIDENT BRAND GOLD MINING COMPANY LIMITED

During 1953 and the first quarter of 1954 development results on this mine have been very encouraging. Of 4,250 feet sampled to December 31, 1953, 4,170 feet, or 98.12 per cent, proved payable, averaging 111.32 dwts over 13.10 inches, equal to 1,458 inch-dwts. Over the first quarter of the current year 3,140 feet were sampled and averaged 98.57 per cent payable at an average value of 136.97 dwts over 11.89 inches, equal to 1,629 inch-dwts.

Subject to the development programme continuing according to schedule, the mine should reach production stage on a small scale before the end of 1954.

COAL AND ASBESTOS INTERESTS

The principal bituminous coal producers in which we are directly or indirectly interested include:

Amalgamated Collieries of South Africa Limited, Blesbok Colliery Limited, The Coronation Collieries Limited, Natal Coal Exploration Company Limited, The Newcastle-Platberg Colliery Limited, New Largo Colliery Limited, South African Coal Estates (Witbank) Limited, Springbok Colliery Limited, Vierfontein Colliery (Proprietary) Limited, Vryheid Coronation Limited.

In the anthracite field we have a large holding in Natal Anthracite Colliery Limited, which is developing a steady inland and export business.

The asbestos market has suffered a severe recession in both price and volume, and there are no signs yet of any favourable turn.

Royalties received from Amosa Limited were satisfactory in 1953, but were considerably lower than the 1952 figure. Other asbestos interests include Munnik Myburgh Chrysotile Asbestos Limited, which is experiencing great difficulties, and Rhodesia Monteleo Asbestos Limited, which suspended operations in November last.

The company will celebrate its 50th anniversary this year. It has had an eventful but, on the whole, successful history, and your board believes that there is reason to be optimistic about the future.

DOMINION STEEL AND COAL

INCREASING EFFICIENCY

The annual general meeting of the Dominion Steel and Coal Corporation, Limited, was held on May 7th at Montreal.

Mr L. A. Forsyth, QC, the president, said: Net earnings for the year ended December 31, 1953, after providing for estimated taxes and depreciation of $5,254,017.90, an increase of $524,071.29, amount to $3,867,714.97—lower by $330,160.73. However, when the larger depreciation figure for 1953 is taken into account, retainable funds from the latter year's operations exceed those of 1952 by $193,910.56. In terms of earnings, after taxes, per share of capital outstanding, these profits represent $1.86 as against $2.02 for the preceding fiscal year.

Profits of the corporation arising from operations during the year 1953, before interest, taxes and depreciation, were $12,890,685.12, while miscellaneous income (including $491,664.51 derived from sale of fixed assets) provided $1,024,946.20. The total revenue figure $13,915,631.32 exceeds the corresponding figure in 1952 by $380,293.33. The net working capital of the corporation, which at December 31, 1952, amounted to $28,176,631.56, increased by $2,754,001.11 and, as at December 31, 1953, stood at $30,930,632.67.

Regular quarterly dividends at the rate of 25 cents per share on the outstanding ordinary shares of the corporation were declared during 1953, in a total amount of $2,079,666. Since the close of 1953 one quarterly dividend of 25 cents per share has been declared and paid.

Ingot Production: At the Sydney steel plant production of steel ingots for 1953 was lower by 1.6 per cent than in 1952, while steel production from the electric furnaces in the Montreal plant was reduced by 19.9 per cent.

Modernisation and Improvement of Plant: At the Sydney steel plant our subsidiary, Dominion Iron and Steel Limited, has completed the rail finishing mill, the blooming mill and the new coke ovens. There are now operating in this plant two high carbon wire-drawing machines, a billet mill hot bed and a turbo blower. Our most significant achievement is the completion of our programme for increased production at the mines of Dominion Wabana Ore Limited.

CURRENT OUTLOOK

Developments in late 1953 and early 1954 have been not too reassuring. The decline in business which has developed during the past five months has compelled us to revise our operating programme, particularly in the plant at Sydney. Steel operations have declined with us to a level slightly higher than obtains in the United States.

There are some indications of improvement in demand which should relieve the situation; but one cannot say that the trend toward better market conditions has as yet developed as rapidly or to such a degree as had been hoped.

I feel that our policy of concentrating upon improved operating efficiency rather than upon expansion of production has been justified, and will enable us to meet unfavourable conditions, marketwise, with greater confidence.

I am certain that the resources of this corporation in the skill and capacity of its personnel, as well as in material assets, will ensure that under any conditions which come to pass we will make the best of it.

The report and accounts were adopted.

KEMSLEY NEWSPAPERS LIMITED

VISCOUNT KEMSLEY'S ANNUAL REVIEW

The thirtieth annual general meeting of Kemsley Newspapers Limited will be held on May 27, 1954, at Kemsley House, London. The following is an extract from the statement of the chairman, the Viscount Kemsley, circulated with the report and accounts for the year ended December 31, 1953, to be submitted to the meeting:

In the closing paragraph of my statement on the accounts for the year 1952 I indicated that unless there were substantial decreases in newsprint and other costs during 1953 the trading result for that year could not be expected to show any marked improvement over 1952. As matters have turned out there has been little change during 1953 in the price of newsprint which at the beginning of the year was £54 a ton, was reduced by £1 a ton on March 1st and fixed at £52 10s. a ton on June 28th. On the other hand our employees were awarded a cost-of-living increase at the end of April and in considering this important element of our cost it should be appreciated that 1953 carried for the first time a full year's charge for the two wages increases awarded at the beginning of May and November, 1952.

The trading profits and sundry income of the group amounted to £1,335,000 in 1953 as compared with £1,461,000 for 1952. This amount was clearly affected by the special factors to which I have referred.

After adding to the trading profits the investment income and the items of special income shown separately in the consolidated profit and loss acount and deducting debenture interest the earnings of the group for 1953 amounted to £1,452,000 before allowing for taxation as compared with £1,434,000 in 1952.

THE NET PROFIT

Once more I refer to the charge on the earnings accruing to the ordinary stockholders of the distributed profits tax levied on the dividends paid to preference shareholders. Some alleviation of this most unfair burden, which for your company was no less than £102,000 in 1953, should have been granted before now. Successive Budgets have been passed without reference to the anomaly and there seems to be no prospect of any remedy.

After providing for taxation and deducting profits (£16,000) attributable to outside shareholders of subsidiaries there is left a balance of £600,000 which is our company's proportion of the net profit of the group for the year. In 1952 £253,000 was released from earlier provisions for taxation mainly as a result of the substantial agreement of the group's liability for excess profits tax. During 1953 complete agreement has been reached and it has been found possible to release a balance of £68,000. It should be noted incidentally that the agreement of this liability has necessitated an adjustment to the excess profits tax postwar refund account which is shown in the balance sheet under the heading of capital reserves.

After adding this taxation credit and deducting £4,500 in respect of profits retained in the subsidiaries there remains a balance of £664,000 representing the net profit of Kemsley Newspapers Limited.

Your directors conclude that in all the circumstances as they exist today, the right course is to repeat the rate of final dividend, namely 5 per cent, making 10 per cent for the year. They have transferred the sum of £250,000 to general reserve and after these appropriations the balance carried forward on profit and loss account is slightly increased to £326,000.

Newsprint is still not free and almost alone among the industries of the country ours still has to work within important restrictions.

I had hoped that before now control would be at an end and that we should be free to order as much newsprint as we required. The attitude of the Government has not been wholly sympathetic and it is difficult to appreciate why the small amount of additional exchange necessary to give freedom to newspapers is accorded such a low priority in Treasury calculations.

"THE SUNDAY TIMES"

The record of our publications is one of progress during the year. In particular this is evident in the *Sunday Times* on which once more I am able to make a favourable report. This newspaper has during the year taken the initiative in many important and interesting directions. I recognise that contemporary conditions are changing and that, particularly amongst the younger men and women a new spirit of inquiry and interest is abroad. To that spirit the *Sunday Times* has responded and has broadened its appeal without relaxing for one moment its determination to be above all accurate, authoritative and fair. In the result its circulation during 1953 has increased by nearly 50,000. In 1954 the rate of increase so far is even greater. Recently the selling price has been reduced from 4d. to 3½d., as was stated in the issue of April 4th, in order "that the paper may be available to an even wider public." As was then said also, "A gratifying feature of the increased circulation is the growing number of younger as well as older people seeking a Sunday paper which discusses contemporary problems in a frank and balanced manner."

During the year, it appeared that a balance of advantage lay in printing and publishing the *Sunday Graphic* in London rather than in Manchester. Arrangements were made accordingly and to that fact can, I am sure, be attributed much of the encouraging progress of the circulation of the *Sunday Graphic*.

"DAILY DISPATCH"

In Manchester, where competition is, I think, keener than in any other area, the degree to which both the *Daily Dispatch* and the *Evening Chronicle* have improved their positions is most gratifying.

The *Daily Dispatch* has a circulation much higher than that of any morning paper published wholly outside London. A great area like Lancashire and the north-west requires a popular morning newspaper designed to serve its special requirements and the *Daily Dispatch* fills this role. The *Evening Chronicle*, which covers Manchester and an important area beyond, has undoubtedly during the year increased its popularity among women and the younger generation. Its extended appeal has had a favourable influence on its circulation.

The present year has opened encouragingly. The abandonment of controls and rationing has brought back many organisations into the field of advertising and the prospect at the moment is good. Nevertheless, it would be rash as yet to interpret the outlook as "set fair." As Mr Butler indicated in his Budget speech, while there is no evidence of a serious recession in the United States and while we appear to be insulated to a greater extent than seemed possible a year or two ago from trans-Atlantic influences, it is necessary for us to keep our weather eye open. We must, therefore, not let confidence overcome our caution. With that proviso I view the affairs of your company for the present year with a greater degree of optimism than I have been able to do in recent years.

PARKINSON & COWAN LIMITED

INCREASED DIVIDEND

SIR GEORGE JESSEL'S ADDRESS

The fifty-fourth annual general meeting of Parkinson & Cowan Limited was held on May 7th, in London.

Sir George Jessel, Bt, MC, the chairman, in the course of his address, said: In my speech at the last annual general meeting I did not hold out expectation that 1953 would show substantial improvement over 1952, which the shareholders will remember as a recession year in our industry. My forecast proved substantially correct in respect of our trading profits, which were £330,000, against £350,000 for 1952. Our consolidated net profit at £145,000 (£75,000 last year) has benefited from taxation adjustments which have resulted from the partial execution of our policy to wind up subsidiary companies.

Having paid our normal preference dividend, absorbing £19,000, your directors recommend a dividend of 9 per cent on our ordinary capital, an increase of 2 per cent on the 1952 distribution. This recommendation has been made in the light of several factors. Firstly, the improvement in trading which started in the autumn of last year is well maintained at this date. Secondly, the company's finances and prospects seem to us to justify this step. Thirdly, and not the least, we think that the proprietors of the company are entitled to expect a measure of protection against the diminishing value of money. As our balance sheet shows, your directors have sought to make this company a safe investment; they also seek within the same confines of prudence to make it a remunerative one.

The remainder of the consolidated net profit amounting to £89,000 is suggested to be disposed as follows:

Although no less than £118,000 is charged in these accounts against depreciation, we propose to create a fixed assets replacement reserve and to credit thereto an initial sum of £50,000.

During the year we acquired the remaining half-interest in our previously jointly owned South African company. This action converted this company into a wholly owned subsidiary; consequently we took into our consolidated accounts some accumulated losses and wrote down our investment in that subsidiary by £18,000. This action contained an element of anomaly because our other overseas investments had a market value some £70,000 higher than their book value. It seemed rational, therefore, to adjust the valuation of these other investments upwards by, roughly, a corresponding amount. This explains the item of £20,000 credited to capital reserve. After this operation our overseas investments remain at a market value £50,000 above their balance-sheet valuation.

VALUE OF EQUITY

Shareholders will note that the book value of each £1 ordinary stock, excluding goodwill, now stands at 36s., compared with 28s. 5d. in 1949.

CONSOLIDATED BALANCE SHEET

Apart from the matters already touched upon, there remain a few items worthy of note. Stocks have been reduced by £111,000 odd and cash is down by £30,000. Net fixed assets have increased by £70,000 and this reflects our policy in continuously improving the quality of our mechanical equipment.

PROSPECTS FOR 1954

The year started with nearly all our factories in high activity and operating at a sound level of profit. Our leather interests, which suffered a severe setback in the last two years, remain a source of anxiety. Our gas, water, and electricity meter companies are doing well. Our gas-appliance factory is very active and production of paraffin-burning goods is brisk. It is not easy to forecast future trends, but so far as I can see we should enjoy a good year in 1954.

The report and accounts were adopted.

The retiring directors, Mr R. Connor and Mr C. H. Pearson, were re-elected, and the chairman concluded with a tribute to the managing director, Mr H. P. Barker, and to the staff and workpeople. Two hundred and forty of the latter have served the company for more than twenty years.

THE BRITISH OXYGEN COMPANY, LIMITED

INCREASED PROFITS

MR J. S. HUTCHISON ON THE OUTLOOK

The sixty-eighth annual general meeting of The British Oxygen Company, Limited, was held on May 13th in London.

Mr J. S. Hutchison, chairman of the company, in the course of his speech, said:

The consolidated profit after depreciation at £4,324,975, shows an increase for 1953 of £349,883. The increase came from extended sales of industrial gases in Great Britain, from generally increased business overseas and from improved earnings in the chemicals division, all offset by less favourable experience in the equipment and electric welding fields.

DEPRECIATION

Depreciation for the year is increased by no less than £405,000 to the high figure of £2,007,312, and this is a result of new production plant installation on a considerable scale during the last year or two so that we should be able to meet the steadily increasing demands for our products in Great Britain and overseas. This process will continue, and accordingly the new investment allowances proposed in the Budget are of considerable moment to us and offer practical assistance in our position of high capital investment in plant and equipment which results in depreciation charges which are heavy in proportion to our other costs of operation.

INVESTMENT ALLOWANCES

We are strong believers in the need for the most up-to-date factories, machines and equipment and our group expenditure on these items in the past five years has been no less than £19 million. In the same five years we have paid in all forms of direct taxation several million pounds more than would have been payable on the basis of prewar taxation and that means that to fill that gap we have had to seek extra share capital, which must be attracted by a fair profit earned on it and a reasonable dividend paid on it. Anyone can see how much easier it would have been for us to avoid the new capital and its dividend charge and instead to use on the improvement and extension of productive resources the cash which went in extra taxation. All can appreciate therefore the burden under which industry in Britain has struggled since the war to get itself up-to-date and equipped as it should be and at present-day costs.

There can be no doubt whatever that improvement in our productive resources lies at the root of our ability as a nation to compete and is essential to our future prosperity. This clear recognition by the Chancellor of our laggard position and his limited but very practical assistance in this year's Budget may represent the birth of a new political outlook in this vital matter of allowing industry the means to progress. I hope earnestly that we may look forward to an extension in following years of these principles as the means of securing and safeguarding for the nation, before it is too late, the industrial income which pays all our wages and salaries and is the basis of all the Government's taxation income and therefore of the social services and all the other services taxation provides. Industrialists will very much welcome the new investment allowances and I hope will see to it that the public understands properly the willingness of industry to extend and modernise its productive resources given the means to do so.

INCREASED HOME SALES AND REDUCED PRICES

Once again our forward planning and laying down in Great Britain of large additional oxygen production plants has been no more than sufficient to enable us to meet the demands made upon us. Increased oxygen sales are to an extent in quantities which entail most favourable prices to customers and are met entirely from new production plants built at today's costs and bearing, therefore, the heavy depreciation charges to which I have referred. The conjunction of these factors of sale at keen prices and production at new plant cost, operating in regard to an important extension of sales volume, has left for us but a modest profit increase in relation to that volume.

On January 1, 1954, we reduced prices of liquid oxygen and dissolved acetylene, and it is our hope that this step on our part, which we took despite increasing costs, will be seen as an effective contribution to that increase of industrial production which must be the foundation of future employment and prosperity. It is unfortunate that the intractable trinity of coal, transport and electricity should so persistently frustrate other efforts towards cost restraint.

PROSPECTS

Industry generally is finished now with the phases of long scarcity and eventual quick surplus which characterised the immediate postwar years, and I look upon the present phase as one which for considerable sections of industry may be characterised by the introduction on a wide scale of new methods and new products and their consolidation in the market. This changing scene offers increased opportunity for development, but development takes time for its application and time for the benefits to be felt.

Earnings cannot always go forward by substantial amounts year after year and although this may be a year rather of consolidation and of gathering strength for the next stride, my confidence in the outlook is unabated. Trading results in 1954 so far are encouraging and I do not consider that you will have reason to be disappointed with the report we submit to you next year.

ILLUSTRATED NEWSPAPERS

SATISFACTORY RESULTS

The twenty-eighth annual general meeting of Illustrated Newspapers Limited was held on May 7th in London.

Major H. Davenport Price, MC, JP (the chairman), presided and in the course of his speech said: The profit on trading is £543,486, which sum is increased by other income to £565,086. There falls to be deducted £71,010 in respect of interest on debentures, directors' fees and emoluments and depreciation, leaving a profit before taxation of £494,076. Taxation reduces this sum to £230,300 and there is a further deduction in respect of the proportion of profits attributable to outside shareholders. The resulting figure of £217,352 is the net profit for the year attributable to Illustrated Newspapers Limited, which is an increase of £35,604 over the comparable figure for last year.

Current liabilities and provisions for the group amount to £633,469, which figure is covered nearly three times by current assets, which shows a strong liquid position.

The results must, under the circumstances, be considered satisfactory. There has been a further rise in the cost of production, and the fall in the price of paper has been very small in the case of the high quality paper used by us. On the other hand we benefited from the special numbers issued in connection with the Coronation. These numbers had a very large sale.

Our trade papers, *The Drapers' Record* and *Men's Wear*, again had a very successful year, and our other subsidiary companies did their part in contributing to the year's profits. The report was adopted.

GOLD COAST SELECTION TRUST

Major-General W. W. Richards, CB, CBE, MC, chairman, presided on May 6th at the twenty-fourth annual general meeting of Gold Coast Selection Trust, Limited, in London. The following is an extract from his circulated statement:

We have had another successful year. Income from dividends amounted to £106,753 and profit on the sale of investments £3,715. The results of the year's operations, including the surplus on the purchase and sale of leases, showed a profit of £140,524. In November the directors declared an interim dividend of 15 per cent, less tax, an increase of 2½ per cent on the previous year.

Our portfolio of investments is mainly represented by shares in mining companies operating in West Africa, including Amalgamated Banket Areas, Ariston Gold Mines, Bremang Gold Dredging, Gold Coast Main Reef, Marlu Gold Mining and Ankobra River Power.

Practically the whole of the world output of columbite is mined in Nigeria. The limited supply of this material caused a bonus price to be paid for columbite, raising it to over £2,000 per short ton. Several companies in which we are interested produce columbite, which is yielding very satisfactory profits. Development programmes are progressing well and the 1954 outputs should show considerable increases over 1953.

The report was adopted and the name of the company was changed to Western Selection and Development Company, Limited.

The chairman announced the payment of an interim dividend of 7½ per cent, less tax, on account of the financial year ending September 30, 1954, payable on May 30th.

PHŒNIX ASSURANCE COMPANY

NEW RECORDS ESTABLISHED

COLONEL THE HON J. J. ASTOR'S REVIEW

The one hundred and seventy-second annual general meeting of Phœnix Assurance Company, Limited, will be held on June 2nd at Phœnix House, King William Street, London, E.C.4.

The following are extracts from the statement by the chairman, Colonel the Hon J. J. Astor, on the directors' report and statement of accounts for the year ended December 31, 1953: We have had the pleasure of appointing to the board Lord Reith, who comes to us with a high reputation and wide experience. We welcome his assistance.

No doubt you will recall with pleasure the honour conferred on two members of the board in the Coronation Honours. I refer to our managing director, Sir Edward Ferguson, whose knighthood was accorded to him in recognition of his services to the insurance industry as chairman of the British Insurance Association and to Sir Dingwall Bateson who was similarly honoured for his services as president of the Law Society. We offer them both our congratulations on this fitting tribute to their success in these highly important offices.

Our operations in 1953 resulted in a further strengthening of our already strong financial position. In keeping with the general trend there has been some slackening of the rate of progress in total premiums in the fire, accident and marine departments, but nevertheless they show a satisfactory advance and again establish a new record. The profits earned on both the fire and accident revenue accounts are also impressive and from all our underwriting activities £1,615,000 is brought into the profit and loss account.

FIRE AND ACCIDENT DEPARTMENTS

Turning specifically to the fire department, it has once again produced a very satisfactory profit—£919,000. The postwar expansion of aggregate premiums received an expected check.

The heavy flood and windstorm experience has resulted in the claims ratio in this department being higher than in previous years, but the comparatively small increase in premiums calls for only a modest addition to our provision for unexpired risks, even on our 50 per cent basis. Added together, the ratio of the claims and the additional provision for unexpired risks to premiums is about the same as in preceding years.

In the accident department total premiums show an increase of 6.6 per cent on those for 1952.

The sum of £490,000 transferred to profit and loss account represents a great improvement on the results we have reported in recent years in this department. This more satisfying state of affairs is due to the changing situation in motor insurance, which constitutes the largest single section of our accident account. The substantial losses which we incurred on motor business over the past decade have largely negatived the profits made on other classes of risk, but there are now grounds for hoping that improving motor results will enable us to reap the full benefit of our underwriting in these other sections. It is important, however, to add that we are still a long way from obtaining a reasonable return on moter insurance.

LIFE DEPARTMENT

The life department completed business for new sums assured of £6,731,000 net of reassurances, which was again a record for the company. An indication of the growth in this department is the increase in the life assurance fund during the year by £1,747,000 to £31,209,000 after transferring £55,000 to the profit and loss account.

The gross rate of interest earned on the life funds in 1953 was £4 14s. 4d. per cent and the corresponding net rate £3 7s. per cent. Both these rates are 2s. 9d. per cent greater than those of the previous year.

MARINE DEPARTMENT

The transfer from the marine department of £150,000, although smaller than in recent years, may be regarded as satisfactory. This result has been achieved by conservative underwriting of a difficult account and after due provision of ample reserves to meet outstanding claims. Although the fund is slightly less, it represents 165 per cent of the premium income, as compared with 149 per cent last year. At present marine insurance is suffering from a position where the market can too easily absorb the volume of business on offer. The resultant competition is likely to have harmful results, for too little regard is paid to the delay and heavy expense in the presentation and settlement of claims, which in due course must demonstrate that unduly competitive rates and conditions are uneconomic.

Keen competition characterises the quest for cargo business, and one hears of accounts changing hands at rates which, according to past experience, cannot possibly be expected to show a profit and which a prudent underwriter should avoid. A period of abnormally low casualties may temporarily seem to justify rate reductions, but the time must come when it will be found that many rates have fallen to uneconomic levels.

THE ACCOUNTS

Turning our attention to the profit and loss account, the aggregate profits transferred from the revenue accounts have already been mentioned. In addition, I would emphasise the further and important increase of £100,000 in gross interest, dividends and rents earned on our funds dispersed all over the world.

On the other side of the account, as well as providing £100,000 for foreign exchange, we have increased the annual allocation to pensions account by £50,000. The amount provided for taxation is less than in the previous year despite the larger revenue profits, and this is mainly due to adjustments in computing our liability for the excess profits levy.

The profit for the year to be carried down to the appropriation account amounts to £949,000, and with the proposed dividend remaining at the rate to which it was increased last year, we have been able to augment the balance on profit and loss account to £2,149,000, thus improving our free reserves by no less than £479,000.

Referring to the consolidated balance sheet, while the increases in the various groups of assets are fairly well spread throughout the list, the main additions are £1,142,000 in debentures, £450,000 in ordinary shares, and £396,000 in properties. I am pleased to state that the excess of market values of our invested funds over the figures at which they stand in our balance sheets has been substantially increased by the favourable movement in market prices over the past year.

CROFTS ENGINEERS (HOLDINGS)

CAPITALISATION PROPOSALS

SIR ARTHUR CROFT ON THE RECORD RESULTS

The sixth annual general meeting of Crofts Engineers (Holdings), Limited, was held on May 7th at Bradford, Sir Arthur Croft (the chairman) presiding.

The following is an extract from the chairman's circulated statement: The profits of the group have slightly increased, so that once again the figures constitute a record, and I am sure that you will agree that the position in which we find ourselves is very satisfactory.

The trading profit amounts to £679,795 against the previous year's figure of £661,476, and, after providing for taxation of £376,557 we are left with an amount of £303,238, which represents the net profit of the group. The directors propose the same final dividend as last year—namely, 25 per cent on the ordinary shares (absorbing £55,000), making a total distribution of 40 per cent, less income-tax, for the year.

CAPITALISATION OF RESERVES

In order to bring the issued capital of the company more into line with the capital permanently employed, the shareholders will be asked to approve the capitalisation of £400,000 from the general reserves of the group by the application of that sum in paying up in full 1,600,000 shares of 5s. each for distribution to the ordinary shareholders in the proportion of one new share for each share already held.

An increase in the net value of the fixed assets of £110,041 will be noted and the cash position has been further strengthened. We have been able, during 1953, to put into effect our planned extensions and rearrangements and re-equipment of departments, both at Thornbury and Dudley Hill, which I referred to last year. New buildings have been erected at Dudley Hill, giving us an extra floor space of 64,260 sq. ft.

A tremendous amount of effort has been put into this work in order to complete the extensions in as short a time as possible, and the new buildings are fully occupied and have already proved their value. The whole of our present schemes will be completed by the end of June next.

PROSPECTS

During 1953 trading conditions became more difficult, and there was a substantial reduction in our order book, I am pleased, however, to report that conditions have in recent months shown an improvement, with a satisfactory increase in incoming business, and the outlook is now encouraging.

Last year I informed you that we were going all out to secure trade, and the results already achieved show we are on the right lines. Your directors are continually exploring fresh avenues for the expansion of our activities, and we are very much alive in all markets. I cannot attempt to forecast what the future will be, but I have no doubt of our ability to obtain our fair share of the business that is available in the world markets.

In general, the labour position is good, and the supply of materials is much easier.

I have referred in previous reports to the building up of a direct export trade, and this policy has shown excellent results in 1953. Both Crofts Canada Limited and Britenco Limited, Canada, have had a successful year's trading. Our South African subsidiary has also had successful trading results, even though the market out there has been somewhat depressed during 1953.

The report was adopted.

At a subsequent extraordinary general meeting the capitalisation proposals were approved.

THE SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

INCREASED BUSINESS IN LIFE, FIRE AND ACCIDENT DEPARTMENTS

INCREASED INTERIM LIFE BONUS

INCREASED DIVIDEND

MR HUGH WATSON'S REVIEW

The one hundred and twenty-ninth annual general meeting of the company was held on May 12th in Edinburgh.

The following is an extract from the statement by the chairman, Mr Hugh Watson, DKS, circulated with the report and accounts for 1953:

A new record figure of just over £5,400,000 (after deducting amounts reassured) was attained in the Life Department despite a reduction in the new sums assured in connection with group life and pension schemes. In 1952, £270,000 was transferred to investment reserve account and this sum has been transferred back into the life and annuity account during 1953.

Although the next quinquennial valuation of the life business is not due until the end of 1955 an examination of the position at the end of 1953 discloses a healthy state of affairs. The directors have decided to increase the rate of interim bonus payable in respect of claims arising during the current year under with profits policies (effected in the United Kingdom and the Republic of Ireland) from 30s. per cent to 36s. per cent in respect of each year's premium paid or assumed paid since December 31, 1950.

The premium income in the fire department for the year 1953 exceeded £5,500,000 and was a new record for the company. The claims experience was not so favourable as it was in 1952, but a profit of £117,426 was transferred to the profit and loss account.

The premium income in the accident and general account increased to £1,742,026, which was a new record for the company, and the sum of £68,585 was transferred to the profit and loss account. Although the motor account cannot yet be considered satisfactory, it has shown a considerable improvement as compared with 1952.

The conduct of business in the marine department does not prove any easier and it is no exaggeration to say that 1953 has been another difficult year. It has, however, been possible to transfer £100,000 to the profit and loss account, whilst still keeping the underwriting fund at a prudent level.

The year 1953 saw a continued return of confidence in British investment markets. A reduction in bank rate and the decline in market yields on fixed-interest securities marked the sounder position. The market value of the company's portfolio was again substantially above the book value. The investment policy was again directed towards increasing the interest in ordinary shares and mortgages.

Since the close of the year, an offer, which had since been accepted, was made to purchase the shares of the Scottish-National Key Registry and Assurance Association Limited.

The directors felt that the strength of the company and the adequacy of its reserves justified an increase in the dividend, and accordingly recommended an increase to 8s. on the "A" shares of the company and 30s. on the "B" shares, which will absorb a sum of £132,000, leaving a balance of £487,086 to be carried forward.

After paying tribute to the services rendered by the executive officers and the staffs of the company and its associated companies and to local directors and agents throughout the world, the chairman concluded "I would like to express to my colleagues on the board and to the management my appreciation of the generous support which they have accorded to me during the time I have had the honour to act as chairman of the board."

The report and accounts were adopted.

CALEDONIAN INSURANCE COMPANY

149th ANNUAL GENERAL MEETING HELD ON MAY 13, 1954

STATEMENT BY THE CHAIRMAN, MR MAURICE CRICHTON, CA

LIFE DEPARTMENT

Our net new life assurances for the year, including group life assurance business, amounted to the record total of £3,038,221 as against £2,996,216 for 1952. Deferred annuities amounting to £157,090 per annum were issued as compared with £200,580 per annum for the previous year.

The premium income now exceeds £1 million and at £1,026,461 shows an increase of £48,959. The net interest income increased by £26,543 to £390,443 and the net rate of interest earned on the fund was £3 10s. 11d. per cent as against £3 9s. 5d. per cent a year ago.

Mortality experience for the year was favourable and the expense ratio has improved, and was 16.1 per cent as compared with 16.7 per cent in our last accounts.

The year 1953 was the last year of another triennium and the results of the actuarial valuation are set out in the report. As has already been announced in the press, reversionary bonuses have been declared for the three years ended December 31, 1953. Ordinary participating whole life assurances receive 42s. per cent per annum and endowment assurances receive 40s. per cent per annum both calculated on the sum assured. At our last triennial valuation the corresponding bonus rates were 32s. and 30s. per cent per annum. Reversionary bonuses have also been declared in respect of all other classes of participating policies.

Interim bonuses for the year 1954 will be granted at the same rates.

Our with-profit policy holders will, I am sure, be gratified by the substantial additions to their policies, and we can thoroughly recommend a "Caledonian" with-profits policy as a very good investment.

The improved bonuses, as will have been noted, are declared after strengthening our valuation and, after providing for the bonuses, our carry forward shows a substantial increase. Our investments have been carefully reviewed and I can say that the margin between the market values of our Stock Exchange securities and the values at which they appear in the balance sheet has been substantially increased during the year. These results justify our looking to the future with confidence.

The recommendations involve such far-reaching changes in existing legislation that it was hardly to be expected that effect could be given to them in this year's Budget. We have given much thought to the Report, particularly to the Committee's recommendations of the Millard Tucker Report for directors and self-employed persons, and if at a later date the Committee's proposals are implemented we shall be able to give advice and service to all our connections.

FIRE DEPARTMENT

The premium income for 1953 was £3,187,349, an increase of £5,550 over the figure for 1952.

Our fire underwriting at home and overseas was again very satisfactory, but results in the United States of America and Canada were not so good as had been hoped. In the United States our figures were adversely affected by the disastrous fire last August at the Livonia Plant of the General Motors Corporation. This was the largest fire which has happened in connection with any single risk, and a great number of insurers were interested. Following a reduction in the amount of long-term business, and consequently in the reserve required, the additional provision has been reduced by £50,000. The sum of £269,150 has been transferred to the profit and loss account.

ACCIDENT DEPARTMENT

The premium income was £3,510,289, a record for the company, and an increase of £369,243 over the record figure for 1952.

There has been a steady growth year by year in the accident department premium income, and at the figure of £3,510,289 it has for the first time exceeded the income in the fire department.

Serious losses were sustained as a result of the flooding in the eastern coastal areas of Great Britain in January, 1953, and underwriting in the motor department throughout the world continued to be difficult. I am pleased to say, however, that the account has improved, although the margin of profit is small.

The sum of £33,636 has been transferred to the profit and loss account.

MARINE DEPARTMENT

The fund at £874,585 represents 201 per cent of the premium income, which compares with the percentage 175.4 for 1952. The sum of £50,000 has been transferred to the profit and loss account.

TOTAL PREMIUM INCOME

The total premium income for all departments was £8,159,261, the corresponding figure for 1952 having been £7,812,559.

PROFIT AND LOSS AND APPROPRIATION ACCOUNTS

The amount of interest, dividends and rents (less tax) not carried to other accounts was £149,736.

The balance for the year transferred to the appropriation account was £282,246 after providing for taxation and for bad and doubtful debts.

The directors' recommendations for dealing with the surplus are stated in the report.

MAPLE & CO., LTD.

EFFECTS OF POLITICAL REACTIONS

MR H. S. WHARTON ON BURDEN OF PURCHASE TAX

The sixty-fourth annual general meeting of Maple & Company, Limited, was held on May 7th in London, Mr H. S. Wharton (president of the company), presiding.

The following is an extract from his circulated statement: During the past year we have felt the effects of political reactions. In the first quarter the public wishing to buy furniture, etc., was confused by the uncertainty as to whether the Chancellor of the Exchequer would reduce purchase tax and so lower retail prices. Then came the Coronation, when unlike the general stores which benefited, we found the vast number of visitors to England and particularly to London, for the time being, anything but furniture minded. However, from June onwards business improved consistently, not only in London but at all our branches as well, and the autumn returns were very satisfactory.

Exports: Our contribution in this most important section has been fully maintained, and the inquiries now being dealt with are even more considerable than a year ago.

CONTRACTS—MAPLE-MARTYN ORGANISATION

During the past year we have completed successfully the various shipping orders and large contracts which were mentioned as being in hand in the last statement. Other contracts of note which we have received during the year have included the Saudi Arabian Legation in London, three large contracts in metal and stone for the American Battlements Commission, the new Anatomy Building for the University College of London, contracts for the National Provincial, Midland, Barclays and Lloyds Banks, several church contracts for fibrous plaster and metal work and the furnishing and decoration of many cinemas and hotels. Contrary to some articles which recently appeared in the press, our orders for ships are most satisfactory, and we have on the books today for 1954 and 1955 delivery, large joinery, decorating and furnishing contracts for new liners for the P. & O. Company, the Shaw Savill Company, the Pacific Steam Navigation Company and the Cunard Steamship Company.

THE ACCOUNTS

It is proposed to increase the general reserve by £126,483, £100,000 of which is released from a provisional liability for excess profits tax, mainly in respect of the 20 per cent postwar refund. Liquid assets show a further reduction, the group stocks in particular showing a decrease of £300,000 on the previous year due largely to our new central buying policy and to reductions in purchase tax. There was some improvement in the cash position. Current liabilities are again substantially reduced, trade creditors showing a decrease of over £150,000, reflecting again in some measure the purchase tax reductions in last year's budget.

PRESIDENT'S ADDITIONAL REMARKS

Addressing the meeting the President said: Since my statement for the past year went to press we have purchased the old-established business of Mark Rowe, Ltd., of Exeter. This company has recently built on its old site very fine premises situated on what is known as "The Golden Half Mile" in the High Street, which we hope officially to open early in June. Your directors are confident that this purchase will prove very advantageous to your company and is admirably situated. In addition it has freehold factories and depositories which were undamaged by enemy action.

Last year we mentioned the repercussions of purchase tax on the furniture and allied trades. Within the past fortnight it was stated in the House of Commons that the total revenue from purchase tax on furniture amounted to only £3 million. I hope the Chancellor of the Exchequer will bear this in mind in his next budget and relieve the public and the retail trade of this burden. What is the use of having subsidised housing if at the same time you have purchase tax levied on furniture, carpets and fabrics. It is quite incongruous, and surely nine years after the end of the war is time enough to get such an anomaly straightened out. Last year we told you that the alteration in purchase tax would cost us £20,000, which money we were compelled to lose unjustly, and it is high time that the Customs and Excise Department abstained from soaking the distributive trades for payments for which they should in no way be responsible.

In conclusion, the increase in the number of our patrons, and sales, is progressing satisfactorily, and I see no reason to doubt that I shall have a more satisfactory statement to make to you in a year's time.

The report and accounts were adopted and the ordinary stock dividend of 8½ per cent, less tax, was approved.

NORTH BRITISH & MERCANTILE INSURANCE

COMPANY'S POSITION OF STRENGTH

The hundred and forty-fourth annual general meeting of the North British & Mercantile Insurance Company Limited was held on May 6, 1954, at the Registered Office of the company, 64 Princes Street, Edinburgh.

The Rt Hon Lord Brand, CMG, DCL (chairman of the general court of directors), presided.

The chairman said: I should like first of all to say that I am sure all shareholders will joint with the directors in wishing a long life full of happiness to Mr Lansdowne, our general manager, who retires at the end of June. Mr Lansdowns will have served more than forty-five years with the company, starting, as you may imagine, at an early age not very high up in the scale and finishing right at the top. He has deserved very well of the company and personally I have greatly appreciated the opportunity to co-operate with him in the last five years of his service in the company as general manager.

The shareholders will also want me, I know, to congratulate Mr Harman on succeeding to the general managership and to wish him all success. Mr Harman knows all about insurance, having been thirty-eight years with the company.

We have unfortunately suffered a great loss in the sudden death of Mr Campbell, our manager in Canada, in a terrible motor accident. Mr Campbell and Mrs Campbell were motoring to their home in the country with their elder daughter. Mr Campbell and his daughter were killed instantaneously through an accident, for which he bore no blame, and could not escape. I know you will extend your deep sympathy to Mrs Campbell. I had the opportunity of spending a month with Mr Campbell two years ago, travelling right through Canada. I learnt then to appreciate his many qualities, which were very great indeed. We have suffered a grievous loss.

The board has appointed Mr Dyer, Mr Campbell's deputy, to succeed him and we wish him all good fortune.

POSITION OF STRENGTH

I have little to add this year to my statement which all shareholders will have received. 1953 was a good year but so far as underwriting profits are concerned not quite so good as 1952. Loss by fire continued to take a heavy and increasing toll, particularly in the United States.

You will already know that your directors decided not to increase the dividend. The total interest received was larger this year than last but it is necessary to remember that tax on distributed profits at 22½ per cent is an additional heavy burden which now costs us over £224,000 per annum.

Our company has very widespread interests and has built up its very strong position by the policy of encouraging its associated companies in other countries, particularly in the United States, Canada and Australia, to build up year by year their resources out of their profits, though these profits are, of course, included in our figure for total underwriting profits. This policy means that our strength continues to increase from year to year

We look forward with confidence to 1954, though the future developments of the economy of the United States, on which so much depends, are not altogether certain. Perhaps insurance does not suffer so much from booms and slumps as many other trades, but we could hardly expect not to be affected by adverse developments. There is good reason, however, to think these may not occur. Our own country has progressed satisfactorily during the last two years.

NEED FOR SOUND INTERNAL POLICY

Our Government's policy, which is directed towards strengthening the currency framework, is a wise one. We have had good fortune in the last two years in that the price paid for our imports has fallen much more than the price obtained for our exports. But we cannot look for equal good fortune in future years, and even so the surplus on our balance of payments is not large enough both to increase our reserves, to provide capital for the sterling area and to pay our debts without, at the same time, incurring further external liabilities. We must produce more and export more. In other words we must not consume at home the whole of any increased production. We require therefore a sound internal policy, as has been so clearly set forth in the Chancellor of the Exchequer's budget speech and in the "Economic Survey" recently published by the Government.

We are still a good way from reaching the desired objective of having a really strong free currency so that we can feel assured that our economy is built on durable foundations able to meet all shocks. Our greatest danger is that we shall find our costs too high to meet the severe and continued competition we must expect, not only from American industry, but more particularly from industry in Germany, Japan, Switzerland and other countries. Since our people are as intelligent and efficient as any others, there is no inherent reason why this danger should not be overcome, if they are well led both on the employers' side and by their own trade union chiefs and if, as it is at present, the Government's internal economic policy is directed to the right ends.

On the motion of the chairman, seconded by the Hon Arthur O. Crichton, the report and accounts were approved and adopted.

Proceedings terminated with a cordial vote of thanks to the chairman and directors proposed by Mr J. A. Yeaman, WS.

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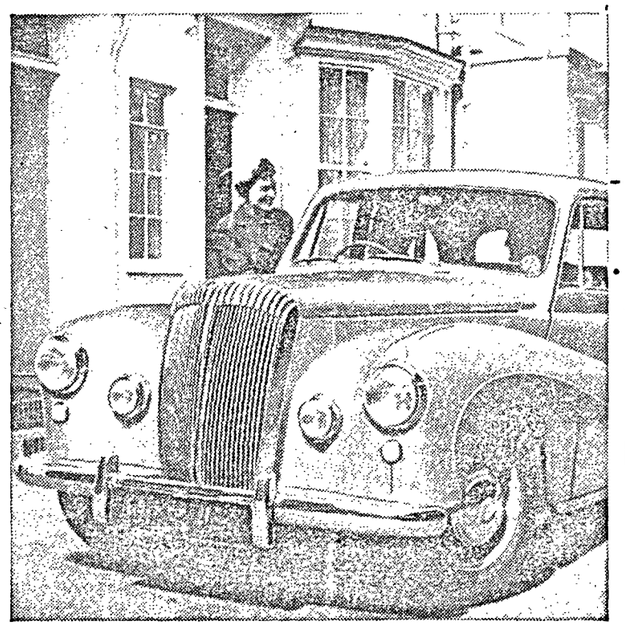

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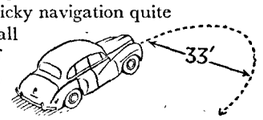

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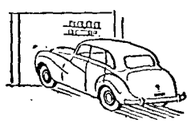

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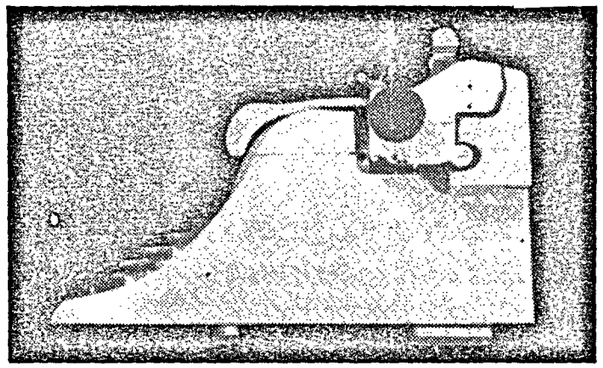

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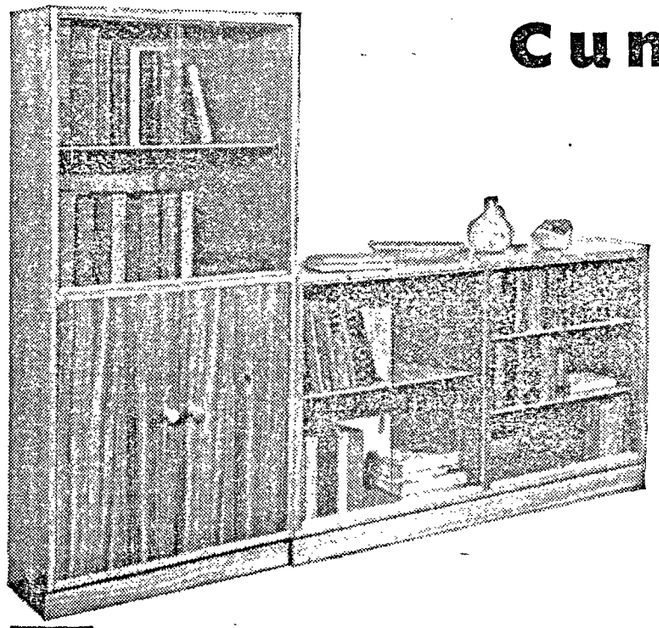

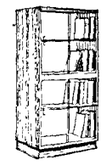

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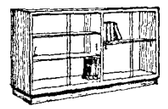

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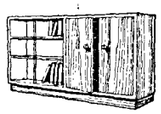

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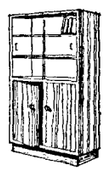

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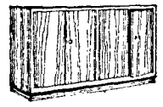

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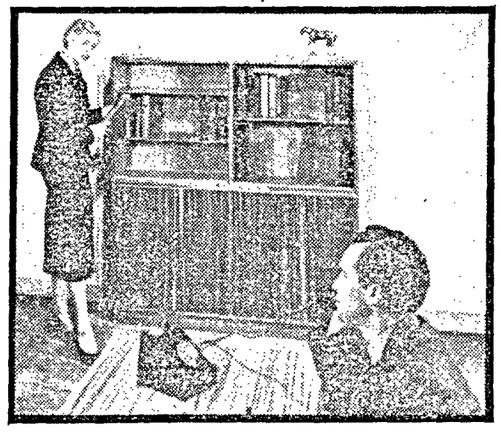

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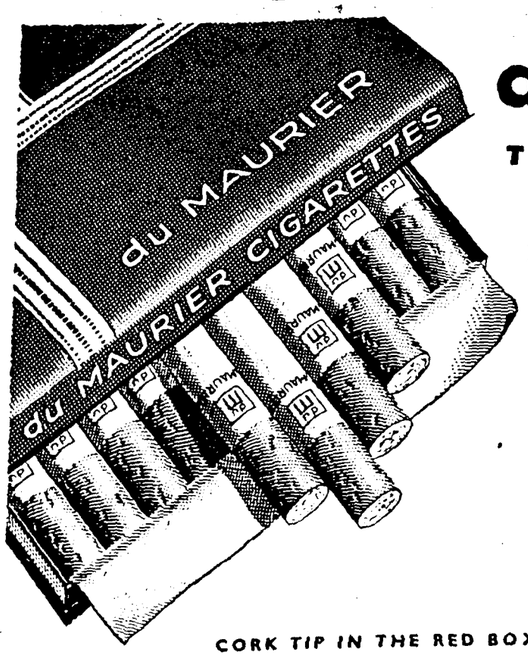

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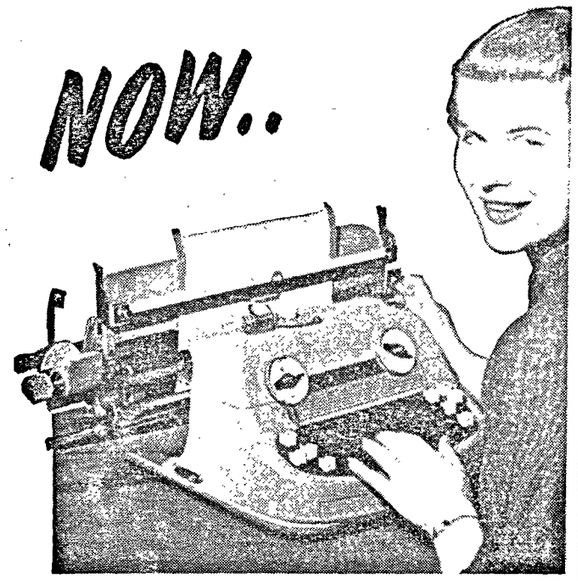

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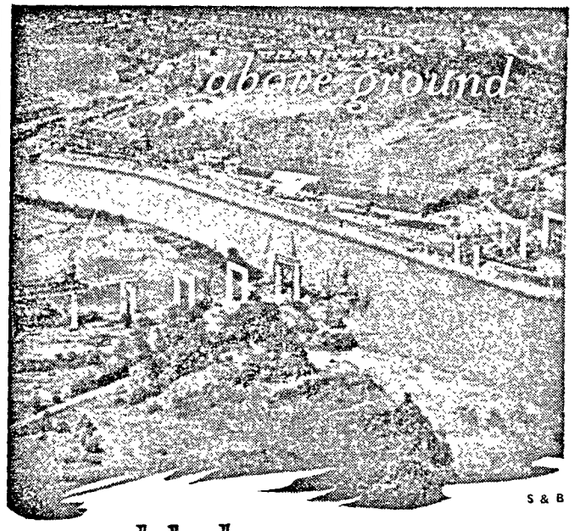

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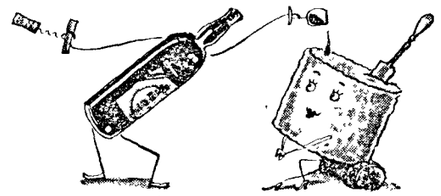

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If Mr Eden Fails 597
Three Per Cent Paradox? 599
Muzhik and Commissar 600
Crofters in Travail 602

NOTES OF THE WEEK

Who Corrals Whom? ; Footplate Folly ; Why the West? ; In Secret Session ; Next Target—Hanoi ; Chinese Aid for Trade ; Paying for Parliament ; Local Elections Run to Form ; Proposals for MPs' Pay ; No Miracle for Mr Macmillan ; Pigeon-Hole for EDC ; Spies Who are Spied On ; A Kite Over Bonn ; Hosannas at Harringay ; Scholarships Stakes ; Belgium Cuts National Service ; The Adamjee Riots ; Over Denmark's Head ; The New Edwardians. 604

BOOKS AND PUBLICATIONS . . 615
LETTERS TO THE EDITOR . . . 618

AMERICAN SURVEY

Restoring Bipartisanship 621

Separation Is Not Equality ; Face to Face with the President ; Tussle over Tariffs ; Political Currents ; Rubber Deadline ; Shorter Notes.

THE WORLD OVERSEAS

After the Korsah Inquiry 629

Bullfight in the Palais Bourbon ; Test of Strength in Luxemburg ; Britain's Stock in Bonn ; Paraguay Under Pressure ; German Trade with China ; Journal of Geneva—IV.

THE BUSINESS WORLD

Coal Threatens the Boom 637
ICI in a New Age 639

BUSINESS NOTES

Signal for Profit-Taking ; Stresses in Lombard Street ; Shake Out in the Markets ; Cotton Exchange at Work Again ; Stagnation in Wheat Futures ; Skill Grows Scarcer ; Anglo-Iranian's New Peak ; Terms of Trade Turn ; Abadan and After ; Dunlop's Record Turnover ; Standards and Quality ; Helicopters Ahoy ! ; Rise in German Exports ; Anglo-Argentine Talks—New Style ; US Aid for Natural Rubber ? ; Barren Crop-Drying ; Option Dealing Discussions ; Towards Choice of Fuels ? ; Air Traffic in 1953 ; Shorter Notes.

COMPANY NOTES AND SECURITY PRICES 653
STATISTICS 656

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.

If Mr Eden Fails

IS it fair that the cartoonists should give Mr Eden, as they have begun to do, the morning coat, winged collar and umbrella of the late Neville Chamberlain? Is it a tortuous and protracted act of appeasement that is going forward in Geneva? And have the whispered comparisons with Munich and 1938 that are now being heard any justice or relevance? The answer, for the moment, is clearly and firmly, No. The danger and temptation of appeasement may lie ahead, but they have not yet shown themselves clearly.

The Foreign Secretary is trying to stop a war that has already gone on for seven years; he is not trying at any cost to prevent a war breaking out. He faces in Chou En-lai a statesman both ruthless and shrewd, whose troops have already been challenged and held on the Korean battlefield, not a man who has been twice or thrice appeased already. He is trying, not to surrender a democratic state, but to arrange a cease-fire around which some fragments of a political settlement might crystallise. If this is appeasement—and the word has a good as well as a bad sense—*then it began in* Berlin, when the foreign ministers (including Mr Dulles) agreed that there should be a conference at Geneva to seek an alternative to war in Korea and Indo-China. And if the British Foreign Secretary finds himself alone in using the conference to seek bases of agreement and to exercise patience and restraint, then he can console himself with this thought: if his efforts fail, then public opinion in the free world—in Asia as well as in the countries of the Atlantic alliance—will rally with greater confidence and an easier conscience behind whatever measures will be necessary to resist the violent pretensions of revolutionary China and the Vietminh. It is now clear that this had to be done, not only in Britain, but also in the United States, before the threat of intervention could be either sincere or effective. President Eisenhower realised this a little sooner than Mr Dulles, and Sir Winston Churchill realised it sooner than President Eisenhower.

But there should be no misunderstanding on this point in the Communist camp. Gradually, after the confusion and recrimination of the last three weeks, a clear moral basis for western policy in South East Asia is beginning to form. The issues are being simplified. The sudden end of American threats of joint action began the process; it was continued by British insistence on trying to make the Geneva conference succeed; and now it is being taken a step further by the contest in secret session between M. Bidault, the Vietminh and China. The Communist delegates are being given time and opportunity to show just how unreasonable they can be; the genuine desire of the Indo-Chinese to be free of France is being sharply distinguished from the Communist hope of controlling them when they become free; the world is watching Ho Chi-Minh's troops exploiting success and advancing on Hanoi while his delegates haggle in Geneva. People who have been impatient and angry—often with good reason—at French policy towards Vietnam, Laos and Cambodia are now learning how

difficult it is to make concessions under the greedy pressure of Communist tactics. Critics in Britain (who so often remember success in India and forget failure in Ireland) are beginning to see what role force may yet have to play in the pacification of Indo-China. In brief, people are being prepared for the kind of commitment they would not have considered three weeks ago.

All this and more is being gained by negotiation. Indeed, it may be that forty-eight hours of silence on Indo-China by the State Department, together with Sir Winston Churchill's guarded but emphatic assurance on Tuesday that he will " examine the possibility of establishing a system of collective security in South East Asia and the western Pacific within the framework of the United Nations " as soon as " the outcome of the Geneva conference is clearer " may have more effect on the Communists than an explicit warning that would divide American, British and French public opinion and start another furious public debate.

At the same time it is becoming clearer that American second thoughts and British first thoughts about what to do after Dien Bien Phu are not, after all, so far apart. President Eisenhower is seeking the moral and political support of Congress for the intervention that may yet prove necessary by insisting on four points: first, that any action taken shall be under United Nations auspices ; second, that America's allies with interests in South East Asia shall act with it ; thirdly, that any military operations shall be under an allied supreme commander ; and lastly that France shall give complete independence to the three states of Indo-China, even the right to leave the French Union. He has even been reported as saying that no nation shall be given a security guarantee if it does not want one. Add to this his tacit acceptance of the British position—that there shall be no commitment to a pact or to military action until it is seen whether Geneva can succeed or not—and it is difficult to see any major feature of American policy to which British public opinion can fairly object. This is not a programme to save " colonialism " (it takes a Bevanite to believe that American opinion would agree to fight for such a cause) but a policy to ensure that liberation in Asia does not mean subjection to Communist rule and Chinese hegemony.

INDEX

The Index to *The Economist* is published quarterly. The subscription rate is 5/- a year; single copies are priced at 2/- each. The Index to Volume CLXX (January to March 1954) is now available from :

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Unfortunately—as the French have been desperately pointing out—it shares with Sir Winston's declaration of policy the weakness of being almost too clear cut, too deliberate, and too much above the struggle. The situation that is likely to arise in Geneva is not the one that the American President and the British Prime Minister seem to expect. It is most unlikely that the Communists will bring about a sudden and quick breakdown of negotiations, or that they will let themselves be manœuvred into a position where they can be clearly held responsible for failure. They, far more than Mr Molotov in Berlin, have time on their side ; for the fighting in Indo-China is developing in their favour. Suppose that the French suffer further defeats, that demoralisation spreads in the Vietnam forces, that the Communists in any of the three states achieve some spectacular success—what happens then ? If the French hold fast to the terms they are now offering the elated Communists, it is they who will be accused of wrecking the conference. And their position will, indeed, be precarious unless their allies back them with some assurance of help, or unless they themselves reinforce their position with fresh troops and supplies from France and North Africa. It is for this contingency—for a situation in which there is haggling at Geneva over details while Vietnam is being overrun—that Washington and London appear to have no plan. And it is then that the danger will arise for France and its friends of being asked to choose quickly between appeasement and the kind of extempore action that Mr Dulles and Admiral Radford had in mind three weeks ago.

★

Two deductions are clear, but they will not be popular. One is that the five-power staff talks should be quickly started, and conducted with realism, urgency and the utmost secrecy. If such a thing is possible in Washington, there should be no " leakages." It is useless to postpone military planning until a defence organisation can be created. The other deduction is that Mr Eden should make it clear that he will not persist indefinitely in his personal effort to mediate. If he sees no prospect of success within a reasonable time he should follow Mr Dulles's example and return home ; for he will be needed here to explain to the public the grave issues that are coming up and, as the Prime Minister said on Tuesday, " to put his own proportion " on events at Geneva. Having shown great patience he has won the power to achieve something by showing impatience. In his present course he is taking risks with Anglo-American understanding that can be justified only if he can bring a truce nearer. At the point where those risks are no longer balanced by a genuine hope of Communist concessions, it is time for the Foreign Secretary to face the House of Commons and to tell the world where vital British interests in South East Asia begin and end, and what must be done in company with other nations to defend them.

Three Per Cent Paradox?

"DO I contradict myself ? " asked Walt Whitman in one of his more thoughtful passages. " Very well then, I contradict myself." And, very wisely, he went on doing so. To the outside observer, there must seem to be some of the same spirit about last week's reduction in Bank rate to 3 per cent. Five weeks after Mr Butler's carry-on budget, the Bank of England has hoisted the traditional go-ahead signal to the British economy ; but it has explained that the signal does not mean what everybody normally takes it to mean. Instead the stated reason for the change is a purely technical (but, to post-war Britons, no less remarkable) one: the Bank actually wants to prevent dollars of a particular kind from flowing into its reserve. There is room for debate about this ; and—if only to allow the Old Lady her traditional last word—it may be more judicious and less bewildering if the economic and technical case against the authorities' action is considered first.

The economic case for uneasiness about last week's decision hinges primarily on the so-called " green light " effect of a reduction in Bank rate: on the belief that it is bound to do something to stimulate spending in Britain. In this instance, admittedly, the effect should not be very great. The Stock Exchange's reception of the news has been so cautious that there should not be any spurt in new issues ; nor are investors likely to feel so much richer that they will want to increase their consumption. But there is one respect in which the change might conceivably be significant. Now that some bank borrowing rates have been cut, some business men might have an incentive to borrow more in order to lay in stocks, especially as many feel that imported raw materials are more likely to become dearer than cheaper before the end of the year. By no stretch of technical paradox can the reduction be called a psychological force in favour of greater restraint.

Yet both the internal and external economic prospect suggest that slightly greater restraint in spending may be desirable in the next few months. Internally, as Mr Butler explained in his budget speech last month, British demand seems to be rising at or above the maximum rate that available resources can allow if inflation is to be avoided ; the prescription—it was not an unduly conservative prescription—chosen in the budget was to leave well alone. Externally, across the Atlantic, most economists—including British Government economists—think that the American recession is grinding to a halt. They think, in other words, that America may soon be exuding a mildly reflationary instead of a mildly deflationary pressure into the outside world. This judgment, of course, may still be wrong. The reduction in American unemployment since the end of March has not been significant. It has been wholly due to greater seasonal activity in building and farming, together with the enrolment of more shop assistants for the Easter rush ; unemployment in American manufacturing industries has continued to increase. But hopes are rising, and so—more practically if equally uncertainly—are commodity prices. Most of those who have to make a guess are saying that by next autumn the prolonged period of undramatic falls in American production and other business indices may be over ; and a period of undramatic rises may have begun.

If the year-long fall in American production soon comes to a halt or even reverses itself, then the year-long American policy of pushing down internal interest rates (in order to stimulate spending) may come to a halt or even reverse itself, too. And this consideration, the critics are pointing out, throws doubt upon the technical as well as upon the economic reasons for the Bank of England's action last week. Those technical reasons were primarily a response to the fall in American interest rates since June, 1953. As a result of that fall, and by the beginning of this month, money invested in short-term American government securities earned only about half as much in interest as money invested in short-term British government securities. Americans and other foreigners who buy these short-term sterling securities with dollars are not prevented by the British exchange control from repatriating their money. It is not surprising therefore that there has recently been a flow of short-term funds across the Atlantic ; and it was mainly in order to check this flow that Bank rate was reduced last week.

Even when the " economic " argument (about the undesirability of stimulating spending in Britain) is laid on one side, therefore, there are two criticisms that can be levelled against this purely technical reason for reducing Bank rate. The first is that the decision may be badly timed ; it will be rather odd if Britain has started to push interest rates down just before America starts to edge them up. The second and more important criticism is that Britain cannot yet afford to turn any dollars away, even these speculative dollars that are liable to flow out again as suddenly as they have flowed in. Why not put this hard, though hot, currency in a contingent reserve—in the hope, even if not in the belief, that some of it may permanently stick ?

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These are the arguments that can be and are being advanced against the Bank of England's action. They add up to approximately half of the story that should be laid before the British public today. The contrary arguments, which the authorities have found slightly the weightier, rest on three main contentions. First, the Bank rejects the idea that dollars can be earmarked

to meet any potential reclamation of hot money, because it would never have any accurate way of measuring how large this earmarked reserve should be. It is also afraid that any sudden future run on these funds, by causing a sharp apparent drop in its gold reserve, might lend wings to more stable foreign money invested here. One contingency in which the authorities would obviously be very anxious to avoid even an apparent run on the reserves would be on the morrow of any declaration of sterling convertibility. It is not entirely fanciful to interpret the Bank's present eagerness to avoid holding hot money as another straw in a rising wind of rumour: it is becoming increasingly possible that some consideration may be being given to a further advance towards sterling convertibility later this year.

The authorities' second "technical" argument is that last week's decision was necessary in order to bring Bank rate into closer alignment with the pattern of interest rates that had already been established by market forces. Just before last week's announcement, the ruling Treasury bill rate in London was nearly 1½ per cent below Bank rate; now it is little more than 1¼ per cent below it. One of the ways in which the Bank of England's wonderfully flexible system of monetary management works is by stabbing an occasional painful scalpel into the discount market, by forcing it to discount at the very unprofitable Bank rate Treasury or other bills that it had taken up at the lower and more profitable market rates. In the last few weeks before the Bank rate change any stab from this scalpel would have felt like a blow from a blunt hatchet, which is not a wonderfully flexible nor yet a very easy weapon for the Bank of England to use.

The final argument in favour of the Bank rate change rests on Whitmanism pure and simple. Some people believe that there is positive advantage if the Old Lady of Threadneedle Street sometimes appears to contradict the Old Man of the Treasury, because this does at least show that the Old Lady has a role of her own. Control over monetary and Bank rate policy, in this view, should be indisputably delegated to the Bank. It can only exercise that control if it responds more or less automatically to the pressure of market interest rates and to the inward or outward flow of foreign funds; there is a limit to the extent to which it should compete with the Treasury in "taking a view" about pressures that have not yet been exerted. Moreover, by moving swiftly forward when foreign funds have been flowing in, the Bank has set a precedent for moving equally swiftly backward if foreign funds should ever start to flow out again. There may even be some element of *sauter pour mieux reculer* about the latest change.

These are complicated arguments, but the ordinary man can draw one simple conclusion from them. It is clear that there was no political or "prestige" reason behind this technical reduction in Bank rate. If the decision proves to have been wrong, it will be because the consequential effects on internal spending or on the flow of foreign money have been wrongly estimated. And, if so, the Bank of England will find it much easier than would any department of the Government to put its engines into reverse. The most logical assessment of the economic situation—the one now apparently made by the British authorities—is that a period of relatively quiet weather lies ahead, on which this "technical" reduction in Bank rate should not have much effect; in this case, the real import of last week's change is that the Old Lady's finger is now laid actively on the trigger, which is no bad thing. The minority of economists who believe that bleaker weather is in prospect can be left to draw the logical conclusion that Bank rate may soon go up again; they need not fear that last week's reduction means that the Bank of England's guard has been lowered.

Muzhik and Commissar

ONE might think that the eyes of the Kremlin since the death of Stalin had been almost permanently fixed on the Soviet countryside. There have been innumerable decrees affecting agriculture, many important meetings, and a great deal of propaganda. Twice within six months the first secretary of the Party, Nikita Khrushchev, has issued grim diagnoses of the state of affairs in the farms and villages, and on each occasion he prescribed a new and drastic remedy. First came the offer of new incentives and after that the conquest of new land. Even important international events have been overshadowed in the Soviet press by this campaign for higher output from agriculture; and some observers have concluded that, just as Napoleon feared nothing in the world save a hungry Paris, the Kremlin's only nightmare is one in which peasants are angry and townsmen are hungry. If that were so, it would mean that what Mr Molotov says abroad is deeply affected by the reports his colleagues receive from the rural front. How far is this true?

It is as easy to exaggerate as it is to underrate the extent of the present crisis in Soviet agriculture. Despite the giant strides made in industrialisation, some 130 million Soviet citizens still live in the country, and it would be a foolish government that took no account of their mood. Furthermore, the whole new programme of benefits for the consumer, on which the new regime has staked its reputation, depends greatly on larger output of foodstuffs and agricultural raw materials. Yet it is well to remember that the problem is not new: it was inherited from Stalin by Malenkov and his colleagues. The inability of agriculture to keep pace with industry and to satisfy the growing nation's needs was a well-known feature of the Stalinist economy. All

Khrushchev's "revelations" about shortages of stock, feeding-stuffs and vegetables were known to students of Soviet affairs. But whereas they had in the past to sift the evidence with the help of a magnifying glass, and disentangle admissions of scarcity from a mass of meaningless percentages or propagandist reports about, say, a model farm in the Kuban, the Russians have lately decided to let more be known about the seamy side of their economy. Indiscriminate use of the magnifying glass can now give a distorted picture.

The "crisis" has been from the first inherent in the regime's inability to plan in the countryside as completely as it did in the towns. The peasant has a knack of spoiling blueprints, as Communist governments in Eastern Europe have been learning. By tremendous efforts the Soviet Union has become the world's second industrial power; but the balance sheet of large-scale collective farming is not so impressive. With well over half the population working in the countryside it has not been possible either to improve rapidly the urban population's standard of living or to find exportable surpluses of any importance. Numbers of livestock are no greater than they were in Tsarist days, and grain production has scarcely kept pace with the growth of population.

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Agriculture, it is true, is less capable than industry of rapid expansion and spectacular recovery from such major calamities as Stalin's ruthless collectivisation and the German invasion. It is also true that the Soviet planners, preoccupied with industrialisation, could not spare all the necessary resources for agricultural development. None the less, the Soviet leaders clearly expected higher dividends from what they have invested in the countryside. Lenin declared in the early days of the revolution:

> If we could supply 100,000 first-class tractors, provide them with petrol and drivers (you know full well that for the moment this is pure fancy) then the middle peasant would be in favour of the commune.

But even the foresight of that great strategist could be at fault. The Soviet Union has now some 1,300,000 tractors, plenty of petrol, millions of drivers and mechanics—but the peasant's love of property is still very much alive and causes the Kremlin much anxiety. Uprooted from the soil and turned into a factory worker, the Russian *muzhik* fitted quickly into the new social pattern. But, when left on the land, he has clung desperately to the tiny plot left to him after collectivisation and has accepted the new system only grudgingly. Tractors and combines have failed to transform the human being in the village.

The ultimate aim of Soviet leaders has been, and still is, to bridge the gap between town and country, to mechanise agricultural work, and to change peasants into workers. But even Stalin realised, after the cruel ordeal of forced collectivisation, that no more offensives should be launched without watching the temper of the country and consulting the international barometer. Since then the advance towards a socialist agriculture has been much more cautious. In 1951, it is true, a big step forward was taken, when the number of collective farms was reduced to less than 100,000 and their average size was roughly trebled. This was done in order to establish tighter control as well as more rational exploitation. But further steps in the same direction—including the establishment of "agrotowns"—were postponed, when it was seen that the peasants were taking fright at the idea that the last vestiges of their private property would be swallowed up.

Stalin must have realised quite well that he was bequeathing to his heirs an unsolved rural problem. His *Economic Problems,* published in 1952, dwelt on the contradictions in Soviet society resulting from collective property in the country and state ownership in the towns. He pleaded for cautious treatment, and advocated a gradual removal of this contradiction by switching over from trade to barter in the exchanges between town and country. But his death created more immediate problems, and it is difficult to establish what has since happened in the Soviet countryside. Did the Russian peasant, following tradition, expect great bounties after the death of a Tsar? Did the liberal phase through which the new regime passed produce a relaxation of discipline? Or was the pressure of peasant discontent so strong that the lid had to be lifted? Whatever the truth of the matter, the new rulers found food supplies dwindling just when they were promising better times to the consumer.

Their first remedy was applied last September. The same Khrushchev who had been threatening the private

property of the peasants now urged them to grow more on their private plots and to fatten their stock. Tax burdens were lifted and higher prices offered both to collective farms and to individual farmers for scarce foodstuffs. Then, early this year, Khrushchev faced the public with another confession and another appeal. The Soviet Union, he said, lacks grain to feed its stock, to provide more bread and to furnish exports. Crop rotation, too extravagantly applied, had led to a reduction in the area under cultivation, and had brought no compensation in the shape of higher yields. A remedy must be sought by using immediately every available scrap of waste land, particularly by the conquest of virgin soil

in distant Kazakhstan and Siberia. Within two years 13 million hectares of new land are to be brought under cultivation, to provide nearly 20 million tons of additional grain. An immense drive was at once launched—and is still going on—to send hundreds of thousands of young Communists as pioneers into the inhospitable eastern lands. They are to be supplied with 120,000 tractors—more than Lenin dreamt of for the whole nation in 1917.

The blasts of propaganda, the extraordinary mobilisation, the use of shock troops and shock tactics—these are all signs of a mood of emergency, almost of panic, at headquarters. The Kremlin is clearly anxious to carry out rapidly its ambitious agricultural programme, and this concern must influence the shaping of its foreign policy. Nor can the effort to increase food production be taken in isolation. It is only a part, though a vital part, of Malenkov's wider plan to improve the consumer's lot, of which expansion of light industry is another feature. The time of reckoning for the planners is near, because Malenkov's "big upsurge" was promised for next year, or the year after. Stalin's successors it must be remembered, promised the Russian people relaxation at home and *détente* abroad, and these two objectives are interdependent. The new rulers may need a breather, for consolidation and review. But if clouds gather on the international horizon they must be expected to turn back, however reluctantly, in Stalin's footsteps, to tighten the screw on the peasants and to use his methods of extracting food surpluses. In this respect it is true to say that the reports received from Khrushchev influence the instructions sent to Molotov The commissar who goes abroad has the *muzhik* looking over his shoulder.

Crofters in Travail

WEST and north of a line drawn from Greenock to Inverness lie the crofting counties of Scotland. This region contains one-sixth of the land area of Great Britain, but no more than 286,000 people, fewer than live in the borough of Wandsworth. Many of these people are crofters, and pursue a life that is unique in the British Isles. They live in small communities or "townships," which are scattered throughout the western Highlands and Islands, and are separated from each other by long stretches of mountains and sea. Their basic pursuit is agriculture, but agriculture practised on a small scale and under hard conditions of soil and climate. The typical croft is a holding of less than 50 acres (90 per cent of the holdings in the region are of this sort); and its cultivation is coupled with grazing rights on the common lands of the township. The crofter is a man of many skills, who traditionally has earned his living by combining farming with fishing or some rural craft such as weaving. Many crofters leave their homes for long periods to serve in the merchant marine; relatively few are able to live by farming alone.

The crofters' problems have recently been examined in the report of a Commission of Enquiry.* It has a depressing story to tell. The exodus from the Highlands and Islands has gone on steadily ever since the clearances of the early nineteenth century, but it has been more pronounced in the distinctively crofting areas. Some parts of the Highlands (notably towns such as Inverness and Oban) have gained in population since the 1930s, and some rural areas (such as the island of Lewis) are still healthy and vigorous. But these are exceptions to the general picture of decay and dereliction; in most crofting townships depopulation has continued, sometimes at an accelerated pace, in the last twenty years.

Government guarantees and subsidies to agriculture have not stopped this decline. The crofters' agricultural income is mainly derived from sales of store cattle and sheep. The long-term tendency has been to substitute sheep for cattle, because sheep are less trouble to tend and feed. Even in the exceptional conditions since 1939 there has been a further fall in the tillage area, and thus less winter keep is available for cattle. Except in the Orkneys, there has been little response to the profitable new openings for production of pigs and eggs.

The Government has already given the crofting communities a certain amount of special protection and aid. Under an Act passed as long ago as 1886, the crofter enjoys virtual security of tenure and can bequeath his croft to a member of his family. He pays a very small rent and hardly any rates; but he has had the benefit of handsome housing subsidies, and housing conditions have been greatly improved. Until recently, hardly one croft in a hundred had a supply of electricity; but now the North of Scotland Hydro-Electric Board has an obligation to apply its profits to supplying the Highlands with cheap electricity, and is rapidly doing so. Although many black spots still remain—in particular the sorry state of water supplies—there have therefore been real improvements in crofters' living standards in recent years.

But these improvements have not availed to stop the process of decline. In part, the crofters are succumbing to economic forces beyond their control. The chief of these is inaccessibility. Communications are poor, and freight charges are extremely (probably unduly) high. Marketing is difficult and costly, and this has so far restricted many promising lines of specialisation—such as the catching of lobsters and the growing of strawberries and other fruits in the mild climate of the western isles. The declining population, however, militates against any improvement in transport.

When a community falls below a certain size it enters on a vicious spiral of decline. One of the most sombre factors in the crofting communities is the high proportion of aged people; for instance, in one crofting estate in Sutherland, 110 out of 154 resident crofters are said to be over 55 years old. There are also many absentee tenants, who regard their crofts as holiday homes or as refuges to which they can return from the cities in the event of an industrial depression. The Commission noted that these conditions create an air of apathy and inertia. A number of townships, particularly on the North-West coast of the mainland, are on the verge of extinction. Their survival sometimes turns on the willingness of the Government to provide a grant for road improvement. Special grants are available for this purpose; but since some counties insist on the road being macadamized, at a cost of £1,000 to £2,000 a mile, such expenditure on a dying community cannot lightly be authorised.

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So much for the reasons for decline. What, now, of the remedies that can be sought? The Commission of Enquiry was convinced that some relief is necessary. It pointed out that the crofters' freedom and independence have an intrinsic value which is of special importance in a predominantly urban civilization; and that the crofters, with their seafaring tradition, provide valuable recruits for the merchant marine and navy. Social reasons apart, Britain is too poor in natural resources to let so large a region fall into decay. Nevertheless, it would be wrong to adopt a purely sentimental approach to the problem and to prop up these communities by endless small doles of Government charity. The basic need is to revive and enlarge the general economy of the Highlands and to fit into it a crofting system that has been put on a more economic basis.

Such a policy would involve facing some hard facts. The basic problem is that the decline of inshore fishing and other auxiliary occupations—only partly offset by the development of the tourist trade—means that crofters will need to rely more than in the past upon agriculture for a living; but that they will not be able to do this so long as their holdings are so small and poorly equipped. About three-quarters of the crofts are at present described as part-time or small-time holdings. The only solution to this problem is an amalgamation of crofts into units worked as whole-time farms.

The application of this principle—the gradual replacement of the smallholding population by farmers operating on a normal scale—would run into numerous difficulties. It would mean that the crofting economy would lose much of its traditional character, and that the communal features of the system would tend to disappear. It would entail initially a displacement of some crofters, although they would be offered resettlement in areas that are at present largely derelict. It would involve interference with entrenched interests and changes in the law. The crofters' very security of tenure has partly produced the problem; for it has enabled absentee tenants to hang on to their holdings to the detriment of the local economy. When a croft does fall vacant, the landlord may seize his rare opportunity for a profitable disposal to some outside interest. Again the township regulations which control co-operative activities like grazing tend to penalise the crofter with initiative. In many townships the lay-out of the crofts is anachronistic and uneconomic. Finally, the most awkward problem of all is that of land ownership. Since the state, *faute de mieux*, would have to reorganise the holdings and provide the necessary capital and credit for any energetic new schemes, there would seem to be no real alternative to some extension of public ownership, which already operates in a large part of Skye.

The Commission was understandably wary in its proposals about this. It suggested only that some public authority should be given a general control over lettings and some powers to reorganise holdings; it believed that the authority should carry out its delicate functions only with the agreement of the crofters and (so far as possible) of the landlords. There may be a need to strike a balance between these gentle (and therefore probably ineffective) pressures on the one hand, and that authoritarian disregard of property and settlement rights into which a more effective policy could so easily lapse.

If agriculture in the Highlands could be put on a whole-time and economic basis in this way, other government aid to these people should take the form of helping to sponsor the growth of alternative rather than supplementary activities. The most hopeful of these seems to be forestry. The Forestry Commission intends eventually to plant an enormous area in Scotland, but so far it has done very little planting on the western and northern seaboard; if such planting would involve a departure from the strictly commercial considerations on which the Forestry Commissioners have rightly concentrated hitherto, then some grant might be considered.

The Commission of Enquiry also proposed that a new public body should be appointed by the Secretary of State to take special responsibility for the improvement of crofting conditions. The situation is serious enough to warrant this action; but there would be dangers, as well as advantages, in isolating the problems of the crofters in this way. The real need is for the development of a concerted—and initially subsidised, but eventually economic—policy for the Highlands and Islands by all the public authorities concerned. With less than 300,000 people in the area, the cost of special aid to Britain's own largest underdeveloped area should not be great. The expense will only become formidable if doles and special privileges are dribbled out to these people, without giving them any incentive to grasp the commercial possibilities open to them. There is a romance in the present economic pattern of the Highlands, but it is the romance of the fey.

* Cmd. 9091, HMSO. Edinburgh, 3s. 6d.

Notes of the Week

Who Corrals Whom?

THE Labour Party's discussions on internal discipline this week fell some way short of the orderly corralling of the Bevanites planned by the right wing. The strategy for the week was clear enough: on Tuesday the National Executive was to toss the lasso over Mr Bevan's shoulders, and on Wednesday the Parliamentary Party was to pull it tight. As expected, the Executive played its part. It passed a resolution that simply re-stated the doctrine of collective responsibility for its members, but specifically added that any breach would be "dealt with" by the Executive at its next meeting. If this means anything at all, the six Bevanites on the Executive (including Mr Bevan himself) will now be disciplined if they refuse to support the policies agreed by the majority; after a few ineffective public rebukes, that discipline would presumably have to take the form of expulsion from the Executive or the party.

This was a clear enough lead for the Parliamentary Party but, again as expected, that body havered and hummed. Mr Attlee announced that the Shadow Cabinet considered that the post-Morecambe resolution banning personal attacks was still in force, and that anyone breaking it would be "dealt with" (the phrase must have struck a chord). But after Mr Attlee had spoken, Labour MPs gave themselves over to what the official communique called "a full and frank discussion"; this means a discussion in which some members were rowdily forthright while others were soothingly inconclusive. In the end, the meeting was adjourned without any decision being taken. The Shadow Cabinet's threat now presumably hangs formally over each member—including those on the editorial board of *Tribune*—but it has not been specifically re-endorsed by the party as a whole; nor does anybody know whether the much more important decision about collective responsibility in the Executive will apply to the vital issue of German rearmament.

For the German problem, a possible escape clause has been prepared; a majority decision of the Executive need not be binding on its members if the Executive should "otherwise decide." Next week it will consider whether it should "otherwise decide" about German rearmament. If it does, then the weakness of the whole disciplinary operation will be underlined. The most dangerous manœuvre that Mr Bevan will then face will be an extension of the present attempt to isolate him. Mr Wilson's adherence to the Shadow Cabinet opened up this possibility; and it may be significant that the Bevanite vote was split on the Executive this week, although not on a major issue. But Mr Bevan may draw comfort from this week's evidence that Mr Attlee is still not sure whether a wholehearted right wing offensive, either on personalities or policies, would open or close the left wing ranks.

Footplate Folly

THE railwaymen were fortunate enough to enjoy a good deal of public sympathy in their recent struggle for a wage increase. The unofficial strike of engine drivers and firemen of the Western Region is their quickest possible means of throwing that sympathy away. Twice in the past three years the railway unions have been granted a wage increase on the condition that they should co-operate in raising productivity—the last time as recently as January; and discussions between them and the Transport Commission are at present going on. One of the chief ways of raising productivity is to work more "lodging turns"—by which the footplate men, having driven their train to some distant destination, spend the night there and drive another train back next day. Lodging turns were accepted without demur before the war; they were discontinued during it because of air raids and rationing problems, but were then re-introduced in a modified form and provoked widespread resistance in 1949.

The unions have agreed to some extension of this system, subject to certain conditions about the men's accommodation and so on, as a deliberate *quid pro quo* in the wages settlement. They have recognised that the inevitable disruption of family life, involved in the need to spend a few more nights away from home, is an inconvenience that their craftsmen must accept, if the principles that were supposed to underlie last January's wages settlement are to be honestly carried out. If the reply that is now to be given to the union leaders and to the Transport Commission is that this obligation will not be honoured, indeed that (as some of the strikers' spokesmen have said) no compulsory lodging turns will be worked at all, then the public will know where the railwaymen stand. They will stand for more pay and less productivity; and with that false principle, when the next bout of wage bargaining begins, there can be no compromise.

Why the West?

THE footplate men who are now on strike cannot complain of discrimination. The new arrangements for lodging turns in the Western Region were fully agreed by the unions, and are no more—indeed they are less—than are already being worked in other regions. They make no unreasonable demands and there is no question of any redundancy in consequence. Yet the men of the Western Region—including those who live in the west, who had come to be regarded as among the steadiest of British railwaymen, as well as those who work near London and are known to be Communist-infiltrated—will have none of the plan. So far they have resisted all the efforts of their leaders and of the Transport Commission to make them see sense.

So far, too, the strike has not spread to other regions, and there is good hope that it will not do so. The footplate men have been rightly pressing for increased differentials, to give them back some of the advantage over unskilled men that they lost in recent years. It is therefore a sorry commentary on the intelligence of some of them that they should do their best to make the railways insolvent by spending half their working day sitting as passengers in long-distance trains.

In Secret Session

THERE is a bitter and pessimistic atmosphere in Geneva which promises little progress or success. A period of secrecy may help, but there is no escaping the fact that the protagonists are already at deadlock on a matter of principle. The Communists are insisting, with Soviet backing, that the guerrilla forces and subversive organisations in Laos and Cambodia should be treated as resistance movements and candidates for political recognition. The French insist—quite correctly—that they are part of the Vietminh irregular armed forces and make their disbandment a condition of calling a cease-fire. The French are asking the Vietminh to give up an important military asset; the Communists are asking the French to make rebellion and terrorism respectable. It is difficult to see what compromise is possible here.

The point of principle has implications far beyond Indo-China. It would take no great effort of money and propaganda and organisation to create "resistance movements" in Siam and Burma which could be claimed by Chou En-lai and Mr Molotov as their natural and legitimate allies. The fact that "colonialism" does not exist in either of those free Asian countries would hardly be a deterrent. People there—and, of course, in Malaya—will be watching to see whether the western powers accept the claim that the red flag can be hoisted wherever a red army is in striking distance.

Next Target—Hanoi

WHILE statesmen talk at Geneva or sulk on the sidelines, men go on fighting in the Red River delta. The French Union forces now look like having to continue with an unseasonable war in the rain, instead of enjoying a lull from May to October. Reports from Tongking suggest that Hanoi itself may shortly become a second, and intrinsically much more important, Dien Bien Phu. The troops that hold the delta have been seriously weakened by the recent effort to sustain Dien Bien Phu and by the loss of so many men. The Vietminh, by contrast, stimulated by their successes, are massing in increasing strength for what looks like an attempt to smash the French army for good and all in northern Indo-China. Even if this effort does not fully succeed, there is some danger that the pressure will be enough to bring the political crisis in Vietnam itself to a head; Bao Dai, there is reason to believe, might be overthrown by a domestic *coup d'état*. So far from there being any vestige of an offensive Navarre Plan left, the French are in fact on the defensive in a situation that is gradually becoming desperate.

This is the background not only to the wider aspects of the Indo-China problem but also to local developments. These are now being reviewed by a special military team of three: General Ely, the French Chief of Staff; General Salan, the former Commander in Indo-China; and General Pelissier, Assistant Chief of Air Staff. They are to report back to the French Committee of National Defence as soon as possible on the most urgent requirements of the expeditionary corps, and on how it can best be regrouped to meet the biggest crisis of the campaign.

The most ominous event since Dien Bien Phu fell has been the failure of the attempt to arrange for the evacuation of the fortress's wounded. It is ominous both for the Communists' cool and clever ability to turn the situation to good account under the guise of humanitarianism, and for the way the French command appears to have fallen into a trap. By obtaining what looked like indefinite immunity from air attack for Highway 41, which leads from Dien Bien Phu to Hanoi, the Vietminh were able to make a good start in moving troops and equipment up to the delta; in return, they had done no more than promise to release such wounded as the French could collect, while themselves scarcely lifting a finger to help. General Navarre has been right to cancel this arrangement, however bitter the price.

Chinese Aid for Trade

LAST Saturday the counsellor of Peking's delegation at Geneva, Mr Lei Jen-min, saw fit to call a press conference at which he explained China's desire for foreign trade, and described economic developments in his country since the revolution. That the Chinese should want to talk economics in public is no surprise to anyone who has studied the development of the Peking government's policies. It has, in fact, long been clear that if there was any trace of an Achilles heel in the Sino-Soviet alliance it was in the question of foreign (non-Communist) economic aid. An article in *The Economist* six weeks ago suggested the folly of the West, throwing away its one remaining trump card by prematurely relaxing the strategic controls on exports, whether to the Soviet bloc or to China. But, unfortunately, there are signs that this simple lesson has not been absorbed. Already the control on rubber shipments to the Soviet Union and the east European satellites has been relaxed, while the embargo for China remains. And now there is a rumour that a first slice of items removed from the restricted list, as a result of the current review by COCOM (the consultative body that co-ordinates the controls), is soon to be announced, probably while the Geneva meeting is still going on. This is a capital error of tactics. The Russians

may excel at chess; the Hungarians—regrettably—at football; but the West, at least, still has its Culbertsons.

It may, of course, have dawned on the Chinese that if they sincerely want trade with the West—certainly the need is there—it is better to use the front door rather than the back-gate in East Berlin. The negotiations between British firms and the Chinese Export-Import Corporation in East Berlin appear to have run a dismal course. Mr Lei Jen-min was understandably evasive when asked whether China's long-term policy was self-sufficiency, for it was only recently that an article in the official "People's Daily" repeated the need for complete control over foreign trade "to prevent the imperialist countries from creating economic disturbance in the China market."

Paying for Parliament

THERE is now a tacit understanding that some improvement is coming in MPs' pay, and the only point at issue is the precise form it should take. There is still some backbench Conservative opposition to any change; in fact a majority of Conservative MPs feel this way. But, on a free vote, sufficient of them are likely to vote with Labour in favour of an increase. In last week's debate Mr Butler therefore drew attention to the more obvious alternatives to the straight £500 salary increase that was proposed by the Select Committee but is disliked by the Government. These alternatives are set out below.

Armed with Mr Butler's ideas, backbench enthusiasts have been spending the past week working out some firm proposal to put up in the second debate, which is due to be provided out of Opposition time next week. As *The Economist* went to press, it was announced that they had put down a motion asking, after all, for a straight salary increase.

The most important point is that the method chosen should not merely be a means of pulling wool over the electorate's eyes. As Mr Butler pointed out, a lump sum expense allowance would not be very different from a salary increase; and any expense allowance, particularly a subsistence allowance, would have the advantage that it would direct the extra money to where it is most needed. The Chancellor might have added that to tax-paying MPs such proposals could also be more profitable. The Government should reconsider whether these advantages really outweigh the disadvantages of departing from the stark simplicity of a straight salary increase. Whatever means MPs may choose for improving their position, they must tell the public exactly how much it costs; there should be no hint of MPs trying to smuggle extra money up the back stairs.

Local Elections Run to Form

THERE is no great political significance to be derived from the results in last week's local elections in England and Wales. As was explained in *The Economist* on May 8th, it was a foregone conclusion that Labour would score some substantial net gains. The seats contested last week had last been filled in May, 1951, when the Gallup Poll showed that 49 per cent of those who expressed a political opinion favoured the Conservatives and only 40 per cent favoured Labour. The latest Gallup Poll has suggested that political opinion is now fairly evenly divided, as it was at the time of the general election in the autumn of 1951.

In the event—and it is surprising that the Conservatives have not made more of this—the votes cast in most parts of the country, when compared with last year, seem to show that Labour fared slightly worse than this recorded swing in opinion had suggested was likely. But its gains in seats have inevitably been substantial. According to the Conservatives, Labour won 1,438 of the 3,521 seats at issue in the boroughs last week, representing a net gain of between 409 and 430 seats. It will be seen that Labour's foothold in the councils is thus still much smaller than its hold on the loyalties of nearly half the country's voters should warrant. This leeway was even more marked just after the war; it is largely because Labour made up some of this in subsequent years, rather than because of the size of last week's successes, that it now holds more seats in the boroughs than ever before, more even than in its previous peak year of 1946.

LABOUR NET GAINS IN SEATS
(England and Wales only)

	Boroughs	Urban Districts	Rural Districts
According to:			
Labour Estimates	+430	+201	
Conservative Estimates	+409	+135	N.A.
Press Association	+414	N.A.	N.A.

The Conservatives also report that Labour won 819 of the 2,469 seats at issue in the urban district councils last week. They concede that this represents 135 net Labour gains; when the results in the 1,500 contests for seats on rural district councils are added in, Labour claims that its total net gains on district councils amounted to 201 seats. Labour party figures show that there was a change of control in some 17 of the 395 borough councils as a result of the elections; in fourteen councils control swung to Labour, but it lost control in three others. There were some 450 urban district councils for which elections were held last week; Labour figures show that it gained control in eighteen of them and lost control in two others.

Proposals for MPs' Pay

THE Select Committee on MPs' expenses recommended that the present salary should be raised from £1,000 to £1,500 and that MPs should have a non-contributory pensions scheme. The Government does not favour either proposal, but it recognises that many members are in financial difficulties. In last week's debate Mr Butler therefore outlined the following possible alternatives to a salary increase:

1. A sum—say between £100 and £500 a year—might be provided against which each MP would draw (free of tax) reimbursement of necessary expenses, on showing that he had actually incurred the expenses claimed. These expenses might or might not be limited to certain defined classes, such as secretarial and postage expenses. Mr Butler said the effect of such a scheme might not be very different from a salary increase, but the House might think it more defensible.

2. MPs might be provided with various services in kind, without charge, such as through a pool of secretaries. Mr Butler, however, did not favour this proposal. He said it would be extravagant, since it would have to provide for peak demand; the secretaries would be unemployed during Parliamentary recesses. He also pointed out that there were accommodation difficulties.

3. MPs might be given free postage, telephones and telegrams, over and above what is already provided. Mr Butler felt; however, that this would present "awkward problems of control"; he did not think it would be "reasonable for the taxpayer to pay for a member to send perhaps scores or hundreds of telegrams to his constituents giving hot news of his achievements in the House."

4. A subsistence allowance, of the order of £2 a night, might be paid to those MPs who live out of London when they are at the House, and to those who live in London when they are in their out-of-town constituencies. Mr Butler dwelt at length on this proposal, and appeared to prefer it to the others. He also pointed out that, at present, expenses incurred by MPs are claimed and allowed for tax relief against their Parliamentary salaries. All the forms of expenses he proposed would be tax free; on the other hand, the amounts claimed for tax relief against salaries would have to be correspondingly reduced, so that a poorer MP would "get a much greater benefit from this suggestion than a richer man who would really not get very much out of it."

5. On pensions, Mr Butler wisely indicated that he would much rather discuss the problem of aged members in the context of the Members' Fund than of a non-contributory pensions scheme; he reported that the Fund has a capital of £78,000, and draws an income from capital and subscriptions of £9,800.

No Miracle for Mr Macmillan

MR MACMILLAN'S hope that the local authorities' associations might miraculously agree among themselves on some scheme of local government reform—which everybody agrees is necessary but for which no entrenched interest is willing to make sacrifices—has been finally and completely dashed. The Association of Municipal Corporations has emphatically rejected the tentative suggestions put forward by the other four local authority associations. In its view, those suggestions "merely provide for the aggrandisement of county councils at the expense of the boroughs." The association's own plan, which has been brought out of its drawers and dusted up, mainly pivots on the opposite principle: that the all-purpose (or county borough) form of government should be extended at the expense of the counties. Thus the rival associations are hopelessly at loggerheads.

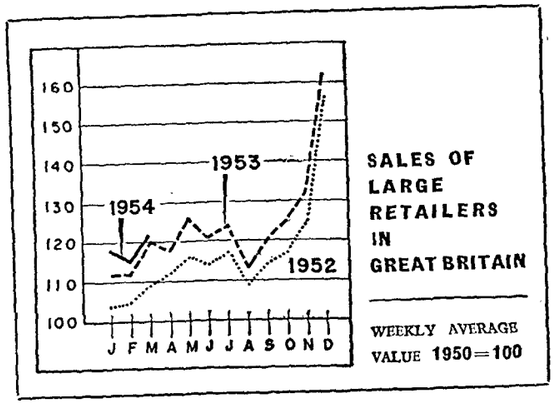
This renewal of this old impasse may be a blessing in disguise, if the Government will now recognise that no forced compromise of such conflicting views could yield a plan worth having. But there are points of value in the views of each side that Mr Macmillan might usefully incorporate in a plan of his own. Thus many county boroughs have an undeniable case for large boundary extensions since the present severance of suburbs from cities is expensive as well as irrational; but it may be equally desirable that other county boroughs should surrender some at least of their present autonomy. The union of some urban with some rural districts is another measure that is winning increasing support in local government circles—except among the interests that would be displaced. The promotion of regional authorities for the larger conurbations is another sound suggestion, so long as it is not treated simply as an extension of county government.

These are merely pointers to the shape that a plan of reform might take. It is encouraging that the Association of Municipal Corporations should explicitly request Mr Macmillan to produce a plan, and should indicate its confidence in the fairness of the result. If the other local authority associations take the same view, the Minister should feel free to go full steam ahead.

Pigeon-Hole for EDC

THE prospects that the treaty for a European Defence Community will be ratified by France are now worse than they have ever been. With a majority of only two votes, M. Laniel can hardly afford to raise an issue likely to lose him the remnants of Gaullist support. The Gaullists have made it plain that they would not hesitate to make the government tumble if EDC is at stake and so the EDC treaty must go back into its pigeon-hole. Originally the French Assembly was to decide last Tuesday whether its preconditions have been fulfilled and, if so, set a final date for the ratification debate. With the Gaullists holding a pistol at his head, with the Socialists in opposition and as yet undecided, with M. Bidault in Geneva and plenty of other things to worry about, M. Laniel must have welcomed the fact that the Saar problem was not yet settled. This provided him with a formal excuse to put the "great debate" off to the Greek Kalends.

It is significant that last week M. Robert Schuman,



whose very name is a symbol of European unity, declared that the European army should not be identified with the European idea. True, he subsequently stated that too much has been read into his words. But in Paris this is taken as a sign that some Christian Democrats (MRP), seeing little hope of ratification, do not want to prejudice their future alignments. If the MRP is really preparing safety belts, the EDC ship must clearly be showing a list.

At the same time, the idea has been revived in Paris of using EDC in the bargain with the East. France, it is argued, has few military cards in Geneva, the Americans are unwilling to lend trumps, yet France should offer something to Russia and China so that they would exercise restraint on the Vietminh. What better bait for Russia than the abandonment of EDC? But at this stage the Russians are likely to counter any such offer with an axiom from La Fontaine, that "you should not sell the skin of a bear before you have killed it."

Spies Who are Spied On

THE life of a Soviet secret agent is one of the least enviable in the world. He makes a perpetual nerve-racking progress between fear of detection by security officers of the country in which he is working and fear of failure to satisfy his superiors in Moscow. It may be suspected that the agent is often more afraid of the latter than of the former; for he not only spies on others but is himself spied upon. His every action, almost his every word, is reported back to Moscow; his slightest slip is noted and criticised.

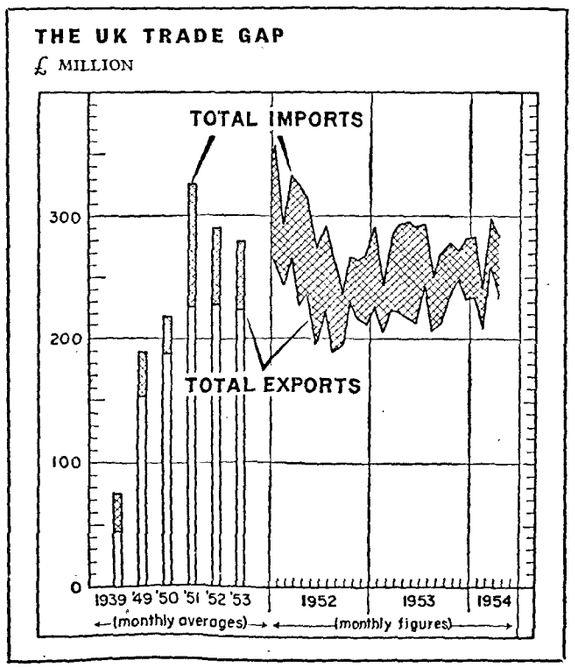
The opening stage of the Australian Royal Commission on the Petrov case has thrown a vivid light on the hazards and mortifications of a Soviet agent's life. They have also revealed much—and as the inquiry proceeds they will reveal a great deal more—of the methods used by the MVD to recruit agents and acquire information in foreign countries. There is, for instance, the avoidance of Communist party members, because their known affiliations make them both dangerous as contacts and poor sources of confidential information. There is the sordid search for discreditable details about the private lives of informants so that pressure can be exerted on them when necessary. There are the plans to bring Russian agents into the country for "illegal work," probably because of the dearth of suitable Australian recruits.

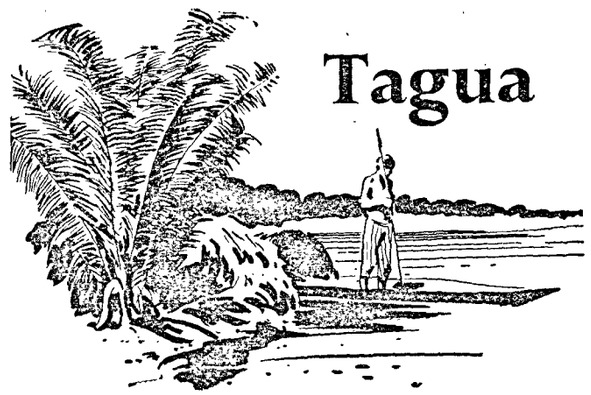
Perhaps the most striking and sinister of the revelations now being made in Canberra is the evidence of the grim long-term persistence of the MVD's activities. Russian spokesmen may talk persuasively about "peaceful co-existence"; they may try to prove their good intentions by joining Unesco or contributing towards the Technical Aid programme. But all the time the MVD proceeds on the tacit assumption that sometime war is inevitable. Why else was Petrov directed last June to get on with the organisation of a fifth column in Australia? It is difficult to imagine that Australia can represent much of a threat to the Soviet empire, and if a country so far from the Soviet Union merits so much attention from the MVD, what must be going on in countries nearer to the Soviet frontiers?

A Kite Over Bonn

DR ADENAUER is finding it difficult to hold in check the political associates and industrial personalities who want Western Germany to have personal and semi-official links with the Communist world. One of his cabinet ministers has been active in setting up in Bonn the *Gesamtdeutsche Aktion*, a society for cultural, commercial and social contacts with the eastern zone of Germany. Then, after Whitsun, most of the *Ost-Ausschuss* of German business men will visit Moscow for commercial purposes, and a private party will visit Peking. And now Herr Pfleiderer, a Free Democrat member of the Bundestag and former career diplomat with special knowledge of Russian affairs, has made public proposals of his own.

He suggests that members of parliament should visit the Soviet Union to make contact with the Red Cross authorities and religious organisations; that the Federal Republic should have semi-official representation and trade missions in Eastern Europe; and that some link should be established between Bonn and Moscow. Herr Pfleiderer takes care to insist that he has in mind no "Rapallo policy" of collaboration with the Russians, and that there can be no question of recognising the East German Communist regime. But these reservations and assurances of loyalty to Germany's western policy may merely strengthen the suspicion that Herr Pfleiderer is flying a kite of which the string is held in more authoritative hands. It is interesting that quarters close to the Chancellor have been discouraging the speculation aroused by Dr Adenauer's recent remark, during a speech in Hamburg, that the possibilities of diplomatic contacts with the Soviet Union would be examined in due course. It is believed that Herr Pfleiderer has some influence when eastern questions are being discussed, and that he might play a role of some importance in German foreign policy of the future.





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In the torrid coastal region of Ecuador there grows a palm fern — the tagua. The nuts of the tagua, when dried and cut, yield a material closely resembling ivory, which can be carved and polished to make buttons, collar studs and many other useful and decorative articles. Tagua nuts are shipped to European markets from the port of Guayaquil. Here, as in most other important commercial centres in Latin America, a branch of the Bank of London and South America has long been established.

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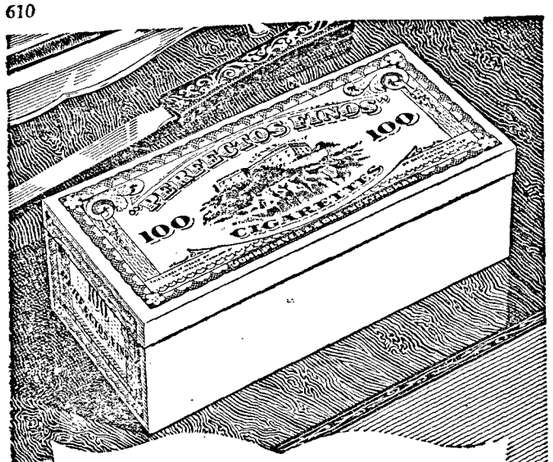

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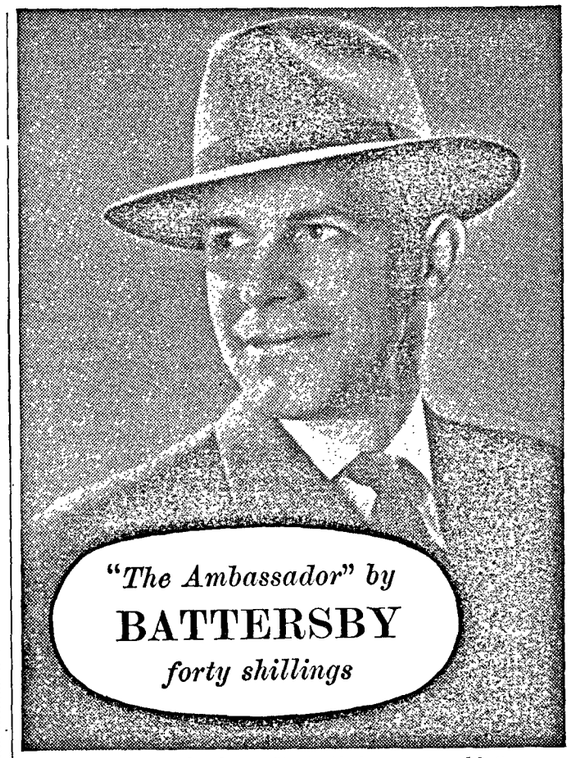

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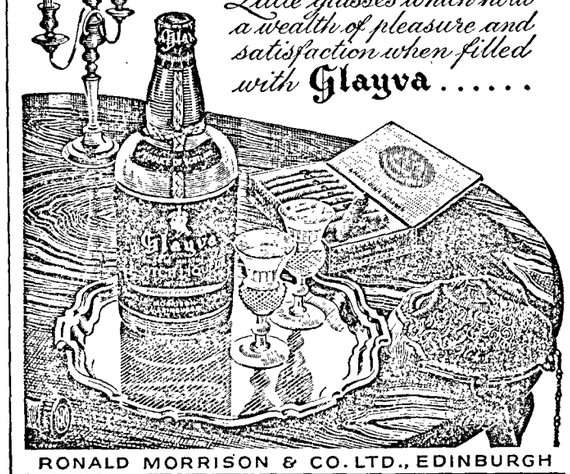

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There is little doubt that this trend has support from German industrialists and among their spokesmen in parliament. It is even represented in the present cabinet. However much it may be regretted, it is, in present circumstances, to be expected. The Chancellor's policy for association with Western Europe seems to be threatened with collapse; neither Britain nor the United States has indicated what are the alternatives; and France presents the spectacle of an unwilling and irresolute partner. If the French Assembly wants to see the end of the Adenauer line and German foreign policy taking shape under Herr Pfleiderer's influence it is going the right way about it.

Hosannas at Harringay

MR BILLY GRAHAM, the American evangelist, ends his campaign in London this Saturday with a mass meeting at Wembley. Night after night since March 1st Harringay Arena has been packed out and thousands of disappointed people have fought to gain admission, to be finally organised in overflow meetings outside. Altogether, according to Mr Graham, over 1,300,000 people have attended his meetings, and many more heard them relayed to towns all over the country. Some 28,000 of these "made decisions for Christ," which means that they came forward in token of their wish to accept religion. Some may have been unstable exhibitionists, but others were plainly converts in a surprisingly genuine sense.

What is the secret of this success? Clearly, publicity and stage management have had much to do with it. The choir leader with his trumpet, the fruity baritone with his soulful song, the jokes and bonhomie, all play their part. The appeal is to emotion which, as every dictator knows, will snowball its way through a crowd. Yet Mr Graham does not produce mass hysteria, although he is certainly dramatic, as he lunges about the stage taking by turns the principal roles in the Fall of Adam and Eve. His power lies chiefly in his simplicity—aided, perhaps, by the fact that he looks like a film hero, speaks with a film hero's accent, and in a place popularly associated with dog racing. This is comfortably familiar ground for the audience he is seeking, many of whom may have hardly set foot inside church.

Mr Graham's aim, however, is to get people to go to church, whether nonconformist or Church of England (he is a Southern Baptist himself). The Church has therefore had to accept him as an asset; indeed, the Archbishop of Canterbury is to speak at his final rally. Anglican parsons will shudder at the thought that they should emulate his technique, even if they could. But although they rightly preserve the intellectual tradition that has always been theirs, they can hardly ignore the fact that it is Mr Graham who seems to be on the wavelength.

Scholarship Stakes

ACCORDING to an analysis published in *The Times Educational Supplement* of May 14th, twenty different schools each won ten or more scholarships to Oxford and Cambridge in 1953-54; fifteen of them had also won ten or more scholarships in the year before. The table is set down below, but must be accompanied by all the usual warnings. There are many kinds of university award—more than two-thirds of all students at universities receive help of some kind. Although the table deals mainly with open scholarships and exhibitions to the two senior universities—that is, with the most difficult and most eagerly sought prizes—there are some closed scholarships to them (i.e., those which are limited to certain kinds of candidate or sometimes to a single school) that may distort the results.

Another problem is that the performance of the different schools can only fairly be judged in relation to their size. For this reason, a column has been added to the table showing the number of boys in each school (mainly from the latest edition of the *Public Schools Yearbook*). Even this is not entirely satisfactory, because in some of the grammar schools an unduly large proportion of boys leave before they reach the sixth form. It should also be noted that some of the biggest grammar schools traditionally skim off the cream of intellectual talent in their areas.

SCHOOLS WHICH WON 10 OR MORE SCHOLARSHIPS OR EXHIBITIONS AT OXFORD AND CAMBRIDGE IN 1953–54

	No. of boys	Oxford	Cambridge	Total
1. Manchester G. S. (1)	1,400	19	17	36
2. Bristol G. S. (12)	1,101	10	10	20
3. St. Paul's (4)	650	11	8	19
4. Winchester (2)	500	13	6	19
5. King Edward's, Birmingham (9)	680	6	12	18
6. Eton (3)	1,160	6	11	17
7. Westminster (16)	380	9	6	15
8. Christ's Hospital (10)	830	5	9	14
9. Clifton (7)	574	3	11	14
10. King's School, Canterbury (14)	650	10	4	14
11. Kingswood	450	5	8	13
12. Marlborough (5)	760	4	9	13
13. Harrow (13)	550	7	5	12
14. Charterhouse (18)	622	8	3	11
15. King Edward VII, Sheffield	...	5	6	11
16. Merchant Taylor's	650	6	5	11
17. Ampleforth (15)	420	7	3	10
18. Radley	440	4	6	10
19. Rugby (6)	675	3	7	10
20. Shrewsbury	...	6	4	10

Figures in brackets show position last year.

By subjects, the largest number of scholarships fell to the natural sciences, which claimed 211. But with mathematics (105) the science side was thin compared with the combined weight of scholarships in classics, history, English, and modern languages, which go to make up the rest of the 906 awards.

Belgium Cuts National Service

BELGIUM'S reduction of national service from 21 to 18 months will agitate quite a number of Labour pundits at Westminster. Britain, from having been one of the last countries in Europe to have conscription, is now among those which go in for it the most thoroughly. Equally, from having been regarded before the war as a matter which did not affect Britain as it affected other countries, national

service is now fast becoming a keen political issue. One reason for this is that the British conscript does a longer period of service than most others, and during it he is liable to be sent to fight on a real—and sometimes grim—battlefield; even the hard-pressed French still do not send national servicemen to Indo-China. Of the other members of Nato, Greece and Turkey have a straightforward full two years' call-up like Britain. Young Frenchmen serve for eighteen months; in Italy the term is in practice sixteen months, in Holland twenty months, in Norway and Luxemburg a year, and in Portugal little over six months. Canada has no national service; even in wartime the subject is political dynamite. In the United States, while many thousands have been called to the colours for long and arduous periods, there is a selectivity about the call-up which leads to exemptions that would never be tolerated in other countries.

Admittedly, the length of the British service is due in part to Britain's world role as well as to the defence needs of Europe. But this does not cloud the fact that the consequent size and quality of this country's contribution to the Nato forces gives Britain a moral claim to call for stouter efforts from its European allies.

In the field of Nato organisation itself, there is a special and important problem. There, the argument of all-for-one and one-for-all should be applied, so far as the political and economic conditions of each member country allow. And even if the ideal of a standard length of military service throughout Nato is unattainable, a very great deal more should be done to achieve it than is being done at present. One of Nato's main tasks, even if it is one of the most difficult, is to see that the burden of defence is shared equitably and that the means of defence are standardised. Another is specifically to build up Europe's first reserves for war. On both counts, General Gruenther and the Standing Group should now put advice to governments on manpower planning in the top priority list.

The Adamjee Riots

LAST weekend a storm broke in East Bengal. Two hundred people were killed and even more injured at Narayanganj, near Dacca, in the worst riots since Pakistan came into being nearly seven years ago. They took place at the Adamjee jute mills, as a result of a minor chain of incidents involving friction between Bengalis and non-Bengalis. After blood had been shed, troops were called out, a curfew was imposed, and the Ministers of Labour and Defence flew out to East Pakistan from the seat of the central government at Karachi.

After the political events of recent months this serious incident comes as no surprise. It follows the landslide last month in the provincial elections, in which the Muslim League—the party that had created Pakistan—was swept from power by a hotch-potch United Front under two leaders who were prime ministers of Bengal in the days of the British, the elderly Mr Suhrawardy and Fazlul Haq; they fought the election on a campaign of Bengal for the Bengalis. And although the result technically affects only the provincial legislature of East Pakistan, in practice its causes and political effects are of profound importance for all Pakistan. They mean, on the one hand, that the authority of the central government has now received a blow which makes nonsense of its recent efforts to secure a passage for the proposed constitution. On the other hand, Pakistan must think again, not only about the role of religion in the state, but also about the possibilities of loose federation instead of the present unity.

One thing that ought to be said with emphasis is that Mr Mohammed Ali, the Prime Minister, and other ministers at the centre, do their own cause no good by laying the blame for all that has happened at the door of the Communists. That is a feeble excuse which has been used far too often when things have gone wrong in Pakistan, and there is hardly a shred of evidence to support it. Naturally the Communists are delighted to help magnify any discontent that already exists. But the root of it is the place of the Bengali in the new state, and unless this problem can be solved Pakistan is in for trouble.

Over Denmark's Head

UNIDENTIFIED aircraft have plagued Scandinavia in recent weeks much as flies arrive with summer. In some cases there has been a strong presumption as to their nationality; at least one of those observed on the Norwegian coast appears to have been American, and the aircraft that crossed the Swedish frontier from the direction of Finland were, with good reason, taken to be Russian. But there is still no authoritative explanation of the extensive night flights over Danish territory that took place at the end of April. The citizens of Copenhagen were rightly disturbed by this new reminder of the exposed position of their city, which is within less than fifteen minutes' flying time from the Soviet air bases in Eastern Germany. They were even more disturbed to learn that Denmark's unfinished radar system had failed to detect the intruding aircraft, which cruised freely for several hours, that no action had been taken by the Danish air force, and that the head of Copenhagen's air defences had learnt of the affair only from the wireless news next morning. This is the kind of thing that happened in 1940.

The weaknesses of the Danish air force and its urgent need for reorganisation—described in *The Economist* on April 3rd—had already led the government to seek expert advice from Nato. The Defence Minister, Hr Rasmus Hansen, has now issued new orders which, it is hoped, will ensure that fighter aircraft get into the air without delay the next time the country's borders are violated. But Danish critics have been prompt to point out that orders alone will not remedy lack of fighters and of radar. Hr Hedtoft's Social-Democratic government, which on its recent return to power declared itself firmly but not permanently opposed to the basing of allied air units in Denmark, might now be under pressure to reopen that question if it were clearly established that the intruding aircraft were of Communist origin.

This, however, seems uncertain. Soviet manœuvres have apparently been taking place in the Baltic, and indeed have led to the first firing on Danish fishermen by Russian naval vessels. But anti-Soviet leaflets, issued by the "NTS" organisation and printed in Russian and German, have lately been scattered over Denmark; and although these might have come from balloons carried by a strong east wind, many Danes are inclined to link them with the mysterious night flights. Whether there is a link or not, clumsy "clandestine" activities of this kind make it more difficult to appraise the situation and to muster public support for the measures that Denmark, in its exceptionally exposed position, should take.

Some Economic Terms

The following is a fourth selection of contributions for the proposed English-Doubletalk dictionary of modern economic terms:

Backward area, an area more backward than other backward areas

Under-developed area, a country too proud to admit that it is backward, but not too proud to beg.

Vital sector of the free world perimeter, a country too proud to beg, but not too humble to blackmail

Bank Rate, increase in, a ramp which pleases Mr Butler's friends on the stock exchange by putting more money into the pockets of moneylenders

Bank Rate, reduction in, a ramp which pleases Mr Butler's friends on the stock exchange by putting more money into the pockets of shareholders

Public service television, a programme advertising Mr Maurice Winnick

Commercial television, a programme advertising other entrepreneurs.

The New Edwardians

LONDON has for some time been familiar with the sight of gangs of youths dressed in Edwardian clothes—velvet collar, long jacket, bootlace tie, fancy waistcoat and sidewhiskers. They are to be seen lounging in the streets of south-east London or "creeping" round the floor of such dance halls as will admit them. They are also sometimes to be seen indulging in more nefarious activities; a gang of 37 were recently interviewed by the police after disturbances at St. Mary Cray, in Kent, and Scotland Yard has had several other reports of dangerous hooliganism in this fancy dress.

There have been some learned explanations of this unpleasant phenomenon. In a letter to the *British Medical Journal* Dr Margaret Lowenfeld, the psychologist, has suggested that our modern civilisation takes no account of the driving need of the adolescent—particularly the male adolescent—for emotional adherence to a group with a ritual; hence the adoption of the Edwardian uniform and the creeping antics on the dance floor. There will also be less learned memories of long-standing dress rituals at public schools; and of the hooliganism that can sometimes occur on special end-of-term railway trains. National Service also has certainly had something to do with the teddy-boy trouble. It makes the years between the ages of fifteen and eighteen an interval in which it seems hardly worthwhile to start seriously on a career. Meanwhile, the youth can earn good wages on his temporary job—good enough to spend anything from £10 to £30 on his fancy suit.

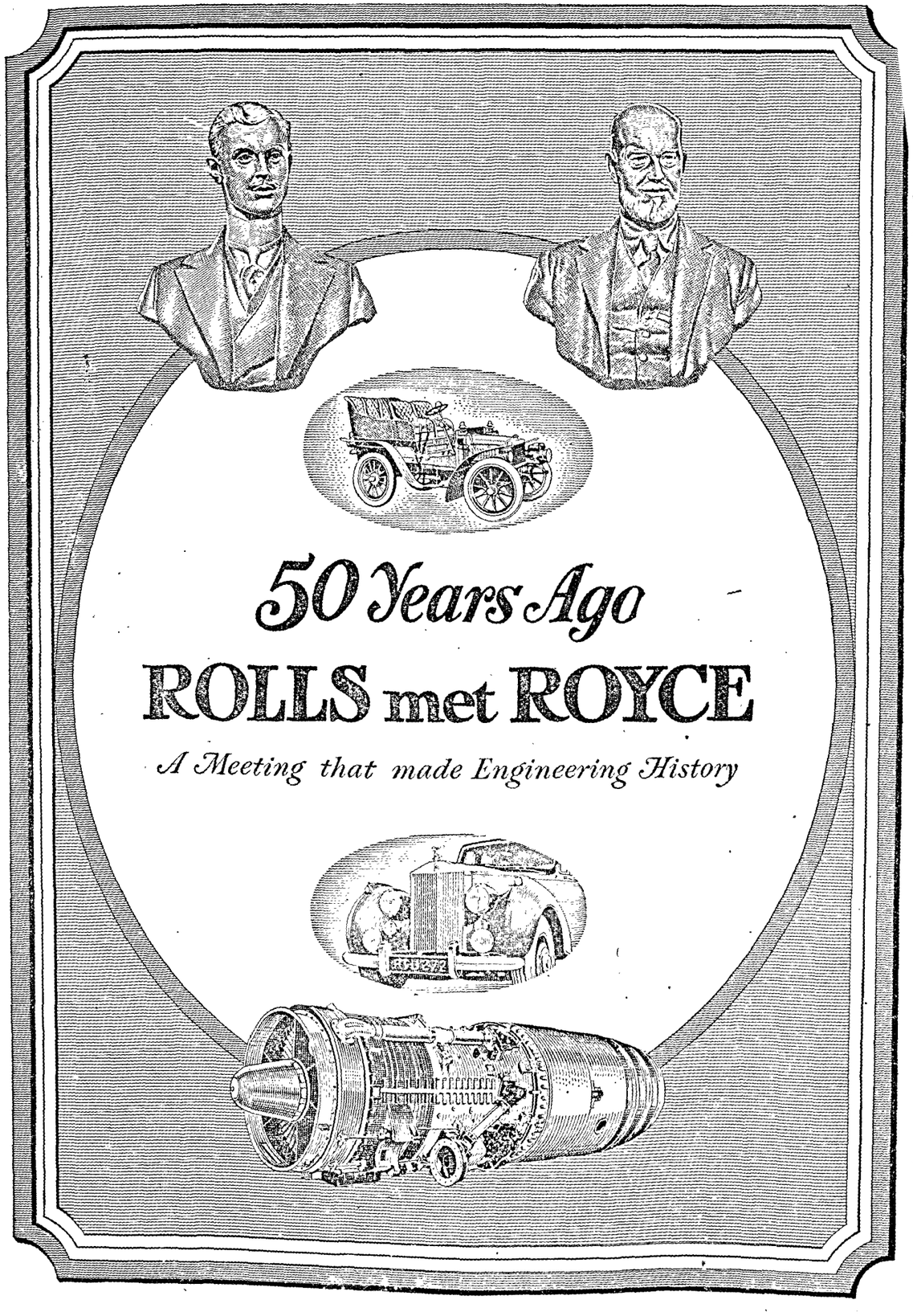
The real problem, however, is merely the familiar one of adolescent hooliganism. This problem is far too serious for it to be sensible to divert too much attention to the unfamiliar dress in which the hooligans now sometimes appear. Indeed that dress has at least one lighter aspect. This is the repercussion that recent publicity has had on the elegant young men around St. James's, who affect a rather similar Edwardian dress except that they crown it with a bowler hat tipped well over the eyes. Some very good clothes are likely to be given away in the near future.

Tests for Oxford

Although the Bill . . . for the Reform of the University of Oxford is the only measure which has been able to divide with the war either public or parliamentary attention, we have not felt called upon to discuss it. . . . There is, however, one question—and a most momentous one—of *principle*, connected with the measure, which unfortunately is not touched upon in the Bill itself, but which is to be brought under the consideration of the House as soon as the separate clauses have passed through committee. . . . We allude to the proposal for the removal of those "religious tests" by which . . . every youth who desires to avail himself of the advantages of that great national academy is compelled to declare his solemn belief in a whole series of scholastic propositions. . . . These tests . . . share with the oaths which keep Jews out of Parliament the unenviable honour of being the last relics of a narrow bigotry which once pervaded all our institutions. They are what Colonel Sibthorp is in politics, what the pig-tail still occasionally seen dangling behind some venerable head is in fashion—the lingering *souvenir* of prejudices and fancies long since obsolete and passed away. They are retained in the place of all others where they ought to have been first abolished—in an institution of which the boasted province and theoretical duty are to lead and educate the country. They are retained in that which claims to be pre-eminently the NATIONAL seminary and seat of learning, with a view of excluding half the nation from entering within its gates. . . . The University authorities are fond of maintaining—and even maintain it with much contemptuous insolence sometimes—that no man can be thoroughly or perfectly educated who has not had a University career. Yet they insist upon an arbitrary rule which excludes, and is intended to exclude, and is useless and nonsensical if it does not exclude, from that career one-half the young men of England, and which would exclude the majority of the other half, if their consciences were not either naturally torpid, or drugged into sleep by sophistry, or silenced by the whispers of self-interest.

The Economist

May 20, 1854



Books & Publications

Self-Judgment of Salomon

THE ANSWERS OF ERNST VON SALOMON.
Translated from the German by Constantine Fitzgibbon.
Putnam. 558 pages. 35s.

THE *Fragebogen*, the denazification questionnaire with its 131 headings, will long remain a monument to the stupidity of the Allies' good intentions in the re-education of Germany. It has presented a perfect target for a writer with the skill and wit of Ernst von Salomon. Out of his answers to its stern but inept questioning he has made an autobiographical, highly personal and immensely readable account of the years between the two German defeats of 1918 and 1945.

Herr von Salomon draws a picture of himself as equally clever and unpleasant: each quality is used to re-inforce the impression made by the other. Part of his stock-in-trade is a brazen and ironical frankness. Instead of attempting to deny or apologise for what happened in Germany and German-occupied Europe, he mocks the pretensions of the victors to set themselves up in judgment: his concluding account of his eighteen months in an American detention camp helped to sell a quarter of a million copies of his book when it was published in Germany in 1951. Instead of evading responsibility, he openly proclaims his indifference, and answers moral indignation with a succession of rude gestures felicitously conveyed in cynical and unmistakable language.

This is at least a refreshing change after so much solemn talk of guilt and repentance. No doubt it accurately reflects an important section of German opinion. As Mr Goronwy Rees remarks, in his admirable introduction, this is a cautionary tale to be pondered over by all who have to deal with present-day Germany. But in elaborating the political moral to be drawn from the book, it is a pity to see Herr von Salomon too often taken at face value.

For all his pride in his Prussian origins, his Freikorps service and his part in the murder of Rathenau, Ernst von Salomon seems a poor representative of the "dynamic" and "heroic" attitudes he admires. His early years in prison as a martyr of the nationalist cause gave him credentials which he exploited to the full, but once out of prison he never lifted a finger to serve any cause but his own. For the Nazis he had nothing but contempt and never joined the Party. With the remnant of the old-fashioned nationalists represented by the Ehrhardt Brigade he preserved a few links of sentiment, but took good care never to get involved again in their futile intrigues. He pours scorn on the anti-Nazi opposition, but when the fate of Germany was being decided on the battlefield he retired to a hide-out in Bavaria and continued to occupy himself with writing film scenarios. All this, no doubt, was highly intelligent behaviour on the part of a detached observer, but it is hardly in keeping with those Prussian and nationalist ideals to which at other times the author expresses so nostalgic an attachment.

Herr von Salomon is uneasily aware of this conflict, despite his bold attempts to shrug it off with a display of cynical bravado. But the sleight of hand is too obvious. His true affiliation—on the evidence of this autobiography—is not with the traditions of the Prussian Officer Corps, or even of the Freikorps, but with the type of intellectual who contrives his own survival under any regime. Not all of them however make so profitable or so entertaining a display of their own lack of shame.

The Top of the Union

POWER IN TRADE UNIONS: *A Study of their Organisation in Great Britain.*
By V. L. Allen.
Longmans. 334 pages. 25s.

WHILE the place of the British trade unions in social history has long been secure, it is only recently that their expanded membership, increased economic and political influence and apparent social indispensability have stimulated a widespread inquisitiveness about their everyday behaviour—and a steady trickle of more or less specialised studies to provide some of the answers. The supply of such studies is likely to increase, as most universities now make provision for the study of industrial relations and many organise extra-mural classes on trade union problems. The author of "Power in Trade Unions" is, in fact, an extra-mural staff tutor in this subject.

The longest and undoubtedly the most useful part of the book is Part II; its theme is trade union government in the highly restricted sense of "national leadership" as provided for in union constitutions. Here the author has broken new ground—and heavy soil at that. He has analysed the constitutions of 127 unions (comprising all but about one per cent of the TUC-affiliated membership in 1952) in order to show, for each union, the character of the supreme policy-making body and the degree to which it is intended to be representative; the nature, size and life-span of the executive; and the provisions for electing (or appointing) and dismissing the general secretary. So inclusive a framework would be of interest in itself, even if it were no more than a framework; but it is amplified with subsidiary tables, and with appropriate explanatory chapters on policy making, on the powers and functions of executive bodies, and on trade union leaders.

Not only are these chapters written with knowledge and generally with common sense, but the author's fourteen years as a lay member of the Amalgamated Society of Woodworkers give him the essential quality that some of his recent predecessors have conspicuously lacked, a genuine "feel" for what he is describing.

But while the book has certain solid merits, it also has its faults. There are weaknesses of construction: some of the wider questions raised in the opening sixty-odd pages of Part I on "Trade Unions and the Democratic Principle" seem of dubious relevance to the 180 pages of Part II; Part I has a summary and conclusions while Part II (and with it the book proper) ends abruptly; and the appendices, though containing some interesting material, are as long as Part I and could have been compressed and, in part, incorporated in the text.

Moreover, where the author makes incursions into the borderlands of political theory, the book also suffers from an occasional woolliness of thought and expression. Thus in discussing the danger of pressure groups in a democratic state, he takes Mr Sturmthal to task for having failed to distinguish between "pressure groups, which are in reality concentrations of economic power," and "voluntary societies." He believes that "to ensure the effective working of the state democratic mechanism, steps must be taken to remove concentrations of economic power from the hands of minority groups. The right to form voluntary societies, on the other hand, is a fundamental democratic right. . . ."

It emerges that Mr Allen's chief anxiety is confined to trade unions with compulsory membership ("trade unions which are compulsory organisations are private concentrations of economic power"); and in such cases he considers Parliamentary intervention justified to supervise the working of union constitutions. But is the Amalgamated Engineering Union, where membership is voluntary, less of a pressure group and less of a concentration of economic power than the National Union of Mineworkers, where membership is compulsory in some districts? Mr Allen dislikes compulsory membership—although this has been a trade union objective from earliest times—because members can no longer express disapproval of their leaders by leaving their union (although, of course, there are other means of defying union authority). His point would have been more cogent without the introduction of overtones.

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However, despite the narrow limits of its conception, its faults of construction, and its occasional lapses, the book remains a useful contribution to knowledge about trade unions. It is the first full-scale analysis of their constitutions and the first attempt to deal with the problem of the upper levels of union government; and, while a comprehensive study of trade union power politics has still to be written, Mr Allen deserves the honours of a pioneer in his chosen field.

A Journalist Remembers

LIFE SO FAR.
By Wilson Harris.
Jonathan Cape. 321 pages. 21*s*.

MR WILSON HARRIS, at the age of seventy, has behind him a distinguished and varied career. He had a sober upbringing in a middle-class family at Plymouth; he went up to Cambridge to study classics and was President of the Union; he became a schoolmaster and then joined the staff of the *Daily News*; he was leader-writer and then correspondent at the Paris Peace Conference and the numerous international conferences that followed; for twelve years he attended the meetings of the League of Nations; for twenty-one years he was editor of the *Spectator* and for nearly five Independent MP for Cambridge University. His work has taken him much to Europe and sometimes to America and he has met a host of notable people.

Of his childhood he writes not very much but enough to give a vivid picture of the late Victorian household—serious, intelligent and charitable but lacking any knowledge of the arts. The method that he follows for the rest of his life-story might be called *pointilliste*. From a remarkable storehouse of memory—he says he has kept only the briefest of diaries—he has assembled a mass of anecdotes, conversations and brief life histories of the people he has met. Story follows story; from chapter to chapter the flood of names, mostly notable, increases. The method, which could so easily flag, is sustained with great energy; and the reader, though he cannot help feeling that the level of experience recounted is somewhat superficial, presently finds that he has been given a very good idea of period. Lloyd George, Baldwin, Ramsay McDonald, Benes, even Mussolini and Hitler, appear with the scores of politicians and journalists. There is also some straight description of facts and policies—of papers as well as countries. Through all this the Zeitgeist clearly emerges.

Later, however, one discovers another side to the author. He had a Quaker upbringing; he belonged to religious societies at Cambridge; he lived for a time at Toynbee Hall. In the last chapter he turns to a discussion of belief and a consideration of death. Quite a different personality emerges—perhaps the personality of the undergraduate who used to walk about the courts discussing Wordsworth. The successes he has recounted, the disappointments which he laments a little, all the acquaintances and the daily business give place to a religious statement. It does not seem that the two sides to the writer's character have irked one another. He does not, as so many do, complain that worldly interests have turned him from more important things. He states calmly: "For me journalism has been a large part of my life. But a man's life should be something more than his profession." Some readers may wish that he could have included a little more in the strain of his last chapter.

Banking Centenary

REALMS OF SILVER: *One Hundred Years of Banking in the East*
By Sir Compton Mackenzie.
Routledge & Kegan Paul. 352 pages. 25*s*.

A CENTENARY whose background is a struggle for survival in the East, with insurrection, flood, fire and earthquake added to the ordinary risks of misjudgment, ought to yield an exciting story. This narrative is concerned in general with exchange banking east of Suez and in particular with the activities over a hundred years of the Chartered Bank of India, Australia and China. Some of it is indeed lively. Yet the writing (despite the distinction of its author) and the arrangement of the material is disappointing. This is less true of the first half of the book, dealing for the most part with the establishment of the bank's offices in the several areas in which it came to operate—India, China, Burma, Japan, the Straits Settlements, Indonesia and the Philippines (but not in Australia owing to the strength of local opposition). Later in the book, however, the interplay of detail becomes somewhat confusing.

The prime mover in establishing the Chartered Bank was James Wilson, the founder of *The Economist*. But his energies were soon to be diverted to other fields. Although he was able to help the bank over some early stiles, by virtue of his political influence, his direct association with the new institution was brief. The bank's Royal Charter was granted in December, 1853, despite the opposition of the East India Company. Yet it was 1858 before the new venture really got started and opened its first branches in India. In those days outposts of empire—financial as well as political—had to be relatively self-sufficient; and each branch then operated as a more or less separate entity on the basis of its own working capital, the employment of which in exchange or local business was controlled by the local "agent" (or manager). Success or failure thus depended very much on his personal judgment. Management at a distance was inevitably management by delegation and the choice of men of ability and character a prime necessity. The only real check on local activities was the peripatetic inspector, who provided the essential link between London and its far-flung agencies. Only when communications improved with the opening of the Suez Canal and the coming of the telegraph did the organisation become more closely knit.

It is interesting to trace the ways in which speedier communications modified the techniques of exchange banking, leading to shorter usances, narrower exchange margins and generally more efficient methods of financing trade. Much of the background to the story of the bank during the latter part of the nineteenth century is told in terms of the progressive fall in the value of silver, the basis of the currency in most of the lands in which the bank traded. Hence the title chosen for the book. Silver was eventually dethroned, but currency deals continued to be an essential part of an exchange bank's activities; and it was only latterly that the emphasis shifted away from bullion transactions and exchange arbitrage to less exciting though probably more fundamental banking pursuits. A crucial change in policy came with the opening of up-country branches towards the turn of the century. Previously, the bank had confined itself to the ports. Now it began to develop domestic as well as exchange banking and to contribute more directly to the development of the economies which it served. Reading these pages, one cannot help but feel that the bank has had at various times quite a considerable amount of luck, but that alone would not have ensured its survival. Virtue in the guise of caution and sound banking precept has been rewarded, and the bank can today proudly assert its claim to strength and prestige throughout the East and in the City of London.

A Rare History

RUSSIA: A HISTORY AND AN INTERPRETATION (2 Volumes).
Michael T. Florinsky.
Macmillan of New York. 1,585 pages. 5 guineas.

THE history, and historians, of Russia have suffered from various misfortunes. Up to the end of the 19th century Russian historians were frustrated by censorship, at least in a very large part of their field of study. By 1917 Russian historical studies had at last reached a high level, when a new obscurantism descended upon historians. For a few years, it is true, valuable new work was done in some little explored fields, especially in the history of industrial labour. But by the 1930s the Stalinist straitjacket had been tightly fitted into place. For the last hundred years Russia has not lacked first-class minds in the historical field. It has plenty today. They do what they can, and in the publication of documentary material this is quite a lot. Interpretation is another matter. Here, too, some splendid work from time to time appears, but it sees the light of day not so much because of its inherent merit as because it fits the political purposes of the party bosses at the moment.

Outside Russia the study of Russian history has been and is impeded both by the language barrier and by the impossibility of visiting Russia to study archives. Non-Russians thus possess greater freedom to interpret, but less material on which to base their interpretations—though the best western libraries contain a great deal of Russian material. Hitherto Germany has produced the largest number of distinguished scholars in this field. Britain had the late B. H. Sumner, and the United States has Professor Robinson, the historian of the Russian peasant problem.

In these peculiar circumstances, great importance was bound to attach to exiled Russian historians living in the free world. In the first generation, now passed, there were Milyukov and Kizevetter. In the generation that is now growing old there are Professors Karpovich and Vernadsky, working in America, whose many-volumed history, of which the first parts have appeared, will probably be the best survey yet done. To this generation belongs Professor Florinsky.

His book is very long and very expensive. The vastness of the subject, and the present conditions of the book trade make this inevitable. But it is clearly written and presented; it is based on decades of study of a wealth of sources—including Soviet sources; and its judgments are as reliable as any single man's can be. In recent years a number of bad short histories of Russia have been written, on both sides of the Atlantic. This is a good book; in fact it is probably the best and most up-to-date single survey of the subject at present available. It can be strongly recommended to libraries and to students. Those who really wish to understand something about Russia, who wish to build a foundation for the understanding of the modern world, would do well to read it. Those who expect historians to give them ready-made formulæ and to spare them the labour of learning any facts can spare themselves the trouble of opening the book. But if he loses their custom, Professor Florinsky will have lost nothing.

It is quite impossible to summarise the contents of so large a book on so large a subject. Perhaps one point may be made. The author is refreshingly free from either of the two tendencies that have bedevilled so much Russian history—whether written by Russians or by foreigners. On the one hand he is free from the slightest trace of Russian chauvinism. He does not glorify Russian imperial conquests, and he does not fall down in obeisance to the "greatness" of such tyrants as Ivan the Terrible or Peter. On the other hand he is also free from the contempt (whether friendly or hostile) of so many western writers for the Russian people ("poor barbarians, incapable of enjoying, or even of desiring freedom"). His work is permeated by an unpretentious and sincere spirit of human understanding.

The Far North

HALIBUT SCHOONER.
By Lyman R. Ellsworth.
Thames and Hudson. 242 pages. 15*s*.

ICEBOUND SUMMER.
By Sally Carrighar.
Michael Joseph. 269 pages. 15*s*.

WHAT the West meant to his forebears the Far North now means to the adventurous North American. Canada's Arctic territory is hard of access. But Alaska borders on an ocean that is navigable for the greater part of the year. Thus different sorts and conditions of men have left their mark on Alaska since the Russians pioneered it in the days of the Muscovy Company. Along its rugged shores are townships many of which go back to the days of the Russians. Some were boom towns of the eighties and nineties and the graves of Gold Rush hopes. Some are of this century and the base of the fisherman and the prospector. In the last decade bulldozers and explosive have cleared long pathways for the heavy bombers of the American Air Force to come and go, and settlement has grown up round them. For Alaska is no longer just a place for hardy pioneers to seek their fortunes, but an area of vital strategic significance to the free world. Human habitation is along the coast of the cold seas that run north to the Bering Straits. The vast jumble of mountains and the little known hinterland are as empty as ever of men.

"Halibut Schooner" is the reminiscence of a writer whose style is as rugged as his surroundings. His terse descriptions of fishing for black cod in the icy turbulence of the winter seas, beneath the great capes, gives the reader a vision—though not a clear one—of a hard life. But the author is also hungry for any crumb of information on the history of the country and eager to see all its mysteries. He describes a sortie from the sea into that strange volcanic valley, knee deep in lava ash, called The Valley of Ten Thousand Smokes. The life he describes on the schooner is almost that of the Vikings and almost as hard. It is therefore not irrelevant that the skipper of his little vessel and the central figure of the tale should be, like so many of his kind, a Norwegian.

"Icebound Summer" gives a view of the country through entirely different eyes. It deals with the animal world in which men are only incidents, appearing as predators and taking their place in the poise of the balance of nature. It is a book that makes one intensely inquisitive about the authoress. We are told that she spent three summers in that crisp Northern stillness. She has set out, unconsciously, as many have done before her, to write another "Jungle Book." No one is ever likely to succeed in doing so, for it took Kipling's genius to give half-human character to the animals without making a travesty of nature. But this book approaches it, and the magnificent illustrations blend with the writer's vision. No one can say exactly

why, in the Arctic's short brittle summer, creatures of the sea and the air and the land should hasten so far to the North to renew their species, as if that barren fairyland were a Mecca, as if there were virtue in the reaching of it. The writer describes the balance of the animal pyramid with real understanding. Some of the chapters, such as that on the baby seal, are beautiful pieces of writing. A literature of the Far North, America's last frontier, is coming into being. This book should have a place in it.

The Italian Revolution

CAVOUR AND GARIBALDI, 1860.
By D. Mack Smith.
Cambridge University Press. 470 pages. 45s.

FOR forty years Dr Trevelyan has been left in command of the field he conquered with his studies of Garibaldi in action; and the interests of younger historians have shifted away from liberal idealists towards the study of power in politics and the means by which it is applied. It is remarkable to see, in a modern study of the seven agitated months in which southern and northern Italy became united, how Cavour—popularly regarded as a modern Machiavelli—was often at a loss and often outmanœuvred by the events on which the "idealist" Garibaldi sometimes had a grip that any "realist" might envy.

Mr Mack Smith has produced, by intense study, a book that takes the reader right inside the Italian political world of 1860, "a study in revolutionary politics during a civil war" which must have been as hard to write as it is agreeable to read. He moves easily through the complicated maze of minor personalities, and writes nothing down which he has not fully considered. His book does not pretend to give a full analysis of the nature of the risings Garibaldi led in the kingdom of the Two Sicilies—the last Bourbon king is kept off-stage; the social structure of his regime is not discussed; one might almost believe that Mazzini went to Naples for his health. Nor is much said about the parliamentary scene in the background at Turin. But the central theme of the relations between Garibaldi and Cavour is developed with assurance and skill.

Cavour does not emerge with much credit. "Like all the moderate liberals as a class," Mr Mack Smith observes, "he sometimes proved to be not quite versatile or reckless enough to make a good revolutionary"; so far indeed from taking this dangerous if exalted path, Cavour boasted in the end to the senate at Turin that "his policy had been essentially conservative and not revolutionary." Yet he seized every advantage that the genuine revolutionaries could be made to bring to the little kingdom of which he was prime minister, in the ambition, eventually fulfilled, of becoming first prime minister of a united Italian kingdom. Garibaldi, utterly devoid of ambition, comes out more honourably; never pretending to be clever, he yet had a shrewd, instinctive "feel" for what was significant, and for what could and could not be done. And he comes alive in his melancholy remark, at the end of the story, to the Cavourian admiral who had neither helped nor hindered him:

> this is what happens, Persano, they just treat men like oranges, pressing out the juice to the last drop, and throwing the peel away into a corner.

Letters to the Editor

Doneraile Fair

SIR—In your issue of May 8th, Mr W. J. Gleeson in replying to the criticism that "charges of intolerance [in Northern Ireland] are always framed in the vaguest possible terms and therefore difficult to refute" gives as his one example of such intolerance the conditions which prevail in this University. The evidence which he offers in support of his charge is this: the University, he says, "serves an area with a 34 per cent nationalist minority" and draws 20 per cent of its students from that minority, but only 6.4 per cent of its staff belong to the minority. The assumption underlying this argument is that universities recruit their staff merely or, at least, mainly from the districts in which they are situated, or even from their own graduates, and that therefore if there were no discrimination, the religious and political composition of the staff should be roughly proportionate to that of the community in which a university is situated.

Like most British universities, Queen's appoints persons to its staff for their academic qualifications, their ability and attainments in teaching and research. It does not inquire into their religious or political convictions. The present staff of this University has been recruited from Ireland, North and South, from England, Scotland and Wales, from Australia, New Zealand and South Africa, from France, Germany and Spain; in short, from wherever the person best qualified for the particular post happened to be; for the world of scholarship knows no frontiers. For example, of the eighty members of the Faculty of Arts less than one-quarter are Irish; the rest are drawn from all parts of the English-speaking world and beyond. In the same way our own graduates occupy important posts in most, if not in all, of the universities of these islands and of many beyond the seas.

During the past two days I have asked several of my colleagues, some of them members of the academic staff, some lay members of the governing body, some senior administrative officials, some Roman Catholics and some not, whether they could tell me the religious denomination of some members of the staff, or whether or not they were Roman Catholics. In some cases not one of them could say with certainty, and they could say even less as to whether or not their political sympathies were with the nationalist minority. And so I, who examined their qualifications and interviewed them before they were appointed, do not know and can discover no way in which I can find out what faith they profess, or whether they profess any, or what their political sympathies are, if they have any, short of asking them. And yet Mr Gleeson professes to have precise and detailed information about these matters. He does not give the source of his information, but, in some cases in which it is easy to check his figures, they are not even approximately correct. For example, he says that there are six readers in the University and that none of them belongs to the minority. Neither statement is true. There are, in fact, at present twenty-two readers, and while I do not know the religious denomination, still less the political affiliation of all of them, I know that one of them is a Roman Catholic priest.—Yours faithfully,

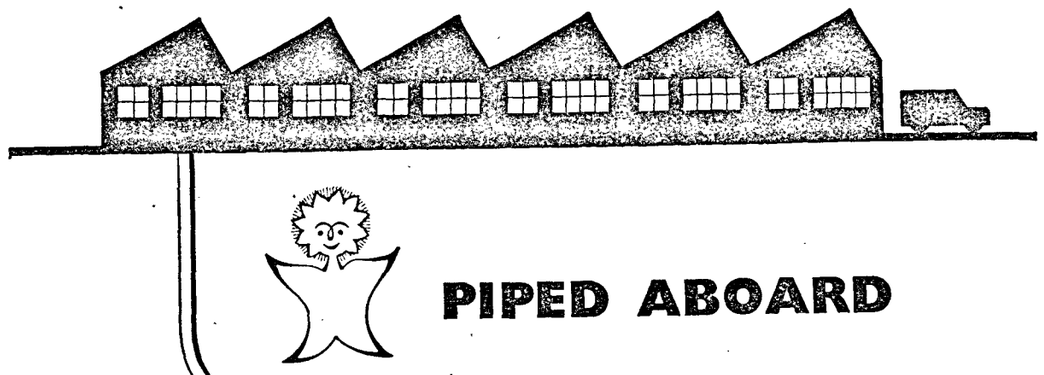
A. MACBEATH
The Queen's University of Belfast

Propaganda for Parties

SIR—On reading the article "Propaganda for Parties," in your issue of May 15th, I was surprised that you omitted any reference to the *Liberal News*. Launched some eight years ago and published each Friday, price 3d., the *Liberal News* has a circulation of 20,000 copies weekly. Neither the Tory nor Socialist party has produced a comparable publication.

A second publication warranting mention is *Ahead*, which circulates widely amongst undergraduates. Price 4d., it is a monthly magazine jointly published by the Young Liberals and Union of University Liberal Societies.—Yours faithfully,

Bolton LYNDON H. JONES



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American Survey

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Restoring Bipartisanship

Washington, D.C.

IN the nine years since the end of the war the increasing part played by "bipartisanship" in the evolution of American foreign policy has been pointed out time and again as one of the sources of contemporary American strength and as evidence of the capacity for growth and maturity that exists within the American body politic. But as Mr Dulles returned from Geneva at the beginning of May, after the collapse of his attempt to impose a "tough" policy upon Britain and France before the Far Eastern conference opened, it looked as if bipartisanship were breaking up, and as if foreign policy would become the dominant political issue of this election year. The fact that bipartisanship has been restored, for the time being at least, is due not so much to anything done by the present incumbent of the White House, as to the good sense and good advice of a mild-mannered, eupeptic private citizen from Kansas City, ex-President Harry Truman.

For the five weeks or so before the Geneva conference began, when the Administration was sowing the seeds of wild confusion both in the nation and around the world by talk of "massive retaliation" and calls for "united action" in Indo-China, by asserting through the mouth of Senator Knowland that American troops would never be sent there and hinting through that of Vice-President Nixon that they might be, when the President was speaking first of Indo-China as a "transcendent interest" and then of finding a "*modus vivendi*," when the air was being clouded by comparisons with rows of dominoes and corks in bottles, the Democracts were silent. In part this was the silence of bewilderment, in part it was a result of a conscious political calculation that an opportunity was developing which they might use to hang the same kind of albatross around the necks of the Republicans over Indo-China as the Republicans had hung round Democratic necks over the loss of China and the Korean war.

But after Mr Dulles had briefed the Senate Foreign Relations Committee on his return from Geneva, and after it had become clear to everyone in Washington that the United States had not been prevented from creating a united front at Geneva by the indifference of the British, but had had to accept the possibility of a negotiated settlement in Indo-China because the Administration had never agreed on any alternative policy, something like a spontaneous bellow of anger rose from the Democratic leaders. The virulent attack began when Mr Truman spoke of the unwisdom of insulting "our allies and friends who helped us win the second world war" and continued for a week, mainly taking the line that bipartisan support could unfortunately not be developed for a foreign policy that did not seem to exist. Senator Lehman, always prepared to tread where angels fear to, even suggested that Mr Dean Acheson should be made a consultant to Mr Dulles.

It was as if the Administration's obvious fumbling over Indo-China had touched some release mechanism in the Democrats in Congress. It not only contributed to their growing sense of self-confidence by showing that the Republicans were as fallible in Far Eastern policy as the Democrats themselves had been, but it also released their pent-up anger at the recent smug gloating of some members of the party in power over their vanquished colleagues. Senator McCarthy's "twenty years of treason," and its more sophisticated versions, and the repeated claims that the Republicans have a magic formula for the conduct of foreign affairs have alternately infuriated and exasperated the Democrats.

*

While President Eisenhower and Mr Dulles at their press conferences last week dealt only with the superficial aspect of "bipartisanship," giving examples of the occasions on which Democratic leaders in Congress had been briefed by the Administration, it was left to Mr Knowland, the Republican leader in the Senate, to try to remedy one of the deeper causes of Democratic anger. In the Senate on May 11th he said:

> Neither of our great political parties has a monopoly on patriotism. . . . Let us, here and now, Republicans and Democrats alike, recognise the fact that there is only one group that can properly be charged with being "the party of treason" and that is the Communist Party and the underground conspirators.

This olive branch brought an appropriate response from Senator Lyndon Johnson, the Democratic leader, who promised the maximum of bipartisan co-operation in the future.

The flare-up of partisan anger might have been attributed merely to the bad manners of Republicans and the bad nerves created by the Indo-Chinese situation, had not Mr Truman, in a speech on May 10th, drawn attention to the essential conditions of a bipartisan foreign policy and, by implication, to the failure of the present Administration to fulfil them. In the first place, he said, the responsibility for the conduct of foreign affairs

> rests squarely upon the Administration in power, and in the very nature of things cannot be discharged by anyone else. More specifically it rests and must rest where the Constitution places it—with the President of the United States. Not with either or both parties in the Congress,

nor with the Congress at all. . . . The second point I want to make is that in order to have a bipartisan foreign policy there must be a will to co-operate. . . . If the President wishes a bipartisan foreign policy it is his responsibility to make one possible. It is his responsibility not to allow it to be made impossible. . . . The third point I want to make is that if a bipartisan foreign policy must rest upon a spirit of mutual trust, it springs from the firm and consistent leadership in the formulation and execution of foreign policy.

Mr Truman has never been a man particularly noted for his academic detachment where American policy is concerned, but the events of the past three weeks have underlined the accuracy of his observation. Much of the confusion in recent United States foreign policy has been due to two factors—on the one hand to a multiplicity of voices and to the difficulty of knowing who among the Republican leaders was enunciating policy and who was blowing his own horn, and on the other to the failure of the President to settle on a firm and definite course in Indo-China. By saying in advance that he would consult Congress, the President seems to have denied himself irrevocably the power to take swift and decisive military action should the situation deteriorate catastrophically. Mr Truman's second point has been graphically illustrated by the divisions of recent weeks and by the lengths to which a man as insensitive as Senator Knowland has felt it necessary to go in order to heal them.

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The President and Mr Dulles seem to have misjudged the problem of bipartisanship as they have, for the same reasons, misjudged the nature of the alliance. The demands of foreign policy are almost invariably in conflict with the direct interest of the voters whose concerns Senators and Representatives have been sent to Congress to promote. Therefore good relations between the Secretary of State and members of Congress depend not merely on exposing them to the doubts and worries that accompany the formulation of policy, but on giving them fair warning of policies that the Administration has decided upon and on helping the legislators to find reasons why they should put the national or international interest before their party or local interest.

This was a point that was always stressed by Senator Vandenberg, the great Republican architect of a bipartisan foreign policy in the immediate postwar years. It is not wise for the Secretary of State to feel that he has fulfilled his duty in consulting Congress if he merely dumps his worries upon its members, as was clearly shown by comments coming out of the Senate Foreign Relations Committee after Mr Dulles had done just this last week. Mr Vandenberg in his *Diaries* continually expressed his dislike of "crisis diplomacy," the sudden shift in tactics or strategy which left him faced with the unpleasant alternatives of weakening the international authority of the Administration by criticising it, or of looking foolish to his constituents. Exactly the same steady and gradual evolution towards a firm decision and the same absence of sudden demands for unexpected action that is necessary if allies are to be kept in concert is also necessary when dealing with Senators, especially those of the opposing party. The events of the past three weeks, including the bewilderment of all but the diehards on either side in Congress whether or not to agree to American military intervention in Indo-China, should emphasise to Mr Dulles that "united action" begins at home.

Separation Is Not Equality

THIS week the Supreme Court put what appears to be the keystone into the archway of decisions which it has been building to protect Negroes from racial segregation. In the series of judgments condemning discrimination in voting rights, in housing, in higher education and elsewhere, which it has been delivering with increasing frequency since the war, the Court had already come close to saying that segregation was unconstitutional, but it had never actually departed from its basic interpretation of the Fourteenth Amendment, made in 1896, which permitted separate facilities to be provided for Negroes, if they were of the same quality as those offered to Whites. But last Monday, ruling on a group of cases concerned with segregation in primary and secondary schools supported by public funds in four states and the District of Columbia, the Court ruled, unequivocally and with unexpected unanimity, that to insist that Negroes must be educated in separate schools, however good, deprived the children of the minority race of opportunities equal to those of children of the majority, and was therefore unconstitutional.

This decision strikes at the root of racial prejudice. It is often argued today that, with the great improvement in the economic status of the average Negro, he suffers most severely from, and resents most strongly, the discrimination in housing which may prevent him from bringing up his family in the decent surroundings which he could afford. Moreover, many, maybe most, Negroes in the South hesitate to let their children fight their racial battles for them and prefer to send their children to separate schools, provided that their education does not suffer as a result. Not only, however, does the Supreme Court decision mean that such segregation now becomes a matter of choice, not of legal necessity, but it also means, or should mean, that both races will take their first lessons in the responsibilities of good citizenship together. The effect on the superiority complexes of the white children should be as satisfactory as the Court expects it to be on the inferiority complexes of the coloured ones.

In delivering the judgment in his first important case the new Chief Justice, Mr Warren, emphasised the fundamental part which public education now plays in American life, a development which, in his view, has made it irrelevant to consider whether or not the Fourteenth Amendment was originally meant to apply to free schools. But the Court is well aware that once the principle that "separate educational facilities are inherently unequal" has been laid down, it becomes very relevant to consider how this principle is to be put into practice in the 17 states, with 9 million White and nearly 3 million Negro children, where segregation is required either by law or by constitution. The Justices, who have taken two years and two hearings to decide the principle, will hear arguments again in the autumn on the questions of whether segregation in public education should be abolished forthwith or by degrees, and whether this should be done through decrees issued by the Supreme Court itself, or be left to local courts. Counsel for the Negroes will argue, as they have done before, for the immediate and detailed application of the principle by the Supreme Court, while counsel for at least some of the four states involved, South Carolina, for example, will argue for as gradual and as general an adjustment as possible—and will then take advantage of every legal loophole to delay the transition still further.

Between these two extremes, however, there is certainly a case for the cautious application of this courageous decision, for it will eventually change the whole social pattern of the South. Already during the two years that the cases have been pending the knowledge that, even if the Court permitted separate facilities, it would insist that they must be equal, has brought a great increase in spending on, and a marked improvement in, Negro schools in many southern states, and also a growing realisation that the end of segregation can only be a question of time. If the Court allows too short a time, the result will be not only chaos in southern schools but an emotional reaction which could build up an overwhelming wave of prejudice against Negro children. So far the calm with which the decision has been received, by Negroes and Southerners alike, is remarkable. On second, or third, thoughts even the extremists in Georgia and South Carolina, states which have prepared to close their free schools rather than admit Negroes to them, may decide to accept the inevitable, as Virginia, Texas and other southern states seem resigned to doing. In Topeka, Kansas, one of the places directly involved in the Supreme Court's ruling, segregation (which is permitted but not required in Kansas and three other states) was in fact abolished while the case was still under consideration. The President, always critical of racial discrimination, is urging officials in the District of Columbia to set a good example by doing the same at once.

★

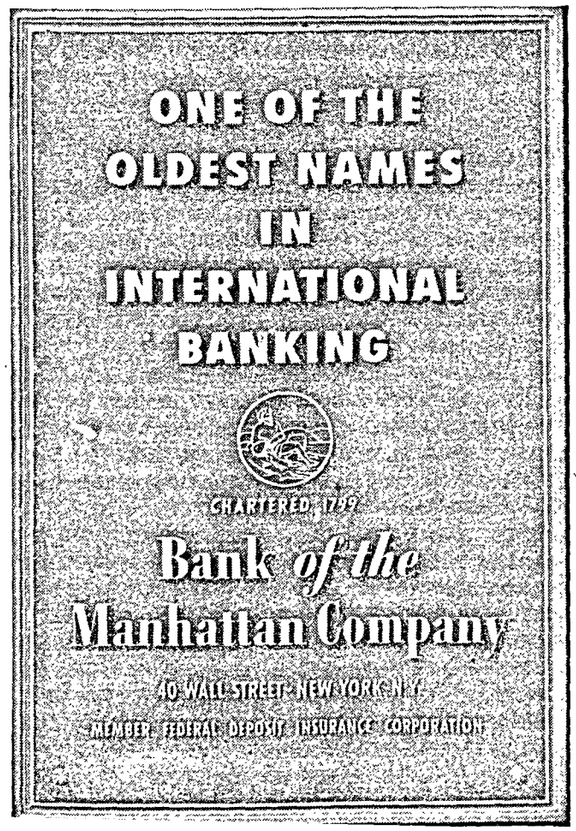
The Supreme Court's careful lack of haste also has political advantages. Just as its refusal to be hurried two years ago removed a possible complication from the presidential election campaign, so its insistence on taking its time now means that the congressional elections will probably be over before it issues its decrees for enforcement. These are likely to run even more counter than does the decision

The Declaration of Independence, adopted in 1776:—. . . We hold these truths to be self-evident, that all men are created equal. . . .

The Fourteenth Amendment to the Constitution, ratified in 1868:—. . . No state shall deny to any person within its jurisdiction the equal protection of the laws. . . .

In Plessy v. Ferguson, in 1896, a case dealing with transportation, the Supreme Court ruled that racial segregation was not unconstitutional as long as the separate facilities provided for the two races were equal.

In its judgment of May 17, 1954, *the Court concluded*:—. . . In the field of public education the doctrine of "separate but equal" has no place. Separate educational facilities are inherently unequal. Therefore we conclude that the plaintiffs . . . are, by reason of the segregation complained of, deprived of the equal protection of the laws guaranteed by the Fourteenth Amendment. . . .



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itself to the doctrine of greater liberty for state governments which is the Republicans', and the President's, chief claim to popularity in the South. Education is one of the fields almost entirely reserved to the states and Southerners are protesting that the Supreme Court has no right to interfere in it.

They are also protesting that it has no right to reverse its 1896 interpretation of the Fourteenth Amendment, but the importance of this week's decision lies perhaps as much in the Court's demonstration of its willingness to keep the Constitution up-to-date as it does in the new guarantees of equality given to Negroes. Whether or not Justice Warren's political good sense had anything to do with the postponment of the detailed decrees until the autumn, his liberal humanity and his practical experience of young people certainly lie behind the Court's readiness to make modern psychological knowledge, unknown in the last century, a factor in its decision that today segregation retards the educational and mental growth of Negro children.

But not a single Justice dissented from this historic judgment which develops the Constitution by the evolution that makes revolution unnecessary. The Supreme Court, with its clear and progressive agreement, provided welcome relief from the dissension, confusion and reaction that have of late characterised the other two branches of the government.

Face to Face with the President

THE long-drawn-out hearings on the argument between Mr McCarthy and the Army have at last brought the Senator face to face with the President. This is where both men should have been long ago, in the opinion of the many observers who have recognised that underneath the confused controversy lies a clear challenge to the independence of the executive branch of the government. On Monday Mr Eisenhower himself finally recognised this also, and ordered members of the executive to refuse to testify at congressional hearings on confidential meetings. The order had become necessary because Senator McCarthy was insisting that it was essential for the enquiry to be told what had been said at a private meeting in January between the Attorney-General and other officials of the Administration, at which plans for curbing the Senator were thought to have been made.

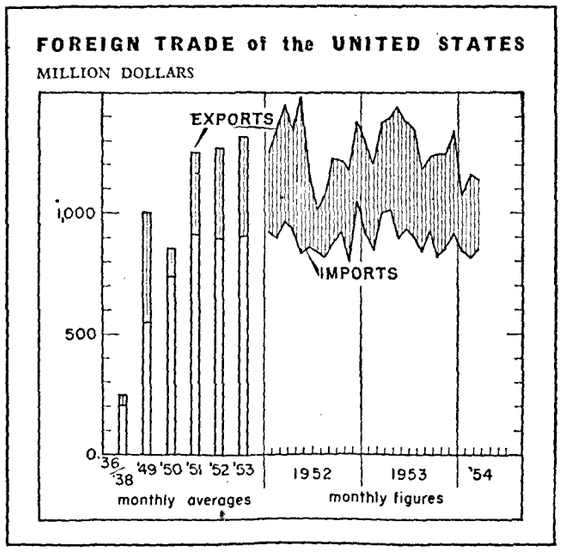
The President's refusal, backed up with 26 historical precedents, was based on the administrative necessity of complete candour and secrecy being observed when officials take advice, and on the constitutional separation of powers. Since Senator McCarthy insisted that he could not show the motives behind the Army's charges against himself and his staff unless he could know what happened at the January meeting, the hearings were adjourned for a week to try to find some way round the collision. So far the President and the Senator are bowing fairly politely to each other, with Mr McCarthy asking that someone should explain to Mr Eisenhower "what this is all about," but neither appears to have any intention of stepping aside. The President has, however, volunteered that the meeting in January was held to decide whether the Senator should be given access to the private records of the Army's Loyalty Board.

The result has been to postpone, perhaps for ever, the cross-examination of Mr McCarthy. The Republicans on the committee had already been trying to take the hearings out of the public eye, on the excuse that this would hurry them up, but had been frustrated by the hardly surprising refusal of Mr Stevens, the Secretary of the Army, to let the other principals in the case get out of sharing his ordeal by headline and television. The Democrats have, however, been suggesting that the hearings may never be resumed and that the President has in fact used his constitutional authority to save his party's skin. This Mr Eisenhower indignantly denies. His purpose, he insists, is to get the hearings "back on the rails" from which they have been side-tracked by extraneous issues. The President does not think that all the facts have yet been brought out, and he is most anxious that they should be, speedily and conclusively. After that, he hopes, and most Americans will agree with him, that the country will be able to get back to important business.

Tussle over Tariffs

SCISSORS have unexpectedly cut into the newspapers with the decision of President Eisenhower—a suitable send-off for World Trade Week—to reject the recommendation of the Tariff Commission for a 100 per cent increase in duties on certain types of scissors, shears and manicure instruments; the industry had applied to the commission for relief on the ground that its prosperity was threatened by foreign imports. In refusing to comply with the commission's findings, the President has retained intact his record for turning down all such requests for higher tariffs, and has dealt another blow to the protectionist elements in Congress. The President has also to make a similar decision with regard to the groundfish fillets trade which claims it is being ruined by excessive imports from Canada and Iceland. More significant than either of these is the renewed attempt of the domestic watch industry to gain further tariff protection, since the treatment of the imported Swiss watch has become, both at home and abroad, a test case of American sincerity in advocating freer world trade.

While the Administration has stuck firmly to the principle of liberalisation in face of strong opposition from the more conservative elements of its own party, it now seems certain that it will fail to get the main part of its programme through Congress this year. The Bill, introduced by Representative Kean, to secure a three-year extension of the Reciprocal Trade Agreements Act (which expires on June 12th) and to give the President tariff-cutting powers on the lines recommended by the Randall Commission, has had a bad reception in Congress. Over such a controversial issue as this the November elections loom unusually large, and the Administration is expected to postpone the struggle. Moreover, neither the President nor Congress now have time to fight out their differences at this session and the President therefore will probably have to content himself with, at the best, a one-year extension to the Act.



Again, on the issue of east-west trade, the Administration is sailing boldly into the winds of public disapproval. Mr Stassen, the Foreign Operations Administrator, has made it abundantly clear—in the fourth semi-annual report on the Battle Act—that American policy, while maintaining a strict embargo on all shipments of "strategic" items and on all trade with Communist China, is shifting its emphasis towards an expanded trade in non-strategic goods with the Soviet bloc. This change in policy certainly owes much to the nagging of America's European allies, who have long been insisting that they must turn eastward for a satisfactory pattern of trade. Now it has been pointed out that US non-military exports have been falling at a time when those of Britain and Western Germany have been rising, and that America, too, may need to exploit new markets in the Soviet bloc.

Political Currents

THIS week's primary election in Oregon explains why the Secretary of the Interior, Mr McKay, chose last week as the time, and Portland, Oregon, as the place, to try and refute the accusation that the Republican Administration is strangling the development of the hydro-electric and irrigation projects on which the growth and prosperity of the west depend. In that area such charges will be heard more often during the coming election campaign, and will contribute more to its current, than any others. Mr McKay's main answer is that, now the Korean war is over, his department is abandoning the policy of "no new starts" which he inherited from his Democratic predecessor. The political effect of his answer has, however, been weakened by the unfortunate choice, for one of his first new starts, of a site on the Upper Colorado River at Echo Park. This dam, which has already been approved by a House committee, would flood one of the most beautiful of the nation's scenic wonders, and Mr McKay's proposal has therefore aroused the violent opposition of just those groups which might otherwise have been mollified by it.

In Oregon itself, Mr McKay hopes to go ahead with the John Day project on the Columbia River, in co-operation with local public and private utility companies. He suggested that they might put up some 60 per cent of the cost of the dam and be repaid in electricity delivered over a period of fifty years. This would be an outstanding example of that partnership between federal, local and private power authorities which is the Eisenhower Administration's contribution to the problem of hydro-electric development. The partnership idea is said to appeal so much to the private companies that they are using all their influence to ensure that the Republicans have a satisfactory majority in the next Congress. Such a majority might also find time to take away some of the tax concessions and other competitive advantages which the federal power authorities still enjoy.

The desire to do nothing to embarrass a Republican Senator, Mr Cooper, who will have a hard fight in Kentucky next November, and his belief that Mr Gordon Clapp, the head of the Tennessee Valley Authority, which impinges on Kentucky, is unenthusiastic about this partnership idea, seems to explain why Mr Clapp's term does not seem to be going to be extended by the President. Mr Clapp is a career servant of the independent authority and a non-political appointee; moreover, he has the confidence of members of both parties. But he wants the authority to supplement its hydro-electric capacity with steam-generating plants so that it can meet both growing commercial demands for power and the huge requirements of the atomic energy installations that the government is building in its area. The President, however, refused to recommend to Congress that it grant funds for this TVA project, and now two private utility companies are offering to construct the necessary generators.

Rubber Deadline

New York

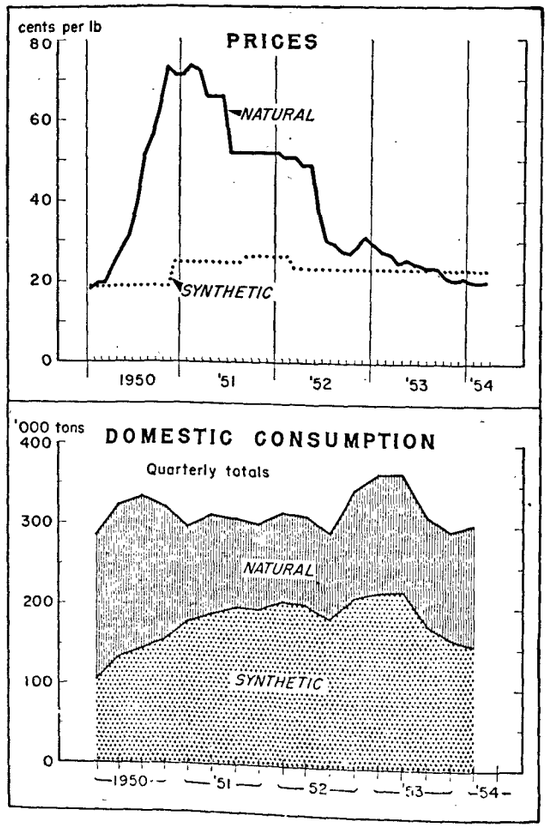
PRIVATE enterprise is falling in with the government's desire to rid itself of the synthetic rubber business by showing "considerable interest" in the acquisition of the 27 plants which are up for sale. Less than a week remains in which bids can be made to the Rubber Producing Facilities Disposal Commission, although there will be a further "negotiating period" of seven months before the commission's proposals are presented to Congress for approval. Congress can, of course, delay and even effectively veto the entire disposal programme; the Democrats, if they return in greater numbers in November, might oppose the scheme as "another Republican give-away," although the sale of the plants which the government built to meet the critical wartime shortage of rubber was originally proposed, in very similar terms, during Mr Truman's Administration.

The disposal plan includes both those plants producing the two chief raw materials—butadiene and styrene—and those which fabricate the final product. In addition two plants producing butyl rubber will be sold. While the commission is unlikely to find purchasers for all of its high cost units (some of which have already been shut down), it is expected to be able to secure for the majority of its plants the "full, fair value" on which Congress insists. What is not clear is whether the commission will be able simultaneously to fulfil the other criterion set in the disposal scheme—the creation of a competitive industry in which no firm has unreasonable control over any stage of production, and in which small rubber users are assured of supplies. This task is complicated by the large scale necessary if a synthetic rubber plant is to operate efficiently, and by the already preponderant position held by the "Big Five" companies in the rubber fabricating industry. To ensure competition, the commission is allowed to accept second best bids, or even lower ones, and to force the highest bidders to accept other than their first choice of plant.

Total rubber consumption in the United States during the first quarter of this year was 17 per cent below that of the same period of 1953, owing partly to the decline in industrial activity. Moreover, of the reduced total, synthetic's share fell to 51 per cent in March, 1954, compared with 60 per cent a year ago. The Reconstruction Finance Corporation, which is still in charge of synthetic rubber production, plans to cut back output to only 102,000 tons for the period May to July—when the industry will be operating at less than half capacity. Nevertheless longer term prospects seem favourable, and it is thought that by 1960 an increase in synthetic capacity will be required to keep pace with world rubber demand. It is also admitted that, although there have been many reports of radically new and cheaper processes in the experimental stage, the government's ten-year-old plants are not now, and are unlikely quickly to become, technologically obsolete.

If the industry does reach private hands before the end of 1955, as some of the more optimistic rubber manufacturers hope, the price of synthetic rubber is unlikely to remain fixed at 23 cents a pound. Much depends, of course, on the structure of the industry which eventually emerges, and on the amount paid for the more desirable plants. If operations under private ownership are concentrated in the most efficient plants—and costs, according to the commission, vary from 14.3 to 33.7 cents a pound between plants—the burden of the highest cost facilities which helped to swell the government's average costs would be avoided. On the other hand, the government has had certain advantages, notably cheap supplies of styrene and exemption from taxation, which private industry would not enjoy. Private firms are also likely to have to spend more on selling, transport, advertising and research.

On balance, therefore, the odds are in favour of a rise in the price of synthetic rubber when private industry takes over. But in the long run the price of synthetic rubber will almost certainly fall. Growing demand will enable existing plants to operate nearer to their most efficient rate; and the introduction of new technical processes will bring further economies. Moreover, private industry will no doubt increase the production of the cheaper "oil-extended" cold rubber—which already accounts for over 20 per cent of production and sells for under 18 cents a pound—to the maximum consistent with the maintenance of quality. Output of synthetic rubber is likely, then, not only to meet any future increase in world rubber consumption, but also to make further inroads into the market now held by natural rubber.



SHORTER NOTES

The Treasury's new issue of $4\frac{3}{4}$-year notes at $1\frac{7}{8}$ per cent was more than four times over-subscribed, but only $2.2 billion worth of cash was accepted, just enough to meet the government's needs between now and the end of the fiscal year in June. In addition almost $3 billion of the new notes were allotted to investors in exchange for certificates which mature on June 1st. Nearly $4 billion worth of the alternative refunding offer, one-year certificates at $1\frac{1}{8}$ per cent, was taken up.

*

Governor Dewey has advised New Yorkers to kill two birds with one stone and avoid paying high prices for coffee by "switching to milk," which is cheaper and more nourishing. The suggestion appeals to the state's dairy farmers, who are concerned about their surplus of milk, but to the thousands of city workers who are engaged in the importation and distribution of coffee the suggestion seems like a threat to their livelihoods, and to coffee-growing Latin Americans a blow at hemispheric solidarity.

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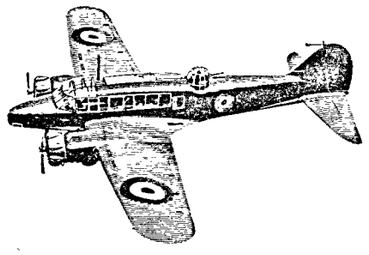
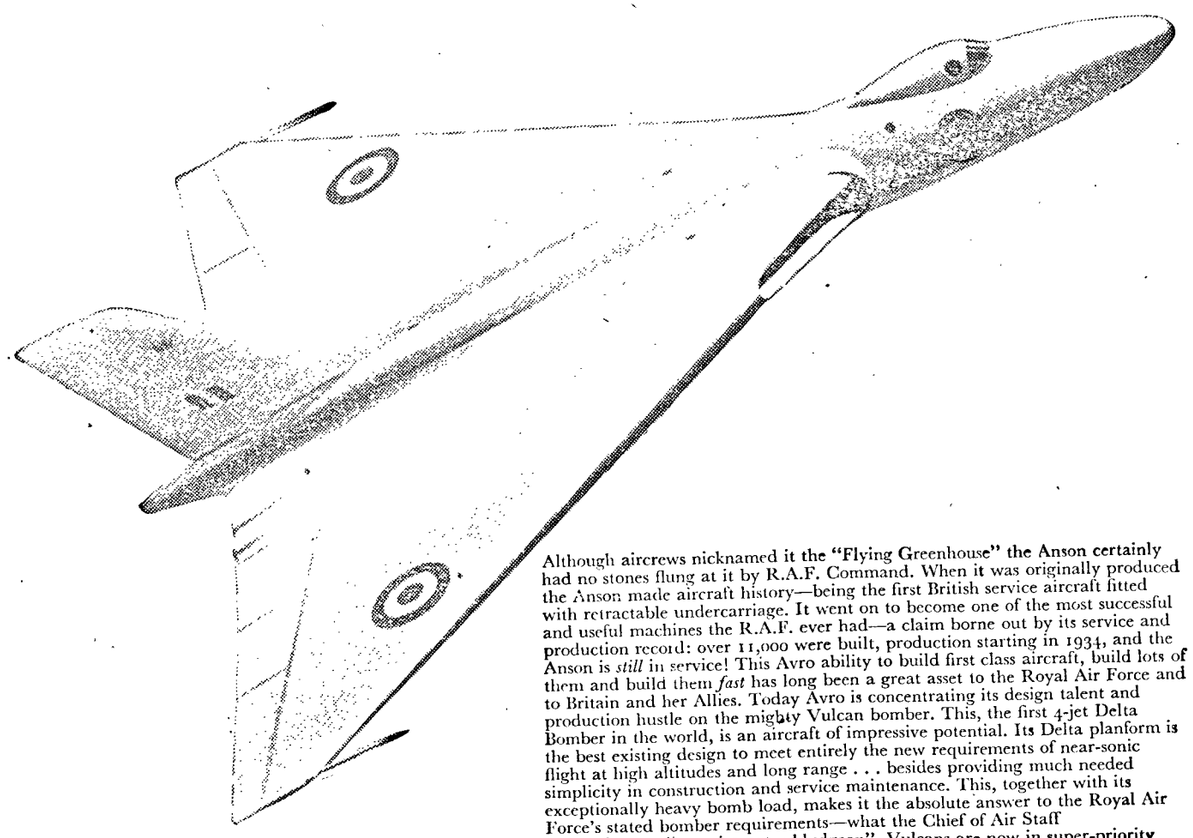


that lasted 20 years



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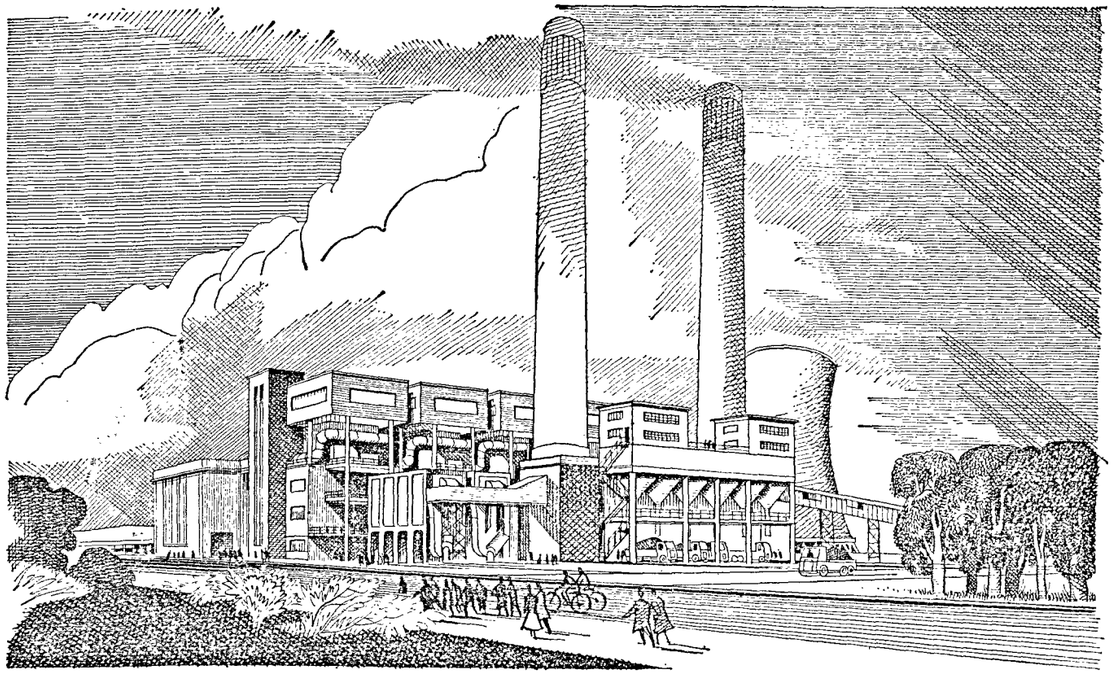

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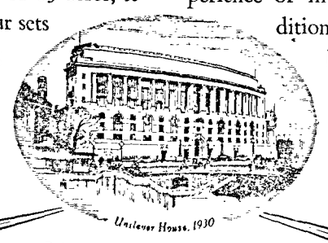

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After the Korsah Inquiry

FROM OUR CORRESPONDENT IN THE GOLD COAST

THE latest Order in Council concerning constitutional advance in the Gold Coast—issued on April 29th—brings the country to virtual independence. General elections will be held on June 15th, and thereafter an all-African cabinet will preside over the nation's affairs. The new phase must, inevitably, prove a testing time for the territory and its leaders. Men who three years ago had no experience in government will have left their apprenticeship behind them. The capacity and integrity of the new regime will be judged by their performance. Equally, it is a testing time for the relationship of goodwill and confidence that has been built up between African Ministers and their British colleagues by patient work in the Gold Coast itself and is now the chief link connecting the new independent community with the old metropolitan power. Unlike many of Britain's dependencies, the Gold Coast is economically more than self-sufficient, commanding both a favourable dollar and a favourable sterling balance in its foreign trade and also capital reserves far in excess of any immediate development programme. The decision to remain within the Commonwealth family will, therefore, be a matter of choice, not necessity. Choice is likely to depend, above all, on the maintenance of goodwill.

It is because the new constitutional framework will provide this test both of African ability and of British acceptability that more than usual interest attaches to the recently published report of the Korsah Commission upon allegations of corruption in the Gold Coast. No single factor would more quickly undermine confidence in the new government than the belief that its members were open to bribery. Nor could Africans fail to be extremely sensitive to the manner in which allegations against their good name were reported and commented upon in British circles. In fact, it is not too much to say that behind the immediate issue of possible corruption has lain the long term question whether the whole Gold Coast experiment can succeed.

The crisis opened on November 25, 1953, with the resignation of Mr J. A. Braimah, Minister of Communications and Works. He admitted to having accepted £2,000 from a contractor, Mr Kassardjian, but made a number of charges against his colleagues. Some were specific, for instance, that the Prime Minister had received his car as a bribe and that, on another occasion, had accepted £40,000 to influence him in the allotting of contracts. Altogether, the charges created the impression that the acceptance of bribes was general among influential members of the Government and of the Convention People's Party.

In any circumstances, such accusations would have been exceedingly grave. They were rendered more serious by the scale of money being spent in the Gold Coast upon capital development—some £70 million over five years since 1951. Most disturbing of all was their possible bearing upon the even greater sums that would be spent in the future when such projects as the Port of Tema (estimated at £10 million) and the vast Volta Scheme (of well over £100 million) came into consideration. Venal ministers and unscrupulous contractors could hardly be exposed to temptations of such magnitude without undermining the public morality of the whole community. The cabinet, therefore, decided unanimously to appoint a Public Commission of Inquiry into the allegations of corruption in the manner of the Lynskey Tribunal set up in Britain to investigate similar charges of ministerial misconduct in 1948. The Commission began its work on December 7th last year. The inquiry came to an end on March 2nd and the Report was made public on April 27th.

It can be said at once that the findings of the Korsah Commission do not bear out in any way the widespread suspicion of corruption current in the Gold Coast at the time of its appointment. Nor does it confirm any of the major allegations made by Mr Braimah. That he himself had been guilty of misconduct is established. But the Prime Minister, Dr Nkrumah, is cleared of any trace of suspicion after exhaustive inquiries both into his personal financial position and into the manner in which tenders are let to contractors in the Gold Coast. The accusation of general corruption among Ministers has been reduced to one of minor peculation by one Ministerial Secretary—Mr Ohene Djan. The charges against another Secretary, Mr Atta Mensah, are declared to be unproven. The conduct of the Chief Government Whip, Mr Krobo Edusei, while not actually stigmatised as corrupt, is held to be " below any acceptable standard for men in the public service and is strongly to be deprecated." Otherwise, the integrity of the entire cabinet was vindicated by this full-scale inquiry conducted with all the care and with the strict judicial procedures of an official inquiry in Britain—and incidentally assisted by British legal and police officers. It should be noted, too, that Djan and Mensah, tried before the Chief Justice, were sentenced to two years' imprisonment for accepting bribes to the value of about £150 and that Edusei was dismissed from office on the day the Report reached the public.

It is thus reasonable to conclude that a group of new and

relatively inexperienced African Ministers, with absolute control over the expenditure of very large sums of public money, have, with marginal exceptions, resisted the temptation to seek personal enrichment. But if the Africans have come reasonably well through the ordeal, the same can hardly be said of the contractors involved. The three most concerned with the charges of corruption—Messrs Rentzos, Tranakides, and Kassardjian—are all exposed as having sought to place temptation in the way of the Ministers. And lest reputable contractors in Western Europe should take comfort from the nationality of the three firms, the inquiry also made clear that German and Italian firms were interested in ingratiating themselves with African Ministers, and that one respectable Dutch firm appointed as its Gold Coast liaison officer a man of very dubious and even criminal reputation. Worst of all—from the standpoint of that vital link of goodwill between the Gold Coast and Britain—this same man was for a short time paid a considerable retainer by an important British firm to act for them in the Gold Coast, while another British citizen, alleging that he represented a British group of engineering firms, offered the Minister of Commerce and Industry the sum of £300,000 in return for the Tema Harbour contract.

Prejudice in Fleet Street

Yet it may well be that the real damage done to British-Gold Coast relations must be laid at the door not of the contractors, but of certain sections of the British press. The Africans learnt with chagrin the extent to which in the early stages of the inquiry their guilt was taken as a foregone conclusion, and every scrap of suspicion or hearsay taken as positive proof that an African Minister is, almost by definition, corrupt and venal. Headlines such as "Playboy Prime Minister Pays for Cadillac in Pound Notes" with its English connotation of black market and tax dodging aroused anger and resentment in a country whose major transactions are normally conducted in bank notes, and during an inquiry which cleared the Prime Minister of all impropriety in this transaction. Equal damage was done by the presence in Accra of at least one British reporter who made no secret of the fact that he had been sent there "to get at the dirt" and "to blow the Gold Coast wide open." Africans observed the political affiliations of the newspapers in which they were most violently fore-judged and drew one conclusion—that a powerful section of British opinion detested the whole experiment of African self-government and was eager to seize any opportunity to undermine or destroy it. They argued that newspapers which were ready to pass over with indifference the most strident evidence of venality in Middle Eastern or Latin American countries could only have a hostile political motive in giving major headlines to the unproven, and finally unprovable, charges of relatively minor speculation in the Gold Coast.

The inquiry is now a thing of the past. It has not weakened Dr Nkrumah and his party. On the contrary, it has probably deprived the Opposition of the slogan of "government corruption" which they were hoping to use effectively in the June elections. It is to these elections that the attention of the entire country is now turned and there is at least the likelihood that in the excitement of the campaign, the suspicions aroused by the reporting of the inquiry will be forgotten.

Bullfight in the Palais Bourbon

M. LANIEL must by now have become used to debates on whether to debate, to votes of confidence and last minute survivals. But last week's performance, with suspense kept up until the counting of the last vote, was a dramatic illustration of the dilemma facing a divided and impotent French assembly, torn between the desire to change and the fear of a lengthy crisis while the Geneva conference is in progress. Sensing that the country was finally waking up to the realities of Indo-China, egged on by the fall of Dien Bien Phu, many deputies were asking for blood. On the other hand, conscious of their inability to muster an alternative majority, they could not deliver a final blow. Thus, the debate in the National Assembly was not unlike a bullfight in which the rules do not allow the bull to be killed.

The blows were fast and furious. The proceedings were inaugurated briefly by the Prime Minister himself. M. Laniel pleaded with the deputies not to open a debate now, not to show France's cards to its opponents at the conference table and in the battle-field. He also made a half-hearted attempt to hand the whole question over to a parliamentary commission. But the deputies were not to be thwarted. The attack started immediately, and was waged with great indignation and with weapons taken from the arsenal of history: Clemenceau was evoked, tumbling Ferry over Indo-China; responsibilities for the defeat of 1870 were brought in; and even the old parliamentary battle-cry "*se soumettre ou se démettre*" (to accept or to resign) was raised again.

The gloves were off. A Gaullist deputy taunted M. Pleven, the Minister of Defence:

> Do you think it decent . . . to remain at the head of an army after it has suffered, with a glory which is its own, a defeat which is only yours.

M. de Chambrun, a near-Communist, was scarcely more charitable with M. Bidault:

> Theatrical gestures, acts of nervosity, personal conceptions—these are not the attributes of a wise negotiator.

Yet another deputy urged the government not to base its policy merely on the wish to keep ministerial portfolios.

But the hero of the day was clearly M. François Mitterand, a former member of the cabinet, who had resigned over Morocco. Like M. Mendès-France nearly a year ago, M. Mitterand this time alone emerged with laurels from an otherwise undignified affair. In a closely reasoned speech he underlined the gravity of the decisions now facing France, whether it opts for peace or for war. A commission of inquiry, he argued, has not sufficient authority to make this choice nor has the present government:

> To negotiate peace or to conduct war, while the destiny of the nation is at stake, you need the fervent backing of all the people. Can you claim to get it? . . . from now onwards it is no longer up to you, executive power, but up to us to decide. . . .

After this eloquent plea for government by assembly (Does the ghost of Montesquieu still haunt the Palais Bourbon?), M. Laniel's intervention came as an anti-climax. He merely stated that he was not convinced and once again begged the deputies not to weaken the prestige of the government. During the day's interruption, prescribed by the constitution before a vote of confidence, even M. Laniel's friends deplored, to quote *Le Monde*, this "policy named silence." As a deputy put it, M. Laniel had to cross the sound barrier and much depended on what he said after the resumption of the session.

M. Laniel Scrambles Through

At last, on the Thursday, M. Laniel finally delivered a lengthy speech. True, he did not outline clearly the government's policy for the future; his whole purpose was to avoid any commitments. But, at least, he covered ministers and generals with the shield of collective responsibility. He also hinted that not one but eighteen governments had had their fingers in the Indo-Chinese pie and that few would emerge with clean hands from an inquest. When he sat down it was clear that he had possibly placated some waverers, but had failed to carry the Assembly with him. The Gaullists disliked his appeal to the spirit of *Résistance*; many thought that "surprise" was a poor explanation for Dien Bien Phu. M. Laniel's "strength," however, could be measured when his critics rose again to speak. They were united in their dislikes but had no coherent policy to offer. Some wanted more toughness; others more appeasement. The legislature offered no more prospects of cohesion than the executive. The assembly did not, and probably could not, come up to M. Mitterand's expectations.

But by then interest had shifted into the lobbies, where frantic last-minute counts left plenty of scope for bookmakers. The fate of M. Laniel was in the hands of his "friends," of Gaullists and Radicals, who are members of the governmental coalition. Twelve more Radicals than in the previous week withdrew their support; among the Gaullists, the partisans of an immediate change turned from a minority to a majority. The Palais Bourbon echoed with recriminations, with threats of resignation from both cabinet and party. With two votes left to count there was a deadlock. There were rumours that some Radicals nearly lost the match by not playing the game and that two Gaullists changed sides at the very last minute. When M. Laniel finally scrambled through with a majority of two, his jest—that he had got one more vote than he needed—had a hollow ring. Nobody has any illusions about this vote of confidence. Next time the matadors may well deliver the *coup de grâce*.

Threat of Dissolution

During the debate there was much speculation whether if defeated M. Laniel would appeal to the electorate. The constitution (Art. 51) provides the right of dissolution if twice within 18 months the National Assembly, by an absolute majority, has defeated a government either by withdrawing its confidence or by passing a vote of censure. (The last crisis was in May, 1953, less than 18 months ago.) The dissolution must be proclaimed by a decree of the President of the Republic.

These provisions do not apply before the expiration of the first 18 months of the Legislature, but the present Assembly was elected in 1951. Defeated by an absolute majority M. Laniel would have the right to ask for dissolution.

Test of Strength in Luxemburg

FROM OUR SPECIAL CORRESPONDENT

THE highly controversial subject of cartels is now squarely before the European Coal and Steel Community. Last week in Strasbourg, M. Monnet, the President of the High Authority, included in his report to the common assembly of the community a carefully worded passage on the coal-selling agencies of Germany, Belgium and France. He stated categorically that the present sales arrangement in the Ruhr (where the six selling agencies are, in fact controlled by a single organisation known as GEORG) was not consistent with the treaty; and that certain activities of the Belgian sales agency (COBECHAR) did not conform to the treaty. Since the French coal industry is nationalised, the French sales agency (ATIC) will be dealt with under other provisions of the treaty; but M. Monnet made it clear that he intended to discuss with the French government the regulations governing its operations.

Although M. Monnet has now taken a first step from which there is no retreat, he is proceeding gingerly and is doing his best to avoid an outright attack on the cartels or a premature test of strength. In particular, the High Authority is anxious to forestall opposition from the governments and the trade unions. It hopes to find a way of eliminating the restrictive features of the present arrangements while at the same time meeting the legitimate worries of those who fear that a change in the existing arrangements will lead to waste, instability, unemployment, and a less favourable competitive position *vis-à-vis* the nationalised Polish and British coal industries.

Whether it will be possible to avoid an outright struggle with the most strongly entrenched cartels remains to be seen. The discussions with the organisations, the governments, and the trade unions are expected to be finished by October. It should then be clear whether the High Authority will make an effort to create a genuinely competitive market; or whether it will settle for a regulated market with the abuses (and advantages), of both competition and monopoly, controlled; or whether it will throw up the sponge and leave it to GEORG.

The Dutch Go to Law

The High Authority's recent action in setting maximum prices for coal produced in the Ruhr, the Nord and the Pas-de-Calais regions is closely linked with the cartel question. Under the treaty establishing the community, the High Authority may set maximum prices for coal in certain carefully defined situations; maximum prices by basin were set for all coal when the common market was opened a year ago. Since that time, supplies of coal have continued to increase, United States coal has been selling in Europe at less than the maximum European price, and stocks have been piling up at the mines. It was generally assumed that, when the maximum prices came up for review this spring, the High Authority would find that they were no longer required. Instead, although some freedom was permitted, new maximum prices (only slightly lower than the old ones) were set for three of the most important coal-producing regions. The decision of the High Authority was reached by a close vote and much

conflicting advice was received during the preliminary discussions with the consultative committee and the council of ministers. The real reason for the decision to continue setting maximum prices in the three areas was that, unless the High Authority set the price, the cartels would do so.

The Dutch have been particularly outspoken in their criticism of the High Authority's decision. Not only did they feel that the elimination of the maximum price would lead to a general reduction in the price of coal, but they also argued that it was inconsistent with the spirit of the treaty for the High Authority to have taken action under a general provision of the treaty to offset a situation which it had the power, and obligation, to correct directly, since the fixing of prices by agreement among enterprises is expressly forbidden by article 65 of the treaty. The Dutch would appear to have a strong case, although the High Authority may well have done the wrong thing from the right motives.

The merits of the case apart, the situation is providing an interesting experiment in the workings of a supra-national democracy, with the interplay of checks and balances that is familiar at the national level. Not only have the Dutch, Italian and other delegates, at the session of the common assembly which is concluding the weekend, questioned the High Authority, but the Dutch have submitted the case to the court of justice of the community. Since the court has the power to annul a decision of the High Authority, its decision will have more importance for this particular problem than will the debate in the assembly. For the long term, the fact that the assembly is increasingly concerning itself with the functioning of the community may well be the more important constitutional development, particularly if, as is hoped in Luxemburg, it is in the near future to be directly elected rather than appointed by the parliaments of the six countries.

Britain's Stock in Bonn

THERE is no doubt that his recent visit to Bonn was a personal triumph for Mr Butler. He impressed everyone with his grip of the economic problems that concern both countries, and he revealed to the astonished German officials precisely the same brand of dynamic attitude that has been the core of Professor Erhard's philosophy. Not the least of his achievements in the short visit was the establishment of a friendly personal understanding with the German Minister of Economic Affairs.

Mr Butler, too, was more than satisfied. Contrary to his expectations he found the Germans willing to compromise on such problems as the bilateral European Payments Union (EPU) debt and the vexed question of export subsidies; but he might have been surprised by the extent to which his German counterparts' hands were tied. Indeed, in spite of the amicable and highly successful talks, it might eventually turn out that less was in fact achieved than at first seemed likely.

The German press, which can usually rely on getting more than a little inside information, was on this occasion taken aback by the uninhibited success stories printed in British papers. It appears that Bonn officials were reluctant to be forthcoming about the actual details agreed on with the British, for some of the German concessions are likely to prove embarrassing. For instance, though there is now a good chance that an agreed formula for settling outstanding British debts in the EPU will be worked out, there is still widespread resentment that German pressure to get some hardening of the Union has been unsuccessful. And the tacit agreement accepted by the Germans to allow the export subsidy law to lapse when it runs out in 1955, was certain to create an uproar in German industrial circles if over-publicised. Thus Professor Erhard and the Bonn officials were inclined to play down the achievements of the Bonn meeting. There may be some unpleasant surprises to come later in the Bundestag, and when the powerful industrial groups realise what has happened.

If the meeting did no more it certainly cleared the air. Only recently at the height of the EPU crisis the German press—with semi-official inspiration—was carrying on an anti-British campaign; but Mr Butler now appears to have mollified them. It was, however, the convertibility question that outshone all others. There seems now to be agreement between the British and the Germans that prior consultation will take place before either side takes any major step. As the Germans are convinced that convertibility will come within the next twelve months, and that as a result EPU is almost bound to be liquidated, the problem of its renewal, and changes in its structure, are no longer of major interest.

Paraguay Under Pressure

BY A CORRESPONDENT

LANDLOCKED Paraguay, one thousand miles upstream from the South Atlantic, is a luxuriant country where revolutions grow as readily as mangoes and manioc. The revolution a fortnight ago was surprising only in one respect —the lateness of its coming. Despite the customary pressures upon them from Argentina, the United States and Brazil, none of the competing groups of local politicians and military officers had staged a *coup d'état* for many months. The calm had been economically beneficial, but it was unnatural.

Paraguay, with a population of about 1,400,000, is the most secluded of all the South American republics. Because of its remoteness, the number of Spaniards who settled in Asunción was relatively small, so that today there is an exceptionally high percentage of Guaraní Indian blood in the race. In their isolation, the Paraguayans—a kindly and courageous people—have preserved their own indigenous Guaraní language, legends and customs. Spanish is the official language, in which the businessmen conduct their affairs; but, as a Brazilian writer has remarked, "It is in Guaraní that the Paraguayans love, hate and fight. In this tongue they shout on the football fields and whisper their declarations of love in the dark corners of the patios of their old colonial houses."

The isolation, geographical in origin, has been aggravated by events: since the declaration of independence from Spain in 1811, communication with the outside world has been interrupted for long periods through the action of local dictators or as the result of civil wars, wars against surrounding states, and blockades by Argentina, which dominates Paraguay's life-line, the Paraná-Plata river system. The economy, of course, has suffered. In general, agriculture is still primitive. The staple diet is maize and manioc (an edible root, the source of tapioca). Wheat is imported from Argentina to feed the towns, and live cattle have to be brought from Argentina to the meat-packing plants, as the local herds are insufficient. The principal exports at the present time are cotton, timber and quebracho extracts used in tanning.

Although so backward and so remote, Paraguay is of strategic importance in South American power politics and is therefore constantly subject to interference from outside. Originally this territory was used by the Spaniards as a Jesuit outpost against the Portuguese, who pressed southwards from Brazil. Today, Paraguay is embedded between the hinterlands of Brazil and Argentina, traditionally rival nations, and effectively obstructs Bolivia's access to the great waterways that lead to the Atlantic Ocean. During the Second World War modern means of transport and the latest ideas of hemispheric defence gave the Paraguayans a new neighbour, the United States. The North Americans, fearful of Argentina's intentions and anxious to have a strategic base on the borders of that country, supplied lend-lease goods, money and "know-how" to Paraguay. They improved the airport at Asunción, built highways, and gave much-needed assistance in the development of agriculture, cattle-raising, forestry and the health services. Brazil, too, offered loans and, like the United States, went out of its way to win the country's friendship.

The wartime dictator of Paraguay, Higinio Morínigo, astutely extracted every possible benefit from this situation while managing to remain on the best of terms with the military officers at Buenos Aires; he was mindful always of his country's dependence on Argentine transport and commercial finance. When Morínigo was finally ejected by a military clique in 1948, he went into exile in Argentina; there he still remains, awaiting the day when General Perón will help him to return to the pink presidential palace at Asunción. The Argentine president, for his part, has shown exceptional solicitude for the upstream republic during the past twelve months. In August, 1953, he persauded President Chaves (who was overthrown a fortnight ago) to joint the Argentine-Chilean pact of "economic union," as a result of which Paraguay has already received substantial financial and technical assistance and a steady flow of Argentine consumer goods at a specially favourable rate of exchange.

This competition between Argentina, Brazil and the United States for predominance in Paraguay is reflected, of course, in internal affairs and is one of the causes of disagreement within the Colorado Party, which is the only political party permitted. The latest revolution was a conflict between the two main Colorado factions, and, significantly, the fighting occurred at police headquarters, where an Argentine mission has been engaged in reorganising the Paraguayan police force on military lines. But, in the last resort, governments are made and unmade by the Army. The strong man at present is General Alfredo Stroessner, who is commander-in-chief of the armed forces. Stroessner's principal aim is to maintain order, and it seems that he acted rapidly and decisively on May 5-6th when he prevented the fighting from spreading and simply replaced one Colorado president by another—while nominating his own friends to several ministerial posts.

German Trade With China

A RECENT gathering of the East Asian Union in Hamburg, attended by 700 guests and representatives of the Federal Government, symbolised the intense interest that the Germans have in developing their trade with China. Vice-Chancellor Blücher declared that it was insupportable that German exports to the Eastern bloc should have stiffer restrictions imposed on them than on others, and that every embargo lost its justification if it hindered international agreement. He was speaking for the whole of the German trading world. It is generally believed that the "market with 500 million customers" should be fostered, or China will either produce its own consumer goods, or buy them through countries of the Communist bloc on which the Western embargo does not rest so heavily. The Germans feel little political sentiment in the matter. Their views were expressed at the Hamburg banquet by the Social-Democrat, Herr Kaisen, who said that the Federal Republic had particularly good prospects in East Asia because it did not pursue any political aims.

In fact, the picture of Federal Germany's trade with China is very rosy in contrast with the course of exchanges with Soviet Russia. In 1953 there was a spectacular increase in German exports to over nine times the 1952 figure. The result is that Germany has now regained its prewar share in the China market. Moreover, exports to Hongkong last year soared by 70 per cent, and it is no secret that a large proportion finds its way to the Chinese mainland, legally or illegally. Watches for the wrists of the Chinese accounted for the biggest increase in last year's flow to Hongkong.

The Chinese are still only fifth in the list of Germany's East Asian customers, with Indonesia leading, but they are still moving up. Germany's main direct exports are, in order of importance: iron and steel products (nearly 32 per cent), precision and optical manufactures, electrotechnical goods, pharmaceutical products and chemicals.

On the import side, there has not been so great an increase, though German purchases from China went up 90 per cent in 1953 compared with the previous year. China supplied a great deal more soya beans than before, as well as resins and commercial oil-bearing products. Soya beans, it may be recalled, were much sought after by Germany before the war.

The statistics do not give a complete picture of German trade with the Chinese, as there is a considerable flow of goods through third countries. It has been realised by the Germans, for instance, that the list of banned goods for export to Poland is not so long as the restrictions imposed

on exports to China ; and there is no doubt that some of the alleged sales to Poland find their way to the Far East.

The Germans' biggest disappointment in their postwar dealings with the Chinese state trading organisations has been over delivery and payment terms. In spite of the efforts of the "old China Hands" in Hamburg, the good old days have not returned when the German exporter could be sure of receiving his money as soon as he had shipped his goods. The Chinese, it is found, have imposed very stiff conditions on exporters. They pay only on delivery and are liable to refuse to accept goods and confiscate money deposited as "performance bond" on the grounds that the deliveries do not come up to contract standard. As the Germans have no representatives to look after their interests at the Chinese customs, they are helpless to protest.

The Communists, it is realised, are playing off the different European traders against each other, now that the British firms have been ousted. For this reason, the Germans have become aware of the advantages of dealing with Hongkong rather than direct with Peking. At one time, the Chinese induced the Bonn authorities to give instructions that Hongkong was to be cut out of German-Chinese trade, but the German exporters quickly had that mistake put right. Until the recent extension of the transferable account area there was an advantage in trading through Hongkong, rather than direct with Peking, because the latter's sterling transfers required approval from the Bank of England. But now that China has been reclassified into the transferable account area, direct dealings are likely to increase and settlements cleared through the European Payments Union. Ordinarily, the Chinese only paid for their most valuable imports in Swiss francs or in dollars. In general, it may be said that the City now again has a hand in a large part of Germany's trade with China. Though they recognise the advantages of this, it is not altogether to the Germans' liking, since they would prefer the British not to know too much about their business.

Prospects for Peking Picnics

The latest move towards regularising direct German trade with China has come from commercial and banking circles, who are campaigning for the government to sign a trade and payments agreement with Peking. It has been pointed out that at present 60 per cent of German deliveries to China and over 90 per cent of imports from that quarter pass *via* third countries. In one way, the Germans have a closer contact with the Chinese than the British. This is due to the fact that the Chinese Export-Import Corporation, as well as a trade mission, has its European offices in East Berlin, as an open and visible sign that Chinese trade is part and parcel of the Communist trading bloc. But the Germans, on the other hand, have not yet been on "Peking picnics" like their British competitors. It will not be long before they do.

In the meantime, eyes are on the Geneva conference. Only the experts have realised that the Chinse purchases are limited to the amount they can sell, and that the world demand for the main Chinese exports has greatly decreased. The Germans have been impressed by the reports spread by the Chinese that, if the embargo were lifted, China could export 1.5 or 2 billion dollars' worth of goods a year ; a claim which, however, many experts believe should be treated with scepticism in view of China's limited capacity to export and its preoccupation in trading with its European Communist partners.

Journal of Geneva—IV

MAY 13th. Mr Eden punctured the Communists' claims to be sole champions of Asian aspirations by pointing to Britain's record of advancement in Asia. He then put forward five principles on which a Korean settlement should be based:

1. Elections for an all-Korea government.
2. These to take account of South Korea's larger population.
3. Elections to be universal, secret, and genuinely free.
4. Supervision by UN members drawn from an agreed panel.
5. Foreign troops to withdraw once security is restored.

Given agreement on these principles, said Mr Eden, details could be worked out in restricted sessions. As to the Communist proposals, they could never in practice lead to the goal, professed by all, of a united, free and democratic Korea.

M. Bidault also emphasised two principles for Korea: (*a*) any joint representative organs should reflect the balance of population between South and North ; (*b*) neutral observers, with adequate powers of control, should verify the elections. The United Nations was the best body to choose the observers.

May 14th. Mr Eden saw Chou En-lai and then Mr Molotov, and discussed the desirability of restricted sessions. It was agreed to begin restricted sessions on Indo-China on May 17th.

At the plenary session, Mr Molotov repeated at length the Communist version of events in Indo-China. He then conceded one point, by agreeing to the idea of a supervisory commission of neutral nations ; but as regards the right of nations guaranteeing a settlement to intervene if it was violated, he maintained that no such intervention should be allowed unless all the guarantors agreed to it.

M. Bidault, replying to the Viet Minh proposals of May 10th, said that as regards Laos and Cambodia the only problem was the withdrawal of Viet Minh forces ; France was quite ready to withdraw its own forces. A cease-fire could thus take place very quickly in Laos and Cambodia. As to Vietnam, to seek a political settlement before an armistice would postpone the ending of hostilities. Once peace was restored, France would not keep troops in the country against its legal government's wishes. M. Bidault pressed for international supervision of an armistice, and answered Mr Eden's five questions of May 12th affirmatively.

May 15th and 16th. Private consultations were the only activity over the weekend.

May 17th. The first restricted session on Indo-China was held. Britain, France, United States, Soviet Union, China, Vietnam, Laos, Cambodia and the Viet Minh were represented. Evacuation of wounded from Dien Bien Phu was discussed as well as the general problem of Indo-China.

May 18th and 19th. On both days restricted sessions on Indo-China were held, at which the main problem discussed was whether or not Laos and Cambodia should be treated separately from Vietnam. No progress was made.

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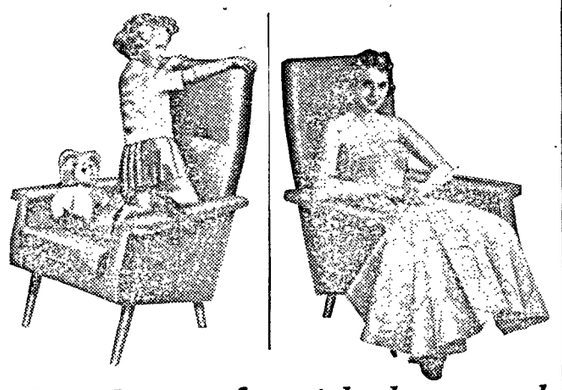

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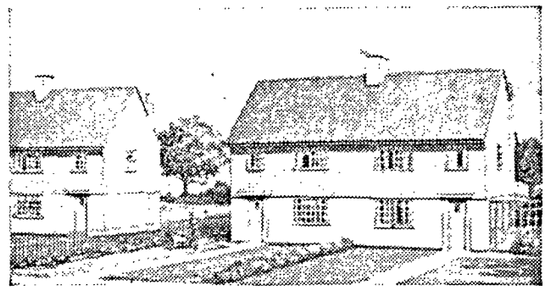

The BIG Yellow 'CATS'

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THE BUSINESS WORLD

Coal Threatens the Boom

TO say that coal is the only basic material that is still as scarce as ever might mean only that the British economy is continuing to use all the energy it can get. In 1954, unfortunately, it may mean rather more. This is the fashionable time of year for forecasting coal crises that eventually never happen ; even so, there is a real danger that later this year it may take cuts in exports, dangerously heavy drawings upon stocks, or substantial imports of coal to sustain the expansion of output flourishing in other British industries.

The coal budget, after nearly five months of the year, is uglier than it has been since 1950-51. These months have quite upset the industry's hope—which was inherently reasonable—of a 2½ per cent increase in output from the mines this year, furnishing an extra five million tons. Both mined and opencast output, so far, are slightly lower than at this time last year, and coal stocks in the hands of the industry and its customers are two million tons lower. The weather has been slightly colder—which may have cost three-quarters of a million tons more coal to keep the country warm—and industry generally seems to have been achieving about 7½ per cent more production while using about 5 per cent more coal. Since the beginning of the winter, about six million tons have been drawn out of coal stocks.

Consumption, therefore, may have risen somewhat more than was expected ; the five million tons of extra output for which the National Coal Board is paying in advance in miners' wages have shown no signs of materialising at all. This may well set the board and the National Union of Mineworkers talking over their so-called output drive. It is not as if the increase needed to come wholly from the miners' extra efforts ; some part of it might surely have been expected as the first belated returns from the £200 million that the board has invested in the mines since nationalisation, even though the official spokesmen are now arguing that no "major returns" can be expected until 1956.

There is still time for some increase. Productivity at the coal face has already shown an improvement, and coal output will automatically benefit because there will be no Coronation this year ; but it would be optimistic to hope that deep-mined output, which was 212½ million tons last year, will exceed 214-216 million tons in 1954. With perhaps 12 million tons from the opencast workings total deliveries of coal this year might reach say 228 million tons. Consumption and stock figures always contain some ambiguity, and the recent abolition of records of coal used by industrial consumers who take less than 1,000 tons a year will blur the statistics further ; but consumption in Britain and Northern Ireland may have been about 210 million tons last year, while exports and bunkers totalled 16.6 million tons. The difference last year was made up by drawing upon total stocks and incidentally by importing 600,000 tons of large coal from the Continent.

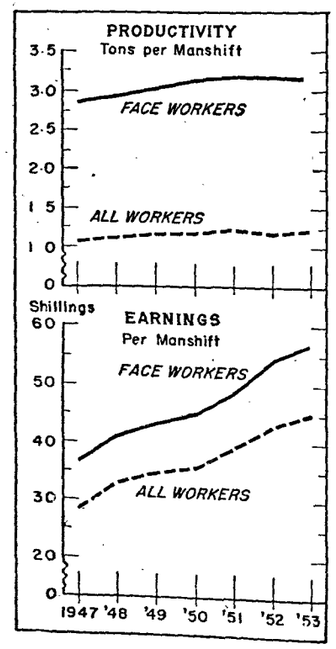
At their present rate of increase, consumers in the United Kingdom alone might well demand 213-215 million tons this year, virtually as much as is mined. Bunkers may fall a little, but at present the industry is exporting as much coal as last year. That might bring demand up to 230 million tons ; and at such a rate, it is doubtful whether stocks could safely be brought down from their level at the end of 1953. Some imports, mainly of large coals, are still coming in under the winter programme, but the Minister of Fuel and Power recently told Parliament that he had not as yet authorised any further imports. If only as an insurance, he may soon need to do so.

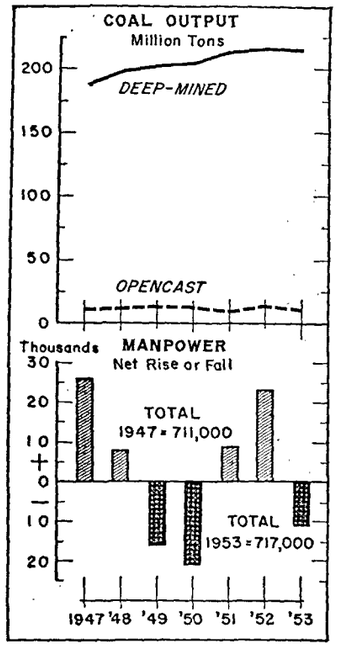
Anxiety over current production, as usual, overshadowed the National Coal Board's accounting for

1953 when it published its annual report this week. The Board has indeed cut the text of its report by nearly half, which is welcome, though that emphasises the need for some other means of telling the public about the industry's major problems and policies. Financially, it may be noted, the board last year was almost wholly successful in performing the tight-rope act that its constitution enjoins ; it broke almost exactly even.

This performance—which at present appears unlikely to be repeated in 1954—means that the board's profits over its wide range of activities and products were roughly equal to the provisions it made for taxation, losses on imports, and interest payable mainly to the former coalowners. Over the year, the board made £20.3 million profit from its collieries—1s. 11d. a ton—£2 million from opencast coal, and £1.6 million from the coke ovens it owns ; it lost a net £400,000 on "other activities," mainly on account of heavy losses on the 141,000 miners' houses that it owns. It set aside £5 million for income tax (the Inland Revenue have not yet agreed the board's liabilities for tax in any year since nationalisation, and large sums are in dispute) covered a loss of just over £1 million, or about £2 a ton, on imported coal, and provided £16.5 million for interest and interim income payable to the Minister of Fuel and Power, which left it a net surplus of £400,000. Its total turnover was some £682 million.

Last year the industry did manage to invest more money in reconstructing the mines : it spent £64.3 million on capital account during 1953, compared with £48.6 million, and only about £1 million of the increase was attributable to increased prices. Some £52 million went into the collieries, £5 million into coke ovens, and £7 million on other works, apart from £17 million upon new housing programmes for the miners. To finance this investment—which the board still considers too low, compared with the arrears under its long-term plan for reconstruction of the industry — it borrowed nearly £42 million from the Ministry of Fuel and Power, and funded £40 million as permanent advances ; for the moment, it seems, its years of self-financing are over. The limit to investment in coal has usually been set by the need to keep day-to-day output at a peak and the shortage of adequately trained planning staff. The industry is now getting some of the good mining engineers it needs, though not enough, and enlisting the aid of civil engineers from outside in progressing its construction.





The report, therefore, spells out apparently impressive progress along many parallel lines—towards today's inadequate supplies of coal. It is hardly surprising that Sir Hubert Houldsworth should describe much of the board's effort, in the short run, as "invisible." This continued and unhappy experience is leading the National Coal Board towards self-examination—of which a directive defining the chain of responsibility, and giving further weight to the area general managers, was last year's most tangible evidence. No conclusions have yet been recorded by the outside group of experts in large-scale administration who were asked at the end of last year to survey its internal organisation, though the report contains details of changes in the marketing departments—"looking forward to the day when the Government will wish to bring to an end their control of supplies and abolish the restrictions on the purchase of house coal." It may eventually face further scrutiny—from the proposed new Select Committee on nationalised industries, if not from the commission of inquiry that the Conservative backbenchers will once again this autumn be badgering the Minister to appoint.

Whether or not wholly effective management of this heterogeneous industry under a single ownership is possible, it has clearly not been achieved in the first seven years of nationalisation. The board has developed adequate techniques—in itself no easy task—for discovering, in more and more detail, what is going on in the industry, and it has come some of the way towards understanding why. But it cannot be said as yet to have developed adequate methods of controlling what goes on in this most intractable of industries. Indeed, over part of its field of responsibility, any similarity between the best-laid of Coal Board plans and what actually happens in the industry still seems largely coincidental.

ICI in a New Age

THE first Lord Melchett was a financier of vision, but when, in 1926, he welded four companies—Brunner Mond, Nobel Industries, United Alkali, and British Dyestuffs—into Imperial Chemical Industries, even he could hardly have visualised the ICI of this generation. He made a great combine for those days—a £56 million merger. Today ICI is an army with 107,000 employees in this country alone, disposing total assets of over £439 million, trading in over £280 million worth of goods a year, and earning a trading profit of over £35 million. It is now proposing to keep the troops happy with a co-partnership scheme calculated to cost around £1 million a year gross—say £400,000 a year, after tax. It may be surmised that the founder would have approved if he had seen.

He believed in size. Those were the days when "rationalisation" was the catch word. Mere size, it was claimed, bred efficiency. By employing the best and therefore the most expensive management, the best technicians, the best accountants, and the best tax experts, and spreading their activities over bigger and yet bigger units, management could be made both first-rate and cheap per unit of capital ; borrowing would be cheap and price cutting could be applied where the competitive shoe pinched without endangering the whole enterprise. Today the doctrine of the late twenties no longer seems an eternal truth. The small owner-managed business holds its own in many fields ; the mergers of a generation ago comprised both failures and successes. ICI (though it has known its difficulties) is among the outstanding successes, and 1953 was its best year in turnover, though not in profits.

Gross sales revenue rose by £5.6 million to the record figure of £281.9 million, trading profits by £7.7 million to £35.9 million, and net consolidated profits, after tax,

£ Mn.

	1950	1951	1952	1953
Total Capital and Reserves	229·2	241·2	268·4	279·3
Unsecured Loans	20·5	20·5	20·4	20·3*
Future UK Income Tax	14·5	18·3	20·1	22·3
Cash, Tax Reserve Certificates and British Government Securities *less* Bank Overdrafts	10·7	−5·6	−2·2	−0·1
Net Income after Taxation	16·8	20·4	13·5	17·6
Rate per cent. of Gross Ordinary Dividend	12	13	13	15

* Not including £30 million 4½ per cent Loan Stock issued at par since the end of 1953.

by £4.1 million to £17.6 million, thus partly making up for the drop in 1952. The 250,000 shareholders benefit ; their dividend goes up from 13 per cent to 15 per cent, before giving effect to the proposed one for one scrip bonus. The ordinary and preference dividends together take up a mere £6.7 million, leaving a net sum of about £11 million to help to pay for the group's ever-growing capital expenditure programme.

Moreover, the group has fulfilled the main thesis of the rationalisers : it has met competition with low prices and high turnover. The prices which the group paid for its raw materials have risen since the war by more than the Board of Trade index of wholesale prices. The home market selling prices of the group rose by much less than the Board of Trade index. The comparison points towards better productivity and cost reduction.

	ICI Purchasing Price Index	Board of Trade Wholesale Price Index	ICI Home Sales Price Index
1938	100	100	100
1948	251	216	145
1953	366	323	190

In export markets increased competition now has to be faced. Germany, other European countries including those of Eastern Europe and, to a less extent, Japan, are named as sources of increased competition.

The founder of the group would have approved the new plan to give the workers a share in its equity. He was among the most forward industrialists of his day in seeking to carry organised labour along with him ; it was the Mond-Turner Conference of 1928-29 that brought progressive management and moderate trade unionism together for the first time to heal the wounds of 1926. In Lord Melchett's day, indeed, ICI tried a scheme for inducing the employees to buy the ordinary shares, but it was a failure. Sales were at advantageous prices and on the instalment plan, but in the crisis of the early thirties share prices broke, and the buyers had no incentive to complete their instalments. The co-partnership plan that the directors now propose is very different. It will bring into co-partnership about 75,000 permanent employees of ICI in this country at a cost of £1 million a year gross (allowable for tax as an expense of trading) and will involve at present rates of profits and dividend the issue of about 500,000 Ordinary shares for the employees each year.

The scheme comes into effect after the proposed 100 per cent share bonus. Therefore it is based on a presumptive 7½ per cent dividend if profits remain unchanged. It is limited to employees of roughly 2½ years' standing and over 21 years of age. They will receive one per cent of their gross annual salary for each one per cent by which the ordinary dividend exceeds 5 per cent. That sum, after deduction of tax at the individual's appropriate rate, is to be invested in new ordinary shares at the market price (with the shares now standing

at 61s. 3d. xd the prospective ex bonus price is a little over 30s.). The shares will go into the hands of trustees and dividends will accumulate for the purchase of further shares. But as soon as any employee has 25 shares standing to his credit they can be transferred to his own name and become freely marketable, without so much as a black look at the man who chooses to sell. The annual issue of 500,000 shares to employees would in time confer upon them a substantial interest in the company, but not one that is ever likely to wield control, for there will be £190 million of Ordinary capital in issue when the scheme begins. The scheme carries one self-denying ordinance. Employees on engagements longer than three months are excluded. Those in higher management already have a bonus scheme, though they are not alone in that, for over 43 per cent of all the operatives are on some form of payment by results. There would also be a surtax problem for the over £2,000-a-year man. The scheme is no part of the contract of employment, and the board retains full power to amend or end it. This is a necessary protection; if, for example, the company were again to make a 100 per cent scrip issue, halving the indicated percentage dividend, the whole basis would have to be re-calculated.

All this comes on the top of existing pension and welfare schemes, which cost the company £4.5 million in 1953. Mr Albu could hardly have asked more, for the scheme gives almost exactly what Mr Gaitskell and he have recently been demanding. Organised labour, which was being consulted yesterday, should be delighted. And the nationalisation of chemicals may have a poor appeal for 75,000 employee stockholders.

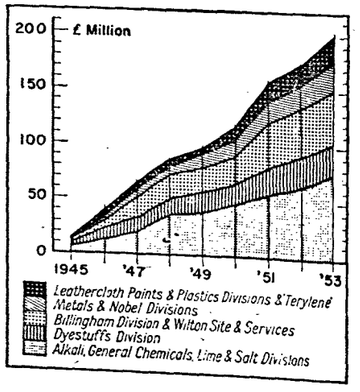
Equity shareholders, however, may hesitate when they study the co-partnership plan in conjunction with the plans for the reorganisation of the preference capital. The circulars covering the plan for exchanging each five 7 per cent preference stock units of £1 into seven 5 per cent units explain that it is intended in the future to increase the proportion of preference to ordinary capital. It may, therefore, happen that the company will raise preference capital from the public and ordinary capital from the employees. That would hardly amount to a serious ground for complaint. To raise funds by prior charges, either preference capital as is contemplated or loan stock as was recently done, gears up the equity to the advantage of the ordinary stockholders.

The future can hold no turning back from the road to rapid expansion on which ICI has embarked. The accompanying graphs show wide differences between the authorisations of capital expenditure which the board has approved and the actual spending to date. That comparison alone promises that capital expenditure will continue high for years ahead. And capital authorisations are not the whole story, for expenditure contemplated as distinct from approved is even bigger. Already since the end of 1953, of which the present accounts tell the story, ICI has issued £30 million of 4½ per cent loan stock, and has continued rapidly with its widely dispersed capital plans, including a decision to build a second oil cracker at Wilton, which in three years' time will double the group's capacity to produce petroleum chemicals.

Big plans are laid for expansion in each of the company's main divisions. But ICI makes products that by no stretch of the imagination can be called chemicals. Table salt is a chemical, but a zip fastener is not. Therefore, though the group's figures appear to represent half the British chemical industry, the company's share of British chemical industry proper is less than half. But it is predominant in that industry which itself is growing fast. The growth of ICI's fixed assets has been unbroken over the past eight years and is still gathering momentum. Though the company has lived through a generation, there is no sign that it is losing its vigour. A yield of something less than 5 per cent on ICI ordinary, now at 61s. 6d., puts it among the growth stocks, but not necessarily at an excessive premium.

Capital Expenditure: Promise and Fulfilment

Cumulative Authorisations

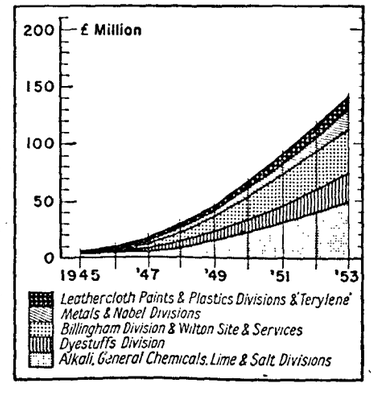


Since the war, ICI has been able to expend on capital account far less quickly than it wished. Actual expenditure is shown in the right hand chart. Additional working capital requirements are excluded as is a sum of £17 million spent on buying former government factories. Including those factories and the additional working capital and stocks the expenditure was £213 million composed thus:—

	£ million
New plant and additions	163
Additional working capital	25
New investment overseas	25
Total	213

The money excludes the £30 million of recently issued notes.

Cumulative Expenditure



Business Notes

Signal for Profit-Taking

THE monetary authorities should be well satisfied with the City's reaction to last week's reduction of Bank rate. In so far as any response from the City alone—as distinct from the business world as a whole—could confirm the wisdom of the Bank rate decision, its behaviour this week has done so. The danger that was run was that the easing of official policy would give an undue boost to confidence, already running high, and might lead to a revival of inflationary pressures. But the stock markets, at least, have not read the Bank's message in this way. As a subsequent note more fully explains, the speculators that had lately invaded the gilt-edged market read it as a signal not for new buying but for profit-taking—which on Monday produced a salutary shake-out. And City opinion generally is certainly not disposed to expect the next change in Bank rate to be more likely to be a reduction to 2½ per cent than an increase to 4 per cent—despite the fact that some other significant rates have been reduced. The Agricultural Mortgage Corporation has cut its charge for new loans from 5 to 4½ per cent. This rate is, of course, keyed to the long-term market; but another rate that is similarly regulated, that of the Public Works Loan Board, is at present merely being "watched" by the authorities.

The sober first response from financial circles does not prove that harmful repercussions will not later be seen in the economy as a whole; but, so far as it goes, it is distinctly reassuring. It is, of course, also still uncertain whether the easing of London money rates will achieve its object of preventing any undue revival of strong speculative demands for sterling. The tide of "genuine" demand still flows towards London and is, indeed, seasonally swollen; so long as it persists there is always the possibility that too much speculation may swim with it. The sterling-dollar rate, after its slight relapse ten days ago, did rise momentarily this week to its top limit again, while the premium quotation for the forward dollar has narrowed a little further. In banking circles the possibility of new moves to widen the transferability of sterling and the "programme" for convertibility have become inexhaustible topics for gossip; and in such circumstances rumours akin to those of a few weeks ago could easily take wing anew. The monetary authorities may need all their vigilance and technical skill if they are to keep the monetary steering-gear firmly in their own hands.

Stresses in Lombard Street

IN the money market, similarly and for the same reasons, the system of rates has still not settled down to any clearly maintainable pattern. The basic structure of call money rates—which, despite "flexibility," still rests upon the fixed rates of the clearing banks—has remained unchanged during the past week, with the rate for short money against Treasury bills at 1¼ per cent. But the bill rates erected on this new foundation look a little shaky. At last week's Treasury bill tender the discount market tendered at the equivalent of about 1$\frac{23}{32}$ per cent, compared with just under 2$\frac{1}{16}$ per cent in the previous week, and it is this rate that has determined market rates subsequently—but with the clearing banks trying to obtain shorter bills from the market at 1$\frac{1}{8}$ per cent and the market holding out for a rate $\frac{1}{32}$ per cent better than that. Moreover, the new rate of 1¾ per cent for three months' fine bank bills—now keenly competitive with bank advances in some types of business—is only $\frac{1}{32}$ per cent above the Treasury bill tender rate; that is a rational relationship, but it contrasts with the difference of ¼ per cent maintained by the clearing banks between their charges for call loans against the two types of paper. Finally, it is noteworthy that non-market tenderers paid appreciably more for their bills than did the discount houses.

Here, then, are three sources of stress within the market; and, in addition, it may still experience stress from outside. The New York Treasury bill rate did not fall further at last Monday's tender there, so that the gross margin between London and New York rates has been reduced from nearly 1¼ per cent to a little over ⅞ per cent. But the narrowing of the cost of obtaining forward exchange cover has meant that the net profit offered by covered arbitrage between the two types of Treasury bills has fallen less noticeably, and this week has still been almost ½ per cent. There is still a possibility, therefore, of a further easing of London rates. The authorities might be wise to arrest any perceptible movement of this kind; and such an intention might, indeed, be read into the fact that on Wednesday money supplies so tightened as to force the discount market to go to the Bank for 7-day loans. The argument that was probably right when Bank rate was about to drop from 3½ per cent—that it was more important to check the pressure upon sterling than to avoid the risk of overstimulating domestic confidence—is not equally sound now that Bank rate is at 3 per cent. It would be most undesirable to allow any such slip in bill rates as might start the City talking about a Bank rate of 2½ per cent.

Shake-out in the Markets

IT is not surprising that the sequel to the Bank rate reduction was a fall in the markets. The move had been so long expected that it would have been a miracle if the event had not found some speculators waiting to get out. The speculation turned out to be where it was

expected—in the long-dated gilt-edged stocks—and there is no suggestion that foreign money was involved. After a brief rise on Thursday afternoon and Friday morning last week, the gilt-edged market reacted. The speculators sold or tried to sell. The big regular institutional investors took a step down the ladder and stood waiting with their mouths open. To a modest extent the industrial share market copied the gilt-edged pattern. There was a minor setback to the beginning of the week unaccompanied by any sign of real weakness.

GILT-EDGED NET PRICES

	Sept. 16, 1953	Sept. 17, 1953	April 6, 1954	April 7, 1954	May 12, 1954	May 13, 1954
1½% Ser. Fund. Nov., '54	99	99	99	99	99	100
3% Ser. Fund. Nov., '55	100	101	101	101	101	101
2½% Nat. War Bonds, 54/56	99	100	100	100	100	101
2½% Exch. Red., '55	99	99	100	100	100	100
3% Sav. Bonds '55/65	96	96	96	96	97	98
2½% Funding '56/61	97	97	97	97	99	99
3% Funding '66/68	93	93	94	94	94	95
4% Funding '60/90	100	100	101	101	101	101
3% Sav. Bonds '65/75	86	87	89	89	90	90
3% Elect. '74/77	86	87	89	89	90	90
3% Trans. '78/88	81	82	85	85	86	87
3% Gas '90/95	81	82	85	85	87	87
3½% War Loan after '52	82	84	86	86	88	87
2½% Consols	61	63	64	64	67	67
2½% Treasury	61	63	64	64	67	66

EQUITY SHARE PRICES

Anglo-Iranian £1	7	7	11	11	11	11
Assoc. British Picture 5/-	6/10	7/6	10/-	10/-	9/9	9/9
Assoc. Elect. £1	78/9*	78/9*	45/6a	47/6	48/6	50/6
Assoc. Port. Cement £1	60/-	60/-	73/1	73/1	78/9	80/-
British Motor 5/-	7/1	7/-	7/7	7/7	8/1	8/7
Courtaulds £1	44/3	44/9	27/6b	27/6	29/3	29/6
Distillers 4/-	16/6	16/9	19/6	19/3	20/6	23/9
Dunlop £1	50/-	50/-	20/9c	21/-	23/9	25/6*
Guest Keen £1	51/-	51/-	57/6	57/6	55/-	58/9*
Hawker Sid. £1	43/6	43/-	59/6	59/9	61/-	62/-
Hoover 5/-	25/9	25/9	33/9	33/-	34/9	35/9
Imperial Chemical £1	46/9	47/6	58/6	58/9	60/3*	61/6
Imperial Tobacco £1	56/-	56/9	52/-	52/-	51/6	53/-
Lancs. Cotton £1	48/7½	48/11½	54/6	54/6	56/3	56/6
Leyland £1	86/3	86/3	85/-	86/3	91/3	91/3
Marks & Spencer 'A' 5/-	60/-	62/-	92/6	92/6	94/-	91/-*
Pye 5/-	19/-	19/-	23/6	23/6	23/6	24/-
Tate & Lyle £1	63/-	63/-	66/3	66/3	67/6	68/-
Turner & Newall £1	55/-	55/6	76/6	76/6	83/-	84/-
Unilever £1	49/4½	49/4½	66/6	66/-	72/-*	73/6
Vickers £1	49/6	50/-	55/7½	56/10½	57/6	58/-
Woolworth 5/-	57/9	58/9	74/3	75/6	79/9	78/9
"Financial Times" Ord. Share Index	123·2	124·8	142·6	143·4	147·4	143·7

* Ex dividend. (a) After 100 per cent share bonus September 11, 1953. (b) After 100 per cent share bonus December 15, 1953. (c) After one for two share bonus and capital reorganisation January 5, 1954.

The surprising fact is that the fall was not sharper than about one point from the top in gilt-edged and that by the middle of this week it appeared to be over. With the start of the new Stock Exchange account good buying of industrials developed; gilt-edged turned upwards at the same time. The recovery went further on Thursday, the *Financial Times* industrial index reaching a new record of 150.4, a rise of 0.7 on that day. Apparently the attack of indigestion was ended. The recovery was the more noteworthy in that the authorities responsible for planning gilt-edged issues gave the market no respite. Naturally they attempted nothing large, but small issues continued. Hull came to market on Monday with an issue that was clearly adjusted to the stiffest terms the market could have been expected to stomach—£1½ million of 3¾ per cent stock 1973-75 at £98 10s. flanked by an offer of conversion to holders of £1 million 4½ per cent stock 1952-72. The terms, fixed after the Bank rate decision, were similar to the recent Birmingham offer except for a slightly longer date. The market was in unresponsive mood and Hull does not quite enjoy the status of Birmingham, but since only £500,000 of new money was really involved a calculated risk was taken. Simultaneously with the Hull offer, the City of Bloemfontein offered conversion to holders of its £763,000 4 per cent stock 1954 into a similar amount of new 4½ per cent stock 1964-66 at 98½. In the industrial market, the stream of issues flowed on and investors showed their willingness to co-operate by oversubscribing the £1 million 6½ per cent Cyril Lord Preference issue more than 12 times.

Cotton Exchange at Work Again

LAST Tuesday the floor of the Liverpool Cotton Exchange came into its own again. The "temporary" offices built there during the war had been cleared away, and the wrought-iron "ring" put back in the well of the shallow, circular steps. Facing it stood the high marking board, with the prices of New York futures on the left, New Orleans prices on the right, and in the centre, under "Liverpool" a blank space. The old market bell rang out, and pandemonium broke loose as bids and offers were shouted across the ring. Up came the opening price of 31.65d. a lb for October-November delivery, and the news of Liverpool futures was again flashed round the world. Thus began the first day's trading in cotton futures for thirteen years. It may be the busiest day for a few weeks. Until August 31st, Lancashire spinners have in the cover scheme of the Raw Cotton Commission, an alternative means of insuring against the risk of price fluctuations. The speed at which spinners transfer to the market the hedges now placed with the Commission will depend partly on the behaviour of the market in relation to New York futures, and partly on their ability to take advantage of favourable opportunities. Trading should receive a fillip when the Yarn Spinners' Association decides that its members' selling margins should be based on the Liverpool market, instead of the Commission's New York index, as now.

The last thirteen years have not favoured the operation of futures markets. The marketing of most of the world's cotton crops has become subject to arbitrary government intervention and control, and the burden of financing stock has increased fourfold. To provide a strong contract, the market authorities have introduced initially a contract against which only United States cotton is tenderable. This cannot be as full a hedge for outside growths as for United States cotton, and it will be of little use to users of long-staple cotton. The introduction of a long staple contract will probably have to await the resumption of futures trading in Alexandria, which may begin in the 1955-56 season. But spinners should console themselves with the thought that no better cover is available to their competitors. These and other difficulties should not be allowed to obscure the real and potential importance of reopening the Liverpool exchange. It restores freedom to the last of Britain's major commodity markets. The risks of trading and hedging in raw cotton will properly be transferred from the taxpayer to private industry. In time, the Liverpool market should again exert an influence on world cotton prices, and offer Lancashire a satisfactory hedging medium and an adequate spot stock. It should also contribute to the country's invisible exports through the services it will render to foreign operators. One of the most encouraging auguries for the market's success is the determination of both merchants and spinners to make it work.

Stagnation in Wheat Futures

IF the difficulties of the Liverpool wheat futures market are less complex than those of the cotton exchange, they may still last longer. Trading has been negligible since the market opened on December 1st and it is not increasing. The reasons are not hard to find. The world market in wheat is much less free than in raw cotton. There are plenty of free buyers, but no free sellers. Exports of the four main exporting countries are handled by government agencies. The price policies of these single sellers are only marginally responsive to the ordinary commercial considerations of supply and demand. In consequence there is a mere mockery of a free world price, and the Liverpool futures market can exert no real influence. Prices of futures seem to represent what traders think prices ought to be as much as what they think they will be; and those prices are usually 30s. or more below the actual cost of wheat. The business transacted appears to be almost wholly speculative, and there is little enough of that. The value of the minimum quantity that can be traded, which is about £5,000, requires a deposit that may well deter speculators.

Because the market is narrow, fluctuations are sharp, and traders may have to take a price appreciably different from the previous quotation to sell or close out a contract. Merchants and brokers are naturally reluctant to advise their clients to use such a market, and so begins a vicious circle. Other segments of this circle are that in offering wheat on a price-to-be fixed basis the Canadian and Australian Wheat Boards have reduced considerably the need for hedging. Wheat shipped from the St. Lawrence, for example, can be fixed at the Canadian price ruling up to seven days after loading, which gives the merchant grace to re-sell a shipment that he might otherwise have hedged. Britain's imported supplies are still predominantly Canadian, for the large percentage of soft English wheat that has to be used must be mixed with the hard Manitoba wheats. And for the last nine months, the millers have drawn a large part of their requirements of imported wheat from the government's stocks. In the next few months, however, business in futures may show some increase. The disposal of government stocks, a free market in domestic wheat, and the probability of more competition at home and abroad, should encourage futures trading and help to narrow the gap between actual and futures prices. But it is difficult to see how the market can again function fully until the main exporting countries adopt more flexible selling policies. That day still seems distant. Nevertheless, the Liverpool corn trade was no doubt right to reopen the market, so that the machinery could at least be kept ticking over. Had they delayed much longer it might never have been reopened.

Skill Grows Scarcer

THE latest comparison that can be made between unemployment in the British economy and demand for extra labour is for mid-March, when there were some 327,000 people out of work (including 60,000 married women), and 288,000 vacancies unfilled on the employment exchange books. By the middle of April, unemployment had declined to 317,000; according to reports from the regions, the shortage of labour may well have increased.

This indication of an industrial boom suits other impressions that range ahead of the statistics. In some engineering industries where slack was evident a few months ago, more companies are talking of improved business; the length of orderbooks may not be what it was a few years ago, but that was a condition that had its discomforts, too. Delivery dates are now fairly competitive with one's foreign competitors; but it is doubtful whether in general they are still declining. With freer supplies of almost all industrial materials, the pressure today is on skilled labour, which is becoming increasingly scarce. This is partly a normal consequence of working to fuller capacity; but it may also be connected with a longer-term trend towards higher investment per man in a number of industries. With flat rate increases in wages and "rises for the lower-paid workers," the unskilled worker is becoming more expensive to employ. The narrowing differentials for skill may make it more worthwhile than before to employ semi-automatic or automatic equipment that requires a high quality of operative to mind it but gives correspondingly higher rates of output. In most industries, this is still only a trend to be reckoned with in the near future—which means better training; already, some major companies are beginning to direct their advertising not only to selling goods but to attracting their customers' sons.

Anglo-Iranian's New Peak

AT the outset of his statement to Anglo-Iranian stockholders, Sir William Fraser promises that when a settlement is reached about AIOC's interests in Iran, the board will make "all such adjustments as may be entailed thereby in the form and contents of these accounts." The stock market has interpreted these words in no formal way; it sees in them the expectation of a capital structure matched to Anglo-Iranian's assets, a dividend policy more closely linked with earnings, perhaps a new name better describing what the company is and does, and (it may be hoped) some clearer segregation of its activities that would for ever rule out misconceptions about the group either in the Middle East or at home.

The condition of a settlement is the crux. This week the representatives of the consortium that have been negotiating for a settlement in Teheran have returned to London; evidently the bargaining has been hard and the Iranian side are not yet prepared to give anything away that could be construed as weakening their claims over the industry. This is a check, rather than a stalemate but it is evident that the

way towards final agreement is still far from easy. But this did not restrict the progress of Anglo-Iranian ordinary which reached a new high level of 12⅛ on Wednesday, a level that looks forward to something well beyond the 42½ per cent distribution for last year. There are, indeed, plenty of contingent credits that may be gathered in compensation from Iran if a settlement is reached ; entrance money from the other seven members of the consortium if it is able to start ; and a potential £20 million credit if the Inland Revenue would accord double tax relief for the tax that AIOC has been paying to Kuwait. And there is the prospect that within a year the group's main programme of capital expenditure will be completed, considerably reducing its financial requirements.

Again, the various emergency measures that had to be taken to make good the loss of Abadan will cease to be necessary. Last year, AIOC reduced its hiring of refinery capacity from 3 to 2¼ million tons, and its purchases of refined products from 7 to 6½ million tons. This followed the commissioning of the Kent refinery ; thanks to remarkable progress at Aden the new refinery there will be "on stream" in August, four months ahead of time, and by the spring of next year the new refinery at Krinana in Western Australia should be in operation.

Terms of Trade Turn

ALTHOUGH the recent spate of praise for British exports has perhaps been overdone, a comparison of British trade between the first four months of 1954 and 1953 does show a considerable improvement. Thanks to stability in the value of imports and a rise in exports, the trade deficit fell by £15 million a month to an average of £42.6 million,

UNITED KINGDOM TRADE
(£ million—monthly averages of calendar months)

	1953			1954	
	1st half	3rd qtr.	4th qtr.	1st qtr.	April
EXPORTS					
Food, beverages and tobacco	12	13	14	13	12
Basic materials	8	8	8	9	9
Mineral fuels and lubricants	12	12	13	13	13
Manufactured goods	171	172	186	183	185
Of which :—					
Engineering products	*81*	*77*	*85*	*87*	*87*
TOTAL EXPORTS (excluding re-exports) f.o.b.	209	212	231	224	225
TOTAL IMPORTS, cif.	282	275	276	274	284
TRADE DEFICIT	64	55	37	40	51
Of which :—					
Sterling area	*31*	*11*	*5*	*20*	*34*
Dollar area	*16*	*27*	*18*	*13*	*7*
OEEC	*2*	*2*	*nil*	*+2*	*+3*
Rest of world	*15*	*15*	*13*	*9*	*13*

and the deficit with the dollar area fell by £3 million a month, or ·20 per cent. The average monthly value of exports, excluding re-exports, in the first four months of this year was £14·5 million fob, or 7 per cent above that of the same period of last year. This improvement, however, was mainly in exports to the sterling area, which were 10 per cent higher, and it owes much to the gradual reopening of the Australian and New Zealand markets. Exports to the dollar area were only 4 per cent lower than in the same period of 1953, despite a fall of 10 per cent in shipments to North America. Exports to the OEEC area rose by 5 per cent and to the rest of the world by 14 per cent.

Imports in January to April, at £276 million a month, were no higher than in the corresponding period of last year, a rise in volume having been concealed by the fall in prices. The prolonged improvement in Britain's terms of trade may now be ending. The recent recovery in commodity prices has at last been reflected in the index of import prices. A rise of two points to 98 (1953 equals 100) in this index in April, coupled with stability of the index of export prices, resulted in an adverse rise of two points to 99 in the terms of trade. This was mainly due to a higher index for food and beverages, reflecting the advance in prices of cocoa and tea and a seasonal increase in prices of fresh fruit and vegetables. Although the import total in the first four months of this year was unchanged, imports from the dollar area fell by over £4.5 million a month, or 10 per cent, compared with the same period of last year, partly owing to smaller arrivals of wheat and barley. Imports from the sterling area showed a largely seasonal rise of over £3 million a month, or 2 per cent.

Abadan and After

HENCE, Anglo-Iranian will soon be in a position to supply refined petroleum products more exclusively from its own resources, for by the end of next year its total refining capacity should reach 30 million tons. Last year's 14 per cent increase in sales, from about 32 million tons to about 37 million tons, owed more to increased sales of crude oil than to an increased sale of refined products ; and the chairman's statement does not conceal that trading conditions last year were far from easy.

Anglo-Iranian's problems may not be over ; but the tremendous efforts that have been made to replace Iranian crude oil and Abadan's refined products are bearing sound fruit. Its crude oil production last year was 32 million tons —about the same output that Iran alone produced in 1950 when the group's whole production was 42 million tons. Its refinery throughput will soon catch up with the 32 million long tons processed in 1950 when Abadan was at full pitch. Its tanker fleet has increased by 200,000 tons dw since 1950 (though significantly by only three ships) and the 1,921,000 tons of tanker capacity—under eight years old, on the average—stand in the books at a written down value of under £3 10s. a ton and would cost nearly twenty times as much to build.

There is, indeed, no "special situation" in the London market that is nearly so special as Anglo-Iranian. The present price is looking well ahead and for nervy mortals it may seem giddily high. But if the "ifs" turn out well, Anglo-Iranian may indeed prove to be too low, and the present temper of the market betrays no anxiety that they will not

Dunlop's Record Turnover

IN volume the Dunlop Rubber Company's turnover reached a record last year. In value it did not ; the money turnover was £243 million compared with £250 million in 1952, and with a record figure of £284 million in 1951. Since then inflation has been washed out of the price of rubber with consequent reductions in Dunlop's selling prices and scaling down of its inventories. The group figure of inventories at December 31st was £45·7 million, a reduction of £5.2 million on the year, and of no less than £15½ million in two years. That and increased competition are the main factors which have held group profits below the level of the peak years of 1950 and 1951. Group profits last year being £15.5 million, a substantial recovery on the 1952 figure of £13.1 million but still much below the 1951 peak of £17.9 million.

The effects of inflation can therefore be seen as an interruption of the group's steady progress. Doubtless the directors feel that the American rubber manufacturers, with the advantage of unfluctuating prices over a large part of their raw material, have a competitive advantage, though there is no sign that as yet the Dunlop directors wish to go further than build a pilot synthetic plant at which the know-how over all types of synthetic rubber (including GRS) will be picked up. They have one word of good cheer for the shareholders ; they will break with practice by considering an interim dividend next December.

Standards and Quality

LITTLE discernible progress seems to have been made during more than two years of discussion at the British Standards Institution towards drafting of minimum quality standards for the consumer goods that were formally covered by the utility schemes. When the President of the Board of Trade first told the House of Commons of the scheme, during the Budget debate of 1952, the intention appeared to be that voluntary minimum standards would be quickly worked out by the BSI and the industries concerned ; as a guide to consumers, goods meeting the standard would be licensed to carry the Institution's identifying Kite mark. Apart from a set of definition (net standards) promised and prepared by the wool industry, the only trade that has successfully completed its quota of standards is the furniture industry ; this week the BSI demonstrated the method worked out for testing the quality of upholstered furniture, the last and most difficult of the furniture standards to be worked out. It would be wrong to suggest that the standards have proved popular in the furniture industry. Fewer than 200 out of a total of nearly 3,000 manufacturers have applied for licenses to use the Kite mark, but this handful controls at least two-thirds of the industry's manufacturing capacity.

In the textile industries, far less has been done. The Women's Advisory Committee of the BSI complains in its third annual report that where some individual standards have been agreed upon, it has not been decided to mark the finished garment ; this appears to defeat the whole object of the scheme. The reason for the textile industries' very obvious reluctance to do anything about putting minimum standards into practice lies in the extreme difficulty of drafting standards of any value. There is not much difficulty in showing that furniture that cannot stand up to a minimum of ordinary use (which can easily be imitated mechanically on test apparatus) is worthless and should not be made, but there is no such dividing line in textile goods. There are practical arguments against introducing a standard marking scheme that might only have the effect of misleading consumers into believing that goods are a great deal better than the minimum standard prescribed. Yet considerable political pressure is being brought to bear on the textile industries to produce some kind of results to justify the undertakings given in 1952. The value to the public of so-called quality standards produced under such pressure may be doubtful.

Helicopters Ahoy!

MOST of the 100 twin-engined helicopters that the Ministry of Supply has ordered from the Bristol Aeroplane Company will be delivered to the Navy for anti-submarine work. They must be some of the strangest machines to have been seen aboard an aircraft carrier ; a banana-shaped fuselage crowned at either end with a drooping rotor, a pair of half-grown wings, and a corgi's undercarriage. In flight, with its nose slightly higher than its tail, this helicopter bears a striking resemblance to Alice's bread-and-butter fly, but its outrageous appearance belies its true function as one of the deadliest of the new anti-submarine weapons in the Navy's arsenal. A helicopter can fly lower and slower over the waves than any conventional aircraft, and one as big as the Bristol 173 (the civil version can take 16 passengers and a stewardess) is able to carry a very considerable quantity of underwater search equipment. Its ability to fly in any direction—up, down, sideways or backwards, at any speed from hovering to a spanking 150 m.p.h.—gives the detecting apparatus that it carries the chance to work to the best possible advantage, and to pin-point an enemy submarine in a way that is hardly possible with the airborne search methods now in use.

The Navy is known to attach great importance to these new techniques in anti-submarine warfare. It expects their introduction to result in a sharp improvement in the efficiency of anti-submarine operations, but this is not the end. From a strategic point of view, the emergence of an anti-submarine helicopter means that convoys may no longer be dependent on aircraft carriers, costing £15 million apiece, for protection against submarines in mid-ocean. At a pinch, even a big helicopter like the 173, nearly 30 ft. long, might operate from the modified deck of a merchant ship. The submarine is the most serious threat that a convoy faces ; the second real danger, from high-flying long-range atom bombers, may have an answer in the new Supermarine fighter, a machine of tremendous power that made its first flight a week or so ago. Meanwhile, the Ministry of Supply is stepping up the pace of helicopter development ; in this coming financial year, about £2.5 million is

expected to be spent compared with £1.3 million last year and barely £500,000 the year before. This compares with total development contracts with industry of nearly £100 million this year. With these two new weapons, the Navy's prospects are better than they have been for a long time.

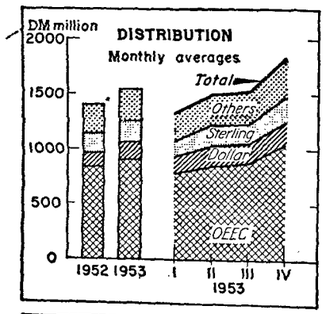
Anglo-Argentine Talks—New Style

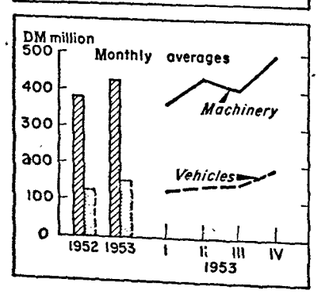
A FUNDAMENTAL new appraisal of Anglo-Argentine economic relations began this week with the arrival in London of the Argentine ministers for Foreign and Economic Affairs. Dr Remorino and Dr Gomez Morales are guests of the British until Wednesday next and, since this is London and not Buenos Aires, it is possible to hope that the crowded agenda that faces them will be successfully dealt with in the short period at their disposal. The Argentine ministers have not come to negotiate the details of new trade and payments agreements but rather to take their bearings in the new drift of economic philosophies and policies in Britain. It is important that they should do so, for on June 30th next the whole basis on which commercial and payments relations between the two countries has rested during the past five years will be withdrawn. That basis is the five-year trade and payments agreement signed in Buenos Aires in 1949 after much travail. The basic agreement has been supplemented by annual protocols, but all these instruments expire at the end of next month. They provided, among other things, for a meat contract governing quantities, qualities and prices, for annual "estimates" of the total trade between the two countries, for mutual undertakings to license trade in "less essentials" and for a sterling payments agreement with a clause requiring dollar settlements when Argentina had accumulated sterling to the extent of £20 million.

There can now be no repetition of the meat contracts since the trade in meat in Britain is returning to private enterprise. Nor can the British Government guarantee the purchase of specific quantities of cereals or other materials. When meat imports are decontrolled as much as 95 per cent of Argentina's exports to the United Kingdom will be free from restrictions or government bulk trading. The sterling markets will be wide open to Argentine produce—provided prices and qualities are right. Fashion in Britain has also moved against the bilateralism so beloved in Argentina. The two Argentine ministers will already have listened to much good liberal doctrine from the Chancellor of the Exchequer and the President of the Board of Trade. They will have been told that the United Kingdom has taken the opportunity provided by easier supplies to move away from bilateralism and that the experience really confirms that it is to everyone's advantage to buy in the cheapest market, without attaching conditions to purchase. If these concepts are to apply to Anglo-Argentine trade in the future, some new and hard thinking will have to be done in Buenos Aires At the same time it is to be hoped that the Argentine ministers are being given cause for hard thinking on another vital subject—on the importance for Argentine credit of allowing a resumption of financial remittances from their country and of a settlement of the British claims in respect of bonded debt and the expropriated British utility companies.

US Aid for Natural Rubber?

THE Rubber Study Group's low estimate of the surplus of natural rubber in 1954 surprised the market, and the spot price has risen by ¾d. to about 1s. 7d. a lb. In the communiqué published after its meeting in Colombo, the



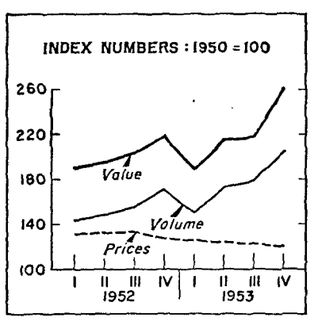


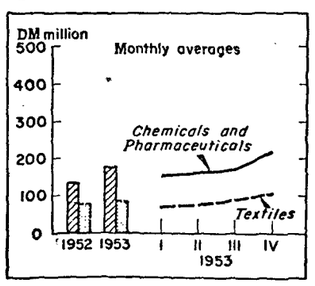
Rise in German Exports

THE recovery in West German exports quickened during 1953, reaching a postwar peak in the fourth quarter. For 1953 as a whole the value of exports rose by 9 per cent to DM18,500 million (£1,580 million); the rise in volume was as much as 16 per cent, for export prices were reduced by an average of 6 per cent. In contrast, British exports in 1953 were the same in value as in 1952, at £2,580 million; the volume was 3 per cent higher and the average value 3 per cent lower.

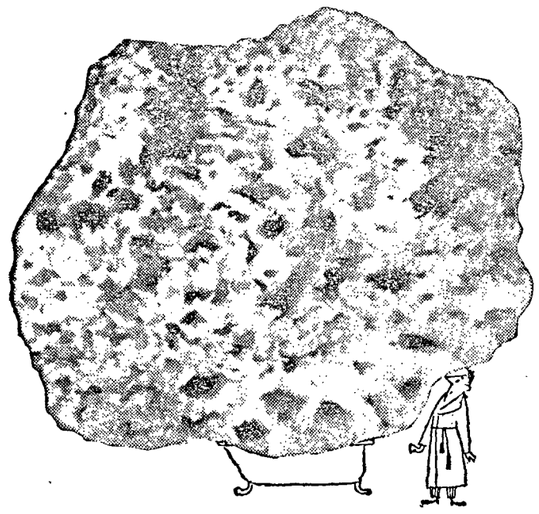
A Board of Trade analysis shows that German exports to the OEEC area rose by 10 per cent in 1953 and to the dollar area by 26 per cent. Exports to the sterling area were 5 per cent lower, but only because sales to Britain fell by 17 per cent; shipments to the rest of the sterling area rose by 23 per cent. Exports to non-dollar South American countries were only 3 per cent lower, thanks to a swift recovery in exports to Brazil.

All commodity groups except iron and steel and non-ferrous metals made substantial gains on 1952. Outstanding increases were shown by electrical machinery and apparatus, exports of which rose by 17 per cent to DM1,240 million, and by motor vehicles which increased by 23 per cent to DM1,210 million.





We suggest that you throw out the sponge



We suggest that the linings of many furnaces are, in effect, sponges — heat sponges: they soak up heat that should go into the charge. On batch-type furnaces this is not only a waste of fuel but a waste of time and quite unnecessary. It can pay very handsomely to get rid of this heat sponge. And it can be done very simply — by using M.I. bricks for the lining instead of ordinary refractories: they require only a fraction of the heat (and fuel) to bring them up to the same working temperature.

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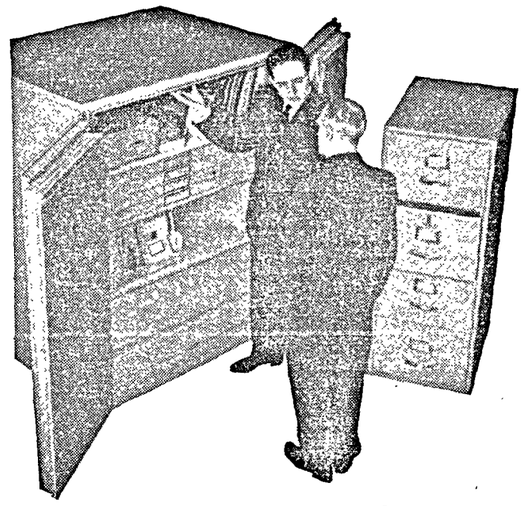

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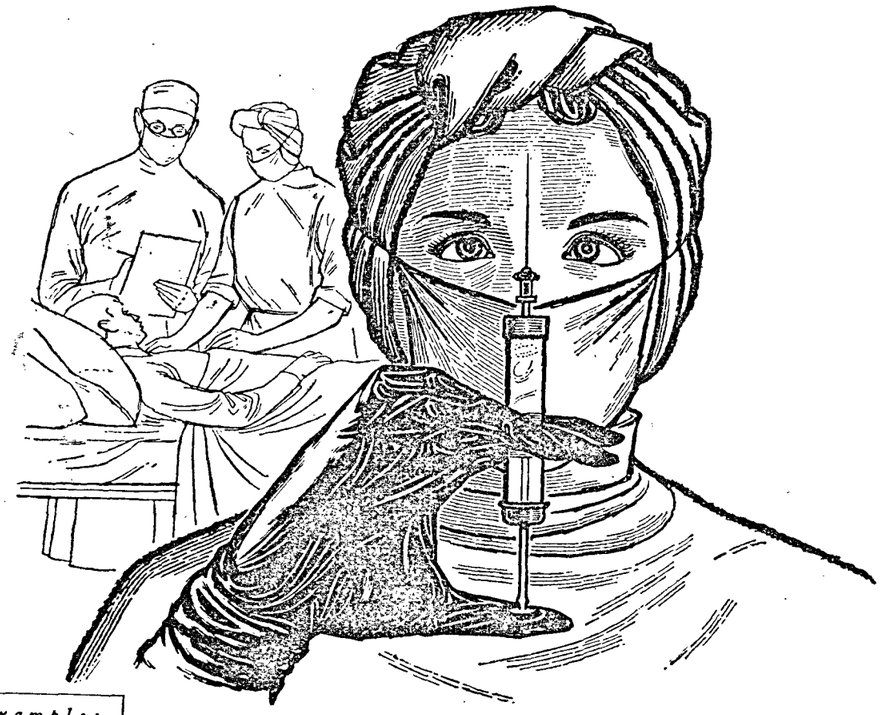

Example:

STARCH IN DRUG MANUFACTURE

The characteristically versatile services that starch performs for the medical world may be suggested by a few examples chosen at random. Glucose made from starch is a medicament in its own right. Its most dramatic use is as a shock preventative during surgical operations. For that purpose glucose is injected directly into the blood stream, where it instantly provides the energy needed for resisting shock. (The quick energy of glucose is also available to the general public in the form of tablets such as Brown & Polson's 'Dextrosol'.) Edible starches are commonly used as a coating for pills and as a binding agent for tablets. They serve these purposes well: they are harmless, neutral in flavour, and cheap.

Different products of the starch industry contribute to the growth of the organisms that produce the modern anti-biotic drugs, penicillin and streptomycin. In the commercial production of penicillin, the mould Penicillium notatum is grown on a medium which contains corn steep liquor—the liquid that maize has been steeped in before the wet milling process used in starch manufacture. Cultures of Actinomyces griseus, the organism that produces streptomycin, are grown in a medium which contains dextrose—a sugar produced by the hydrolysis of starch.

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Study Group estimated that world production would fall by 20,000 tons to 1,705,000 tons in 1954, and that consumption would rise by 83,000 tons to 1,680,000 tons, leaving an apparent surplus of only 25,000 tons. Even if the surplus proves to be twice as great as this figure, supply and demand should still be balanced, for the United States is expected to buy a last instalment of 30,000 tons this year for its strategic stock, and the British stock may absorb another 20,000 tons or so. World stocks in commercial hands are more than ample, for they amounted at the end of February to about 880,000 tons, representing more than six months' consumption. With eight months of this year still to go, all estimates of supply and demand must be treated cautiously; but although some details of the Study Group's forecast may be questioned, the figures provide confirmation that no burdensome addition to stocks is likely this year.

The prescription of the study group on measures to assist the natural rubber industry is the mixture as before. Stabilisation of price remains the general desire, but disagreement remains on methods. An accelerated rate of replanting, more research and a higher price of American synthetic rubber are again recommended. In one respect, however, the communiqué breaks new ground. After noting the revised rotation policy for the American strategic stock of natural rubber, which appears to be a distinct improvement on the former practice, and the American government's decision that it has no ground for altering its present price policy for GR-S, the communiqué states:

> The United States was prepared to give sympathetic consideration to specific proposals directed to increased effort by producers to plant or replant with high-yielding strains, to reduce costs, and otherwise to improve the efficiency of production and marketing. It was recognised that such measures could enhance the competitive position of natural rubber producers, but only in the long term.

This can only mean that the American government is prepared to provide finance, presumably under Point IV or similar technical aid programmes, for approved projects of that kind. This might well meet a real need. At present prices and rates of taxation, the estates most in need of replanting are least able to afford it, and even companies of high status could not raise finance in London except at penal rates. Smallholdings are even more in need of replanting, and the assistance that can be provided by their governments is evidently limited. Loans by the United States for this and other purposes would no doubt raise many complications, but the possibility that they might be forthcoming is to be welcomed and should be explored.

Barren Crop-Drying

SOME 75 loans to farmers or companies in the crop-drying business, the Select Committee on Estimates was told last month, have been made by the Ministry of Agriculture; the £335,000 that it has lent to British Field Products, Limited, a £500,000 company formed for this purpose in 1949, seems to have been its unluckiest. The Ministry's object, as set out late in 1952, was

> an expansion in the production and utilisation of grass by all sound economic methods, including artificial drying.

The method of assistance that it chose seems to have deserved neither adjective.

The company was formed to pioneer the drying of grass on a factory scale, and to produce a compound feeding-stuff based upon the mixture of cereals with lucerne grown by farmers under long-term contracts and dried in five to ten drying plants. Only one plant was in fact built; the company made a loss in its first year of commercial production, and increased output in the next season on the assumption that the subsidy of imported feeding stuffs would be ended. The subsidy was not lifted at that time, and the company had to ask for further assistance. It again showed losses in 1952-53 and 1953-54; an agreement has now been reached by which its debt to the Ministry has been written down in a company reconstruction to £170,000 of preference shares, which give the Minister certain rights of veto on borrowing and capital expenditure.

The Select Committee was not concerned with the whole history of the Ministry's support of this company, but only with the latest chapter. Late in 1953 the company, left with heavy stocks of feeding stuffs, proposed to sell them at prices as much as £6 a ton lower than the £26-£28 a ton "recommended" by the crop-driers' association. The association protested to the minister; the British Field Products was prevailed on to withdraw its offers at cut prices, on certain guarantees against future losses being given by the Ministry. Demand did not recover during the winter season; in February, with the agreement of the Ministry, the company was allowed to sell off its stocks at yet lower prices, which will probably cost the Ministry some £35,000 under its guarantee (about £7 a ton upon 5,000 tons of feeding stuff). The remainder of the industry, whose price had thus been indirectly supported until January but "broken" afterwards, objected both to the eventual sales at cut price and the guarantee that partly protected British Field Products against its loss on these sales. The Select Committee comments that the guarantee arrangement really amounted to a subsidy to the industry as a whole, given without prior Parliamentary approval. They recommend that no more public money should be invested in British Field Products, and that no actual or implied obligation should be accepted by the Minister towards the farmers with whom it has long-term contracts.

Option Dealing Discussions

THE stormy days of real controversy on policy within the London Stock Exchange seem to have passed, and the storm cock of those days, Sir John Braithwaite, has become a much respected chairman carrying out a policy of which the great majority of the members approve. It is not that Sir John has lost his faith either in publicity for the Stock Exchange or in raising gradually the professional status of stock broking and jobbing; it is rather that those ideals are now generally accepted. Tuesday's annual meeting passed peacefully with only one flicker of a new problem. This week a petition has been lodged with the Council asking for the restoration of option dealing. It was signed by 4 jobbing firms and 7 members—not

figures in themselves that suggest an urgent demand for options—and is to be considered in due course.

More than 50,000 visitors entered the new public gallery in the first six months. The accounts for the year to March 24th show a surplus of £43,349 against a deficit of £7,853 in the previous year and the chairman, seldom very cheerful about finance, feels that with the help of the increased subscriptions the accounts should approximately balance this year. After the new rating assessment comes into operation in 1956, a new financial problem may arise. With a decline of only 37 to 3,540 in the membership last year Sir John hopes that the falling tendency has been "somewhat arrested."

Towards Choice of Fuels?

SINCE the beginning of this year the power stations have sent out nearly 10 per cent more electricity than at this time last year, and the gas works have made about 4 per cent more gas. The weather has been colder; the British (soon to become Central) Electricity Authority, which amends its figures for temperature and standard working days, estimates that in the first quarter its sales of power showed a corrected rise of some 8-9 per cent. These sales of unrestricted fuels have been paralleled by a rise in coal consumption, still rationed to the householder and "allocated" to the bigger industrial consumers, of about 2 million tons or about 2½ per cent. Industrial consumers of less than 1,000 tons of coal a year were last week freed of any obligation to report their consumption or stock to the Ministry of Fuel and Power; and the National Coal Board, in its annual report this week (discussed on page 637) recorded a re-organisation of its marketing department in preparation for the time when all restrictions on coal sales may be lifted.

Today's prospects for the next fuel winter may not make this the most suitable time to announce how one intends at some future date to sell unlimited coal. But it is a reminder that domestic fuel consumption, at any rate, is still "distorted" by choice between rationed and unrationed fuels. It still seems to be assumed that householders, given the chance, would buy perhaps 5 million tons more coal a year; but whether the years of restriction and the purchase of many appliances that generally work best on smokeless fuels have bred in them new preferences for cleaner fuels is quite unknown. The Coal Board, in another section of its report, comments sensibly that it is quite unrealistic to hope that all the raw coal used in open grates—some 35 million tons a year—could "within the foreseeable future" be replaced by smokeless fuels. New methods of making smokeless solid fuels to supplement coke and the small output of anthracite are known, but at present prices, production would be uneconomic; if the consumer wants cleaner warmth, he will have to pay for it.

Air Traffic in 1953

WORLD air traffic, according to preliminary estimates prepared by the International Civil Aviation Organisation, increased 14 per cent in 1953. The total (excluding Russia and China) rose from 2,910 million to 3,320 million ton-miles, with passenger traffic making up more than three-quarters of the total. The financial results of the airlines do not show the same improvement; ICAO calculates that total revenue was just a nose ahead of expenditure. Receipts appear to have risen 13 per cent to $2,383 million, while expenditure shot up nearly 16 per cent, to $2,356 million. The financial health of air transport has been deteriorating rapidly since 1951. The first postwar year in which it broke even was 1950, when receipts were 2.7 per cent higher than costs. The next year showed an operating profit of 6 per cent, since when the ratio of revenue to costs has declined steadily until last year it was a bare 1.1 per cent higher.

ICAO makes no attempt to identify the reason for this deterioration; most airlines would attribute it to the world wide introduction of tourist fares which certainly stimulated passenger traffic but not, perhaps, sufficiently to offset the effects of a 25 per cent reduction in fares. Another clue lies in the extra capacity put into the air. Many new aircraft came into operation in 1953, and more had their seating modified to take a large number of tourist passengers. It seems that in spite of a 16 per cent increase in the number of passengers carried, the aircraft were on average no fuller than the year before. It may, therefore, be only a matter of time before traffic catches up with this new capacity. The average load factor was fractionally lower (59.3 per cent compared with 59.8 per cent in 1952) and it is surprising, on this showing, that the airlines as a whole managed to break even on their operating costs. The figures are close enough to suggest that not many airlines can have been able to show a profit after meeting all charges, and British Overseas Airways Corporation's net surplus of £1 million on its 1953-54 operations, although admittedly calculated over a slightly different period, looks a very much more impressive achievement when it is seen against this not too encouraging background.

SHORTER NOTES

J. and P. Coats announce a final dividend of 10 per cent, making 15 per cent, for 1953, compared with 12½. The ordinary stock advanced 3s. 9d. to 62s. 3d.

★

One of the fruits of last year's decision by the Treasury to withdraw the ban on new issues of over £50,000 by trust companies is a big capital offer by a unit trust. Bank Insurance Trust Corporation is offering for sale 500,000 consolidated units of Bank Insurance and Investment Trust Securities at 16s. per unit. The units are offered to a yield of £4 11s. per cent and the offer is to close on or before May 25th.

★

In the article "Profits from the Liners" in the issue of May 1st it was incorrectly stated that the total of 5¼ million seagoing passengers to and from Britain last year was about 20 per cent higher than in 1947; it was about 40 per cent higher.

THE FARMER.

and the Balance of Power

Britain today has more electricity than she has ever had before. In the past six years, 40 new power stations have been brought into operation and power supply has increased by 50 per cent. At the same time, the demand for electricity is greater than it has ever been.

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If electricity were more widely used by farms, factories, shops, homes, offices and for street lighting — this would keep the generating plant more fully loaded. The demands on the power stations coming from these different classes of consumers would be diversified. That is to say the loads would not occur simultaneously but, in the main, at different times of the day — and continuous full output from the generating plant would reduce the cost of electricity.

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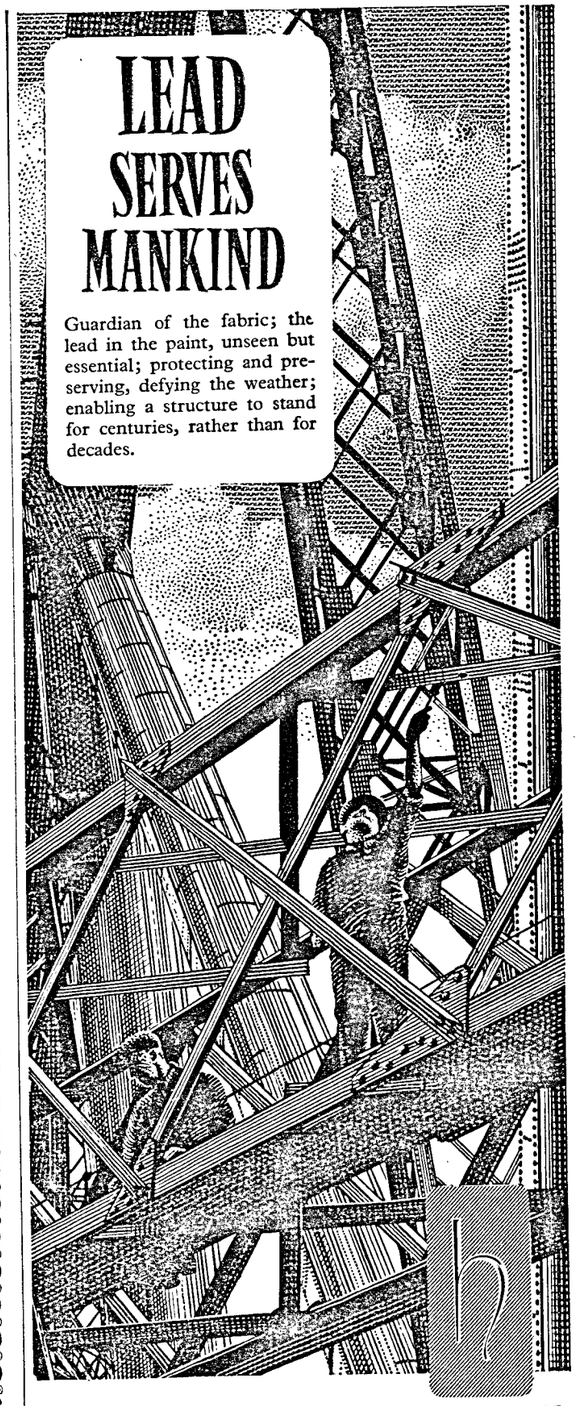

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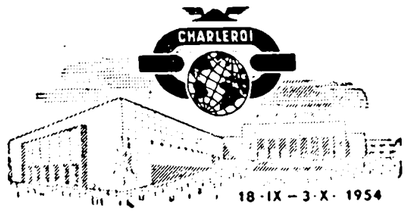

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OR AGENTS

Company Notes

DE BEERS. Throughout the post-war years the profits of Sir Ernest Oppenheimer's diamond empire have been buoyant; the fruits of inflation have been turned into gems on the fingers of the fortunate, and stockpiling plus industrial re-equipment has held up the demand for industrial diamonds. Neither the fact that the group profit of De Beers Consolidated Mines fell in 1953 from £26.9 million to £25.0 million nor the cautious review of the chairman, which indicates that the demand for industrial stones may fall further this year, should cause investors to lose their perspective. The De Beers group continues to enjoy high prosperity; Sir Ernest Oppenheimer expects 1954 to be "another satisfactory year."

Far more than the fate of the De Beers shareholders hangs on the fulfilment of that promise. De Beers millions have become the fountain from which much of South Africa's industrial and mining development outside the diamond industry has been irrigated. The development of the goldfields of the Orange Free State, of the South African coal mines, of its chemical industry and of a host of smaller industries would have been far more difficult had Sir Ernest not boldly taken the decision to use De Beers money outside the diamond industry.

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Total revenue	33,432,277	31,386,424
Group profit	26,915,448	25,016,798
Taxation	7,839,799	6,661,969
Net profit attributable to Parent Co.	*23,321,642* (a)	*16,754,786*
Preference dividends	799,694	799,694
Deferred dividends	8,164,282	8,164,344
Deferred dividends (per cent)	200	200
Transfers to group reserves	15,781,981	4,522,155
Retained by subsidiaries	9,671,477	12,718,777
Added to carry forward (Par. Co.)	27,384	9,496
Cons. bal. sheet:—		
Fixed assets, at bal. sheet figure	17,869,156	19,134,269
Diamonds on hand	6,614,392	4,338,797
Loans to other companies	14,361,467	20,559,519
Investments	14,628,028	18,683,966
Govt. & Local Authority Securities and Loans, *less* depreciation	8,410,949	11,388,060
Cash and call money	15,924,780	11,412,078
Reserves	67,161,608	74,526,426
Deferred capital	4,082,153	4,082,184

8s. deferred shares at 89s. 0d. yield £11 4s. 9d. per cent.
(a) Includes £6,614,388 credit adjustment of diamond stocks value from £1 nominal to cost.

That process has continued. Loans to other companies on December 31st amounted to £20.6 million compared with £14.4 million a year earlier, investments from £14.6 million to £18.7 million. These loans are not to the subsidiary diamond mining companies. Consolidated Diamond Mines of South West Africa shows hardly a change in its debts to the holding company which are just under £30,000. The lame duck of the group, Premier (Transvaal) Diamond Mining Company, still owing its preference shareholders arrears from 1932 now amounting to £2,150,000, is paying off the debt. It made a profit of £967,603 compared with £1,354,465, and got its debt to the parent down from £995,662 to £156,994. Sir Ernest expects the end of the debt repayment to come this year after which a process of building up the trading and emergency funds by £900,000 to £1 million must come before shareholders get anything. Preference dividends from Premier may still be far away, but the holding company attaches a value to the preference shares. During the year it bought at £4 10s. 10d. per share a further 445 shares from the small outside holding of these 250 per cent shares which now carry 5,500 per cent of accumulated arrears.

De Beers Industrial Corporation, which with ICI shares control of African Explosives and Chemical Industries, has taken a small additional loan from the holding company. The outstanding loan is up from £2.4 million to £2.6 million. But publicly raised capital is doing the development job for African Explosives. The answer must be that through De Beers Investment Trust the finances of the group are still pouring out to develop the gold and coal resources of South Africa. They can continue to pour out for the group still holds cash and call money of £11.4 millions compared with £15.9 millions a year ago, and the diamond market continues to show an excellent demand for gem stones. For industrial diamonds the demand is less good and Sir Ernest Oppenheimer discloses that the spurt in sales in the first quarter of this year was due to an unexpected revival of stockpile demand.

★

UNITED MOLASSES. This company has two strings to its bow; it is a ship-owning group with a stake in Sugar Line now building six ships for the bulk transport of sugar. It owns the capital of Anchor Line with three passenger liners and five cargo liners; and it owns Athel Line and Tankers Limited with tanker fleets of 148,537 tons. Some of the tankers fortunately have been put on long-term charter to the oil companies. The future is thus wrapped up with the fortunes of shipping from the difficult end of the business right through to the remunerative oil charters.

United Molasses is also a commodity trading group whose fortunes are always closely linked with molasses, and therefore with the economics of the sugar cane. The commodity must compete on price for its two main outlets—animal feeding stuffs and the distillation of alcohol. Last year the group suffered setbacks both in shipping and in molasses. The chairman, Mr G. W. Scott, tells shareholders that the wide fluctuations in price of molasses limited the expansion of the feed trade, while distillers, particularly in the United States, found it paid them to change over to synthetic alcohol. In shipping the group shared with other shipowners the effects of the decline in freights. A fall in gross earnings before depreciation from £7.2 million to £4.9 million and in net profits after tax from £2.1 million to £1.3 million was the result.

It must distress shareholders to learn from their chairman that the prospects this year are for a further decline in the gross profit. Mr Scott is budgeting for increased sales of molasses both in the United States and in this country. Since early this year consumption by distillers has shown marked improvement. As a trader, not a producer, the group's interest is in steady and fairly low molasses prices to foster the outlet for feed and discourage the building of more synthetic alcohol plants. That at the moment is what the market is providing. But that improved outlook is offset by the absence of any sign of improvement in the shipping business. Shareholders may still draw modest comfort from the fact that the chairman's warning is of a decline only in the gross profit; the absence of any mention of the net profit may be significant. Molasses was a heavy EPL payer. In 1953 it provided £326,450 for EPL compared with £825,000 in 1952. So if the fall in the gross profit is no greater than £326,000 this year net earnings would be unaffected. Moreover, with six new ships and one coaster building the group is one of the main beneficiaries of the new investment allowance.

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Trading profit	7,103,914	4,652,740
Depreciation	1,021,189	939,078
Taxation	4,217,422	2,752,207
Net profit	*2,121,815*	*1,288,182*
Ordinary dividends	635,212	708,507
Ordinary dividends (per cent)	20·06 (gross)	21·97 (gross)
General reserve	1,160,000	500,000
Added to carry forward	190,355	*Dr. 11,413*
Consolidated bal. sheet:—		
Fixed assets, *less* depreciation	7,322,807	6,873,710
Net current assets	11,297,832	11,626,210
Stocks, etc.	1,809,190	2,680,096
Gilt-edged securities	4,096,808	6,397,827
Cash and tax certs.	9,866,989	7,576,530
Reserves	11,065,559	12,263,891
Future tax	3,118,651	2,337,894
Ordinary capital	5,863,500	5,863,500

10s. ordinary stock units at 34s. 9d. xd yield £6 6s. 6d. per cent.

Mr Scott considers that profits will still be sufficient to cover "normal dividend requirements." There may be some doubt about what the group's normal dividend is. Stockholders will probably assume that their chairman is foreshadowing the maintenance of last year's total distribution of 1s. 2½d. tax free per 10s. unit (21.97 per cent gross) but without the special distribution of 4d. per share from capital reserve. The chairman may well permit himself such modest hopes; the net cost of the ordinary and preference dividends together is only £749,000. The net profit after tax even in 1933 was £1.3 million, and the group maintains a formidable strength. Cash short loans and tax certificates stand at £7.6 million and British Government securities are worth a further £6.5 million. The heavy cost

of the shipbuilding programme doubtless compels the maintenance of high liquidity.

★

UNITED DRAPERY. The ordinary share capital of Prices Trust was acquired by United Drapery Stores last year. At the date of the balance sheet (January 30th) 97.9 per cent was held at a cost of £4,686,851. The full accounts now show more of how the investment has been progressing. The chairman, Sir Brian Mountain, discloses that, of the purchase consideration, £967,500 has been deferred until July 31, 1955. Secondly, the unaudited accounts of Prices Trust, for the 7 months ended January 30, have been aggregated with the results of the group's results and set beside the same figures excluding Prices Trust. The results show that in those 7 months Prices earned, before tax, £227,035, bringing the group total up to £2,828,619. After tax the net figure attributable to the parent was £68,064 from Prices Trust, bringing the group total up to £918,013. The figures indicate some recovery in the earnings of Prices Trust from the previous lean period and together with United Drapery Stores' own favourable results they lead the chairman to report of the whole group: "Turnover since the beginning of February again shows an increase over the corresponding period last year." Provided that economic conditions do not change materially for the worse he expects the company's progress to continue.

★

INTERNATIONAL PAINTS (HOLDINGS). An unexpected free scrip issue is announced by International Paints which proposes a one for three bonus in 4s. ordinary shares. The bonus decision does not mark any rise in profits. The dividend for 1953, for which the new bonus shares do not rank, has been only maintained with a final payment of 14 per cent again making 20 per cent for the year. Profits were rather less than maintained. The group profit before tax was £1,376,045 compared with £1,437,324, though the net sum attributable to the parent company showed a modest increase at £574,723

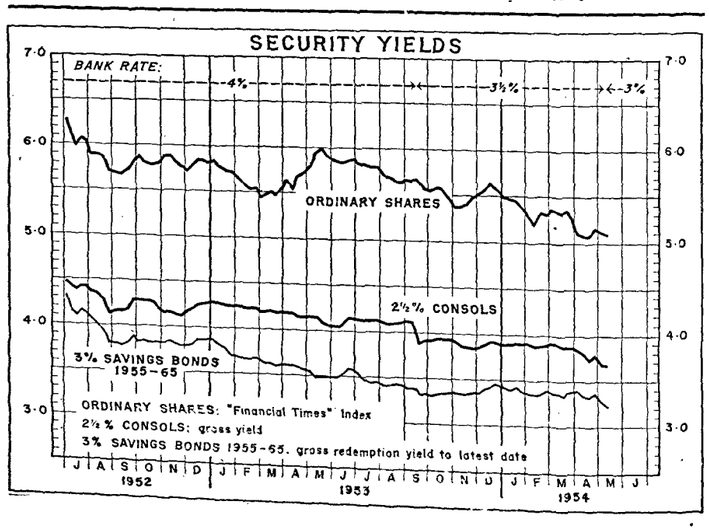
	Years to Dec. 31, 1952	1953
	£	£
Group profit before tax	1,437,324	1,376,045
Taxation	539,627	513,742 (a)
Net profit	*632,788*	*631,063*
Attributable to holding company	528,731	574,723
Preference dividends	6,450	6,600
Ordinary dividends	173,980	176,385
Ordinary dividends (per cent)	20	20†

4s. ordinary shares at 18s. 3d. yield £4 7s. 8d. per cent.
(a) After deducting £7,050 for adjustment of taxation relating to previous years.
† Also proposed scrip issue of one for three.

compared with £528,731. Earnings of the Brazilian subsidiary have been brought in at the free market rate of exchange of Cr$ 150 to the £. The 20 per cent dividend was approximately three times covered by last year's earnings, so that shareholders will naturally hope that the rate of distribution will not be proportionately reduced after the bonus issue.

★

MARKS AND SPENCER. The full accounts of Marks and Spencer for the year to March 31 throw a little further light on the advance of this progressive multiple group which has already announced dividends amounting to 65 per cent before giving effect to the 100 per cent share bonus, compared with 50 per cent. During the past year the company has added nearly £1.8 million to its properties and equipment which stand at £13.4 million compared with £11.6 million; its stocks have grown with expanding trade to £7.8 million compared with £5.8 million. The gross income before depreciation has risen to £10 million compared with £8.5 million.



LONDON STOCK EXCHANGE

Next Account begins: June 9th.
Next Contango Day: June 9th.
Next Settlement Day: May 25th.

THE main feature on the Stock Exchange was a reaction in the gilt-edged market after the bank rate reduction had revealed a speculative position. Declines were substantial at the beginning of the week. War Loan 3½ per cent touched 87⅜ on Monday a full point lower than the price just after the bank rate announcement, Consols 2½ per cent reached 67⅛, also a fall of a point in the same period. But by Wednesday it was clear that prices were again moving gradually upwards. The *Financial Times* index of Government securities at 103.04 showed a modest advance of 0.07 on the week though it remained lower than it was just after the bank rate announcement.

Industrial securities have tended to copy the movements of gilt edged but without such pronounced weakness early in the week. The industrial index reached a new peak of 149.9 on Friday of last week since when it has remained slightly below that level. The new account then opened strongly on Wednesday. The stores group went particularly well: Gussies rose 2s. 3d. on Wednesday, House of Fraser 2s. to 80s. 6d. and United Drapery 1s. 9d. to 64s.

With the start of the new account the arrangements recently worked out for the resumption of dealings in German Dawes bonds took effect. Holders may now lodge non-British tranches of the loan for transmission to overseas agents. There are now no less than 15 types of Dawes scrip in the market; the unassented bonds, the assented bonds and the funding scrip have each been subdivided into their British, French, Belgian, Dutch and Swiss tranches. Although dealings have been suspended for 6 weeks the resumption did not find any accumulation of selling orders and the British assented stock which opened at 80 rose to 83½.

With the arrival in this country of the $13,236,000 resulting from the Manila Railway sale Manila stocks advanced. The "A" debenture rose 3 points to 144, the ordinary being firm at 8s. 9d. J. & P. Coats rose 3s. 9d. to 62s. 3d. on Friday on the increased dividend and scrip issue.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
May 12...	147·4	114·05	3·63	5·12
„ 13...	149·4	114·43	3·66	5·05
„ 14...	149·9	114·71	3·66	5·04
„ 17...	149·6	114·73	3·71	5·05
„ 18...	149·4	114·78	3·71	5·05
„ 19...	149·7	114·98	3·71	5·04
			Total bargains 1954	
1954, High.	149·9 (May 14)	114·98 (May 19)	May 12	10,727
„ Low..	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 13	11,894
			„ 14	11,785
1953, High.	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 17	13,484
„ Low..	113·9 (May 20)	105·68 (Jan. 5)	„ 18	11,820
			„ 19	12,205

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to May 19 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 12, 1954	Price, May 19, 1954	Net Yield, May 19, 1954 § £ s. d.	Gross Yield, May 19, 1954 £ s. d.
100 5/16	99 7/8	Exchequer 2½% 1955	100 3/16	100 2/32	0 10 0	1 17 3
103 11/16	101 1/2	Exchequer 3% 1960	103 4/16	103 1/16	1 1 1	2 8 7
102 2/16	99 12/16	Exchequer 3% '62-63	101 1/4*	101 1/4*	1 9 2	2 15 9 *l*
100	99 3/8	Serial Funding 1¾% 1954	99 1/2	100	0 18 6	1 14 8
101	99 12/32	Serial Funding 2½% 1957	100 5/32	100 31/32	0 18 11	1 19 2
101 3/8	100 1/8	Serial Funding 3% 1955	101 1/4	101 2/32	0 12 3	1 19 3
101 2/16	100	War Bonds 2½% '54-56	100 1/8	101 1/16	0 15 4	2 0 4 *l*
101 1/16	100 11/16	Funding 2½% '52-57	101 3/8	101 1/4	1 2 6	2 6 6 *l*
101 12/16	100 10/16	Nat. Def. 3% '54-58	101 1/4	101 1/4	1 4 6	2 13 8 *l*
102 3/4	101 1/4	War Loan 3% '55-59	102 1/2	102 2/32	1 4 9	2 11 11 *l*
99 7/16	95 11/16	Savings Bonds 3% '55-65	98 1/2	99 1/4	1 15 7	3 3 7 *l*
99 3/8	97 1/2	Funding 2½% '56-61	99 3/16	99 1/2	1 9 5	2 12 4 *l*
95	92 7/8	Funding 3% '59-69	94 3/8	94 15/32	2 1 7	3 9 8 *l*
96 3/8	93 15/16	Funding 3% '66-68	96 1/8	96 2/32	1 19 7	3 8 0 *l*
102 15/16	100 10/16	Funding 4% '60-90	101 15/16	102 1/16	1 17 0	3 13 0 *e*
94 1/2	90 3/8	Savings Bonds 3% '60-70	93 5/16	93 12/32	2 2 9	3 11 4 *l*
93	90 1/2	Savings Bonds 2½% '64-67	92 5/16	92 10/32	2 0 6	3 4 2 *l*
103 7/16	101 3/16	Victory 4% '20-76	102 14/16	103 1/16	1 19 0	3 15 2 *l*
92 1/2	87 3/8	Savings Bonds 3% '65-75	91 1/2	91 2/32	2 3 9	3 12 10 *l*
97 7/16	93 1/2	Consols 4% aft. Feb. '57	96	96 3/32	2 5 9	4 3 9 *f*
89 13/16	84 3/4	Conv. 3½% aft. April '61	88 13/16	88 8/32	2 3 7	3 19 5 *f*
100 7/16	99 1/16	Conv. 3½% 1969	100	100 2/32	1 18 6	3 10 7
68 3/4	63 7/8	Treas. 2½% aft. April '75	67 5/8	67 1/4	2 1 1	3 14 10 *f*
79 3/4	74 1/16	Treas. 3% aft. April '66	79 1/4	78 3/4	2 2 2	3 16 10 *f*
96 3/4	92 11/16	Treas. 3½% '77-80	95 1/2*	95 9/32*	2 2 10	3 15 1 *l*
96 3/4	92 7/16	Treas. 3½% '79-81	95 15/16	96 1/4	2 2 5	3 15 3 *l*
87 3/4	83	Redemption 3% '86-96	87 3/4	87 3/4	2 2 1	3 11 11 *l*
89 7/16	84 5/8	War L'n 3½% aft. Dec. '52	87 7/8*	87 3/4*	2 3 10	3 19 8 *f*
69 3/4	63 5/8	Consols 2½%	67 3/4	67 3/4	2 0 11	3 14 7 *f*
92 1/4	88 7/16	Br. Elec. 3% '68-73	91 5/8	92 1/4	2 3 6	3 12 2 *l*
91 1/4	87 15/16	Br. Elec. 3% '74-77	90 5/8	91	2 3 5	3 12 4 *l*
105 1/2	103 3/4	Br. Elec. 4½% '74-79	105	105 1/4	2 1 0	3 18 7 *e*
96 17/32	93 13/16	Br. Elec. 3½% '76-79	95 15/32*	96 1/4	2 2 6	3 14 10 *l*
88 3/4	83 5/16	Br. Trans. 3% '78-88	87 15/16	88 1/4	2 3 4	3 13 4 *l*
92 3/4	88 13/16	Br. Trans. 3% '68-73	91 15/16	92 1/4	2 3 7	3 12 3 *l*
103 1/2	100 1/4	Br. Trans. 4% '72-77	102 15/16	101 3/4*	2 1 10	3 17 3 *e*
88 1/4	84 1/4	Br. Gas 3% '90-95	87 7/16	87 11/16	2 2 1	3 11 8 *l*
99 1/2	96 3/4	Br. Gas 3½% '69-71	99 5/16	99 7/16	1 19 11	3 12 1 *l*
103 3/8	99 3/8	Br. Gas 4% '69-72	102 15/16	103 1/16	2 0 2	3 16 6 *e*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1 to May 19 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, May 12, 1954	Price, May 19, 1954	Yield, May 19, 1954 £ s. d.
92	84 7/8	94 1/2	90 1/2	Aust. 3½% '65-69	93 1/2	93 1/2	3 16 9 *l*
...	...	97 1/2	97 1/2	Ceylon 4% '73-75	97 1/2	97 1/2	4 4 0 *l*
98 11/16	98 9/32	102 1/2	98 1/2	N. Zealand 4% '76-78	101*	101	3 18 8 *l*
73 1/2	66 1/2	77 3/8	71 3/8	L.C.C. 3% att. 1920	76 1/2	77	3 17 11 *l*
95 3/8	90 1/2	97 1/2	95	Liverpool 3% '54-64	96	97	3 7 2 *l*
81 3/8	73 1/2	83 5/8	80 1/2	M.Wtr. 'B' 3% '34/2003	82 1/2	83 1/2	3 14 9 *l*
104 1/2	101 1/2	104	101 1/2	Agric. Mort. 5% '59-85	103	103 1/2	4 4 2 *e*
74 1/2	49 3/4	95 5/8	71 3/8	German 7%	83 1/2	...	...
102 3/8	65	142	102	German 5½%	128 1/2	126	...
139 3/8	119	159 3/8	132 3/8	Japan 5% 1907	151	150	...
176	136	186 1/2	168 1/2	Japan 5½% Conv. 1930	177 1/2	177 1/2	...

Prices, 1954 Jan. 1 to May 19 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 12, 1954	Price, May 19, 1954	Yield, May 19, 1954 £ s. d.
		%	%	BANKS & DISCOUNT			
46/3	42/3	7 *a*	9 *b*	Barclays £1	45/6	45/–	4 8 11 *m*
63/9	58/9	6 *a*	8 *b*	Lloyds "A" £5, £1 pd.	62/–	63/–	4 8 11
81/6	74/9	8 *a*	8 *b*	Midland £1, fully pd.	77/–	77/6	4 2 7
81/–	72/7½	8¼ *a*	8½ *b*	N. Prov. "B" £5, £1 pd.	76/6	77/6	4 7 9
90/–	79/6	9 *a*	9 *b*	Westminster £4, £1 pd.	87/–	87/6	4 2 3
102/–	92/–	7¼ *a*	17½ *b*	Alexanders £2, £1 pd.	101/–	102/–	4 18 6
49/3	40/10½	5 *a*	5 *b*	Nat. Disc. "B" £1	48/–	49/–	3 1 3 *v*
51/6	44/6	5 *a*	5 *b*	Union Disc. £1	50/6	49/6	4 0 10
41/–	37/6	4 *a*	4 *b*	Barc. (D.C. & O.) "A" £1	39/6	38/6	4 3 1
45/7½	40/3	7 *a*	7 *b*	Chart. Bk. of India £1	43/–	43/–	6 10 3
				INSURANCE			
13½	9½	50 *a*	85 *b*	Leg. & Gen. £1, 5/- pd.	12⅝	12½	2 14 7
22½	20⅜	20†*a*	40† *b*	Pearl £1, fully pd.	21⅛	20⅛	5 4 10
41⅜	35 15/16	105† *c*	112½† *c*	Prudential "A" £1	40⅜	40½	5 1 0
				BREWERIES, ETC.			
131/3	126/–	10 *a*	33 *b*	Bass £1	129/4½	129/4½	6 6 10
21/–⅜	17/4½	15 *b*	7½ *a*	Distillers 4/-	20/6	20/9	4 6 0
33/6	31/–	7 *a*	11 *b*	Guinness 10/-	32/6	32/6	5 10 ;9
82/4	60/–	8 *a*	15⅜ *b*	Whitbread 'A' Ord. £1	118/9	80/7½	5 4 2 *d*

Prices, 1954 Jan. 1 to May 19 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, May 12, 1954	Price, May 19, 1954	Yield, May 19, 1954 £ s. d.
		%	%	STEEL & ENGINEERING			
56/–	41/4½	12½ *c*	15 *c*	B.S.A. £1	52/9	54/3	5 10 7
18/6	13/1½	5 *a*	10 *b*	Cammell Laird 5/-	14/6	14/–	7 19 0 *h*
59/10½	49/9	5 *a*	10 *b*	Guest Keen N'fold £1	55/–	58/9*	5 1 10
24/11½	22/–	2½ *a*	7½ *b*	United Steel £1	24/6	24/6	7 6 11 *o*
60/9	47/6	12½ *a*	12½ *b*	Vickers £1	57/6	58/–	5 3 5
				TEXTILES			
41/9	32/–	4 *a*	11 *b*	Bradford Dyers £1	41/–	39/6	7 11 11
32/3	24/9	12	6 *a*	Brit. Celanese 10/-	30/6	32/–	5 0 0 *i*
62/9	49/4½	7½ *b*	5 *a*	Coats (J. & P.) £1	57/6	59/–	4 4 9
30/4½	25/2½	6½ *b*	6† *a*	Courtaulds £1	29/3	29/6	4 14 11 *k*
58/7½	47/4½	5 *a*	10 *b*	Lancs. Cotton £1	56/3	56/6	5 6 2 *j*
74/–	64/–	20 *c*	5 *a*	Patons & Baldwins £1	73/–	73/9	5 8 6
				ELECTRICAL			
51/–	41/9	7 *a*	7½ *b*	Assoc. Elect. £1	48/6	50/6	4 9 1 *z*
44/4½	38/–	2½ *a*	7½ *b*	B.I.C.C. £1	41/–	42/6	4 14 1
47/–	38/6	5 *a*	6⅔ *b*	English Elect. £1	45/–	45/7½	4 7 8 *m*
45/–	37/9	7½ *b*	3⅓ *a*	General Elect. £1	43/9	43/9	5 2 10
				MOTOR & AIRCRAFT			
20/6	18/6	3½ *a*	6½ *b*	Bristol Aero 10/-	19/6*	19/9	5 1 3
8/9	6/3½	6½ *b*	4 *a*	British Motor 5/-	8/1½	8/7½	6 1 9
30/3	23/4½	7½ *c*	7½ *c*	De Havilland £1	25/3	26/4½	5 13 8
61/–	35/9	7½ *c*	12 *c*	Ford Motor £1	58/9	60/–	4 0 0
62/3	47/7½	6 *a*	9 *b*	Hawker Siddeley £1	61/–	62/–	4 15 3
97/–	80/6	25 *c*	25 *c*	Leyland Motors £1	91/3	91/3	5 9 7
80/3	66/–	10 *b*	5 *a*	Rolls Royce £1	72/6	79/4½	3 15 7
6/9½	5/5½	12 *c*	12 *c*	Standard Motor 5/-	6/6	6/6	9 4 7
				SHOPS & STORES			
26/–⅜	22/9	10 *a*	12½ *b*	Boots Pure Drug 5/-	25/3	25/3*	4 9 1
38/1½	32/–	15 *b*	7½ *a*	Debenhams 10/-	37/6	37/6	5 6 8 *w*
81/3	53/3	37½ *b*	15 *a*	Gt. Universal 5/-	75/9	76/–	3 9 1
104/9	92/9	17½ *b*	5 *a*	Lyons (J.) "A" £1	102/–	104/–	4 6 6
97/–	73/10½	20 *a*	45 *b*	Marks & Spen. "A" 5/-	94/–	91/–*	3 11 5
80/6	64/–	20 *a*	40 *b*	Woolworth 5/-	79/9	78/9	3 16 2
				OIL			
11 13/16	8 23/32	5 *a*	37½ *b*	Anglo-Iranian £1	11⅛	11⅞	3 12 4
£48¼	£33½	4 *a*	12 *b*	Royal Dutch 100 fl.	£47	£48	3 2 8
118/9	93/4½	5†*a*	10† *b*	Shell Reg. £1	117/6*	117/6	4 12 11
25/3	17/6	15† *b*	5† *a*	Trinidad L'holds 5/-	24/–	24/9*	3 12 8 *x*
32/7½	25/3	...	...	Ultramar 10/-	28/9	31/9	Nil
				SHIPPING			
44/–	36/7½	16 *c*	21 *a*	Cunard £1	37/6*	39/–	8 4 1
38/7½	30/3	12½ *c*	12 *c*	Furness Withy £1	33/–	33/6	7 3 3
86/6	62/6	6 *a*	16 *b*	P. & O. Def. £1	75/–	76/6	5 15 1
35/3	26/3	(*p*) 10 *c*	10 *c*	Royal Mail £1	27/–	26/3*	7 12 5
				MISCELLANEOUS			
81/–	67/9	5 *a*	12½ *b*	Assoc. Port. Cem. £1	78/9	80/–	4 7 6
61/–	44/–	15 *c*	16 *c*	Bowater Paper £1	59/4½	60/–	5 6 8
40/–	33/10½	4 *a*	6 *b*	Brit. Aluminium £1	36/–	36/6	5 9 7
43/3	36/3	12½† *c*	4 4/9 †*a*	Brit. Amer. Tob 10/-	39/6	40/–	5 13 7
$47½	$38⅜	⅜ *a*	3 *b*	Canadian Pacific $25.	$42	$43	6 5 8
39/9	32/6	35 *c*	5 *a*	Decca Record 5/-	38/–	38/3	4 11 6
24/9	18/5	11⅜ *c*	14 *c*	Dunlop Rubber 10/-	23/9	23/6*	5 6 5
61/10½	53/–	6 *a*	9 *b*	Imp. Chemical £1	60/3*	61/6	4 17 7
58/7½	49/8½	8½ *a*	11½ *b*	Imp. Tobacco £1	51/6	53/–	7 10 11
$75½	$63½	$2·60 *c*	$2·35 *c*	Inter. Nickel n.p.v.	$75½	$75½	5 11 9
59/6	51/6	7½ *a*	9 *b*	London Brick £1	58/9	58/9	4 15 4 *n*
68/4½	63/6	3⅜ *a*	12½ *b*	Tate & Lyle £1	67/6	68/–	4 14 1
68/9	60/6	7½ *b*	7½ *a*	Tube Investments £1	63/9	65/–*	4 12 4
86/3	69/–	2⅜ *a*	15 *b*	Turner & Newall £1	83/–	84/–	4 3 4
76/9	57/6	6 *a*	9⅓ *b*	Unilever £1	72/–*	73/6	4 5 9
38/3	32/3	4½ *a*	7½† *b*	United Molasses 10/-	36/–	34/9*	6 6 6 *q*
				TEA & RUBBER			
34/10½	28/–	Nil *c*	10† *c*	Cons. Tea & Lands £1	34/6	31/6*	11 10 10
2/3	1/10	35 *c*	10 *c*	London Asiatic Rbr. 2/-	2/1½	2/–	10 0 0
49/3	37/9	5 *a*	15 *b*	United Sua Betong £1	45/7½*	45/–	8 17 9
				MINES			
6 5/16	5 3/32	20 *a*	40 *b*	Anglo-Amer. 10/-	6 5/32	6 5/16	4 15 1
90·7½	68/3	80 *a*	120 *b*	De Beers 5/- Bearer	83/3	89/–	11 4 9
101/10½	56/6	...	...	Free State Geduld 5/-	88/1½	93/1½	Nil
76/3	54/9	8½ *c*	10 *c*	Randfontein £1	60/7½	60/–	3 6 8
6/7½	4/10½	22 *c*	24 *c*	London Tin 4/-	6/4½	5/10½*	16 6 10
21⅜	16 1/16	175 *b*	50 *a*	Rhokana £1	21⅜	21⅝	10 8 2

* Ex dividend.

New York Closing Prices

	May 12 $	May 19 $		May 12 $	May 19 $		May 12 $	May 19 $
Balt. & Ohio.	21	21⅜	Am. Smelting.	35⅜	35	Inter. Paper.	71	69⅞*
Can. Pac.	23⅝	24¼	Am. Viscose	36	35⅞	Nat. Distill.	18	18
N.Y. Cent.	21⅝	22	Col. of Amer.	19⅜	18⅞	Sears Roebuck	64⅜	65
Pennsyl.	16⅜	16⅛	Chrysler	60⅛*	60⅜	Shell	49	48⅞
Amer. Tel.	168⅞	168⅜	Gen. Elec.	116⅜	114⅜	Std. Oil of N.J.	88⅛	88⅜
Stand. Gas.	12⅜	12⅝	Gen. Motor	71⅛	68⅝	U.S. Steel	47	48
United Corp.	6	5⅞*	Goodyear	64⅛*	61⅝	Westinghouse.	69⅝	68⅜
W. Union Tel.	36⅜	37⅛	Inter. Nickel	40⅜	41⅜	Woolworth	40⅝	42⅜

* Ex dividend.

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (*i*) 12% paid for 9 months; yield basis 16%. (*j*) Also 5% Coronation bonus, not included in yield. (*k*) Yield basis 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 21·97% gross. (*t*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*z*) Yield basis 11⅛%.

Statistics

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

British		Overseas	
Prices and Wages	May 8th	Western Europe:	
Production and Consumption	May 15th	Production and Trade	May 8th
Manpower	This week	British Commonwealth	May 15th
External Trade	May 1st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	April 24th	United States	May 1st
		World Trade.....April 24th	

Manpower in Great Britain

	Unit	Monthly averages			1953			1954			
		1951	1952	1953	Feb.	Mar.	April	Jan.	Feb.	Mar.	April
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,228	23,294	23,373	23,312	23,295	23,353	23,496	23,465	23,441	...
Men	,,	15,791	15,864	15,883	15,887	15,869	15,887	15,947	15,932	15,910	...
Women	,,	7,437	7,430	7,490	7,425	7,426	7,466	7,549	7,533	7,531	...
Armed Forces	,,	827	872	865	873	871	866	847	844	846	...
Civil employment:											
Total	,,	22,214	22,119	22,238	22,051	22,068	22,154	22,288	22,275	22,283	...
Agriculture, forestry and fishing	,,	1,139	1,112	1,087	1,044	1,054	1,068	1,039	1,034	1,034	...
Mining and quarrying	,,	856	875	877	878	876	878	869	870	870	...
Building and contracting	,,	1,449	1,435	1,437	1,404	1,417	1,427	1,395	1,396	1,411	...
Distributive trades	,,	2,600	2,616	2,664	2,639	2,637	2,653	2,687	2,679	2,676	...
Public administration	,,	1,350	1,336	1,320	1,324	1,325	1,324	1,312	1,312	1,312	...
Manufacturing industries	,,	8,736	8,626	8,746	8,711	8,704	8,735	8,955	8,959	8,954	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950:											
Employees in engineering(2)	,,	+ 103	+ 212	+ 213	+ 222	+ 215	+ 218	+ 309	+ 313	...	...
,, ,, consumer goods industries(3)	,,	+ 74	− 126	− 8	− 55	− 52	− 26	+ 60	+ 56	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	,,	252·9	414·2	342·0	428·8	397·0	375·8	372·8	387·3	342·8	316·6
,, ,, —men	,,	161·5	227·8	218·2	272·6	251·1	239·4	244·9	261·7	224·1	203·3
,, ,, —women	,,	91·4	186·4	123·8	156·2	145·9	136·4	127·9	125·6	118·7	113·3
Temporary or under 2 weeks—men	,,	49·8	87·8	68·8	85·8	80·3	74·2	82·5	83·0	63·2	59·9
,, ,, —women	,,	37·7	94·7	44·0	51·2	48·4	46·8	49·4	40·5	38·0	37·7
Over 8 weeks—men	,,	73·2	85·9	96·7	116·5	114·1	111·5	96·7	103·9	106·9	101·0
,, ,, —women	,,	27·9	50·2	46·3	59·4	59·0	55·8	47·9	48·2	49·4	47·5
By industry (4):											
Textiles	%	0·8	8·6	1·4	2·2	1·8	1·5	1·0	1·0	1·0	0·9
Clothing	,,	1·7	2·9	1·3	1·4	1·2	1·1	1·7	1·4	1·3	1·2
Vehicles	,,	0·5	0·7	0·8	1·2	1·6	0·9	0·7	0·7	0·6	0·6
Engineering, etc.	,,	1·0	1·4	1·4	1·7	1·6	1·5	1·3	1·4	1·4	1·3
Coal-mining	,,	0·2	0·2	0·2	0·2	0·2	0·3	0·2	0·2	0·2	0·2
Distributive trades	,,	1·1	1·5	1·5	1·9	1·8	1·6	1·6	1·7	1·6	1·4
By regions (4):											
Great Britain	,,	1·2	2·0	1·6	2·1	1·9	1·8	1·8	1·8	1·6	1·5
London and South Eastern	,,	0·9	1·3	1·2	1·5	1·4	1·3	1·4	1·5	1·2	1·1
Eastern	,,	0·9	1·3	1·3	1·9	1·6	1·5	1·6	1·9	1·6	1·4
Southern	,,	1·1	1·4	1·4	1·8	1·6	1·4	1·5	1·8	1·4	1·3
South Western	,,	1·2	1·5	1·6	2·0	1·9	1·8	1·9	2·0	1·9	1·6
Midland	,,	0·4	0·9	1·1	1·3	1·6	1·3	0·8	0·8	0·7	0·7
North Midland	,,	0·5	1·0	0·7	0·8	0·7	0·7	0·7	0·9	0·7	0·6
East and West Ridings	,,	0·9	1·9	1·2	1·5	1·3	1·3	1·3	1·3	1·1	1·0
North Western	,,	1·2	3·6	2·1	2·7	2·4	2·3	1·9	1·9	1·7	1·6
Northern	,,	2·2	2·6	2·4	2·8	2·5	2·5	2·8	2·8	2·7	2·5
Wales	,,	2·7	2·9	3·0	3·7	3·4	3·5	3·1	3·2	2·8	2·8
Scotland	,,	2·5	3·3	3·1	3·7	3·4	3·3	3·4	3·5	3·3	3·1
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	313	230	270	233	263	279	261	258	288	...
Men	,,	208	131	147	130	144	151	140	136	154	...
Women	,,	105	99	123	103	119	128	121	122	134	...
DISPUTES (5)											
Workers involved	,,	32	35	112	32	28	17	47	36	41	...
Working days lost:											
Total	,,	141	149	181	165	249	74	128	129	170	...
Mining and quarrying	,,	23	55	33	74	36	34	39	42	89	...
Engineering, etc.	,,	43	66	126	84	203	52	14	14	22	...
Other industries and services	,,	69	28	22	7	10	8	75	73	59	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom.

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
1952	253	114	143	163	165	149	129	97	140	152	148	104
1953	239	107	134	155	160	173	129	96	134	152	139	107
1953, November	239	106	131	154	159	190	129	96	134	152	139	109
,, December	239	106	131	155	159	190	128	97	134	152	138	111
1954, January	244	106	133	154	159	192	127	97	135	152	138	115
,, February	240	106	134	153	159	192	...	98	...	153	138	...
,, March	241	...	133	153	...	192	...	...	...	154	138	...
COST OF LIVING (1) (1948 = 100)												
1938	31	27	60	6	64	0·4	55	2	49	63	61	29
1952	211	106	123	145	110	146	119	114	130	133	129	109
1953	210	106	123	144	108	160	126	117	128	136	130	113
1953, November	211	107	...	141	107	172	126	117	128	137	130	114
,, December	211	106	...	142	107	175	...	117	128	137	130	115
1954, January	212	107	123	143	107	178	...	117	131	137	130	...
,, February	213	108	...	144	108	178	125	...	132	...	130	...
,, March	211	107	...	144	108	...	...	...	...	...	...	...
IMPORT PRICES (2) (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	182	121	...	129	109	131	132	152	91
1953	269	109	118	164	106	...	124	102	116	125	140	89
1953, October	280	107	} 116	161	{ 101	...	124	97	116	122	} 136	{ 89
,, November	276	107			102	...	127	97	113	120		80
,, December	280	105			102	...	125	99	109	130		84
1954, January	274	103	...	...	101	...	...	...	108	121	...	...
,, February	272	...	...	...	100	...	...	...	...	123	...	...
EXPORT PRICES (3) (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	24
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953	239	101	109	148	123	...	123	107	104	120	135	110
1953, October	245	100	} 109	143	{ 119	...	135	106	99	116	} 134	{ 106
,, November	243	96			121	...	131	104	97	116		115
,, December	239	96			122	...	120	108	98	120		110
1954, January	233	92	...	...	120	...	...	...	98	117	...	...
,, February	224	...	...	...	121	...	...	...	...	117	...	...

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. kronor	mn. £T.
1938	...	23·6	425	112	...	...	18·2	19	1,048	455	1,040	213
1952	8·79	102·1	1,879	2,124	10·22	2,476	69·9	1,343	3,171	2,787	4,620	1,280
1953	10·25	105·9	2,032	2,310	11·98	3,209	74·3	1,422	3,394	2,998	4,890	1,460
1953, November	9·62	103·9	1,852	2,222	11·13	3,173	72·7	1,290	3,291	2,833	4,590	1,486
,, December	10·25	105·9	2,032	2,310	11·98	3,209	74·3	1,422	3,394	2,998	4,890	1,460
1954, January	10·03	104·6	1,914	2,290	11·67	3,316	71·5	1,353	3,315	2,847	4,680	1,460
,, February	...	...	2,050	...	11·87	3,176	70·7	...	...	2,848	4,670	1,493
,, March	...	...	...	...	...	...	71·4	...	...	...	...	1,458

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
1952	...	1,077	142·1	988	1,165	9·9	219	918	929	148·3	379	191
1953	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	212
1953, November	...	1,077	168·1	941	1,862	10·5	235	939	1,154	147·6	418	215
,, December	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	212
1954, January	...	1,093	160·2	998	2,072	10·6	228	...	1,178	136·1	421	218
,, February	...	1,095	166·0	...	2,137	10·6	229	...	1,167	128·1	400	212
,, March	...	1,093	177·2	...	...	10·6	232	...	1,171	...	386	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 average value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (3) Notes only for France and Austria. (4) Holdings of the government and central bank at end of period · figures for Greece are gold reserves only.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 15th, there was an "above-line" surplus (after allowing for Sinking Funds) of £893,000 compared with a surplus of £45,703,000 in the previous week and a deficit of £18,293,000 in the corresponding period of last year, bringing the cumulative deficit to £14,227,000 (£26,223,000 in 1953-54). Net expenditure "below-line" absorbed £7,822,000, raising the total cumulative deficit to £42,136,000 (£72,213,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to May 16, 1953	April 1, 1954 to May 15, 1954	Week to May 16, 1953	Week to May 15, 1954
Ord. Revenue					
Income Tax	1800,000	157,445	131,241	17,562	14,128
Sur-tax	132,000	13,400	13,400	1,700	1,700
Death Duties	164,375	26,100	21,100	3,600	3,300
Stamps	55,000	7,300	7,800	800	1,000
Profits Tax & EPT.	172,000	22,400	25,500	3,900	2,500
Excess Profits Levy	60,000	4,300	7,100	400	1,000
Special Contribution and other Inland Revenue	1,000	179	200	...	100
Total Inland Rev.	2384,375	231,115	196,341	27,962	23,728
Customs	1062,500	136,066	140,473	21,934	20,785
Excise	719,000	108,135	105,570	15,220	27,120
Total Customs and Excise	1781,500	244,201	246,043	37,154	47,903
Motor Duties	77,000	6,524	7,163	376	322
PO (Net Receipt)	...	3,100	3,200	2,700	3,200
Broadcast Licences	21,000	1,000	1,250	...	...
Sundry Loans	24,000	1,942	1,948	1,830	...
Miscellaneous	245,000	12,282	22,195	274	4,462
Total	4532,875	500,165	478,145	70,296	79,615
Ord. Expenditure					
Debt Interest	570,000	97,125	95,701	19,729	18,432
Payments to N. Ireland Exchequer	51,000	4,408	5,137	...	...
Other Cons. Fund	10,000	662	440	95	...
Supply Services	3855,399	420,771	388,064	68,200	60,050
Total	4486,399	522,966	489,346	88,024	78,481
Sinking Funds	36,000	3,422	3,025	565	240
"Above-line" Surplus or Deficit		— 26,223	— 14,227	— 18,293	+ 893
"Below-line" Net Expenditure		45,990	27,909	15,085	7,822
Total Surplus or Deficit		— 72,213	— 42,136	— 33,378	— 8,715
Net Receipts from:					
Tax Reserve Certificates		26,724	31,733	1,631	1,370
Savings Certificates		9,600	1,900	100	600
Defence Bonds		—11,505	— 5,743	— 1604	— 481

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
May 16	3,050·0	1,484·2	236·0	—	4,770·2
1954					
Feb. 13	3,040·0	1,303·8	265·7	...	4,609·5
" 20	3,040·0	1,331·9	293·5	...	4,665·4
" 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
" 13	3,080·0	1,345·5	301·7	0·3	4,727·4
" 20	3,100·0	1,359·1	369·6	...	4,829·2
" 31	4,491·4		327·0	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
" 17	3,190·0	1,382·7	308·3	...	4,881·0
" 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·3	...	4,867·4
" 8	3,240·0	1,272·2	266·9	...	5,134·2
" 15	3,260·0	1,627·9	276·6	...	5164·7

THE MONEY MARKET

At the Treasury bill tender following the reduction in Bank rate on Friday of last week the average rate of discount fell by 6s. 9d. to £1 14s. 1.75d. per cent per annum, its lowest level since early March, 1952. The market increased its bid from £99 9s. 9d. to £99 11s. 5d., involving a reduction in its rate of discount by 11/32 per cent. As the total offer was up by £20 million to £260 million and applications fell by £15 million to £391.7 million, the market's allotment rose from 42 to 50 per cent. At yesterday's tender the offer was again increased, to £270 million.

In Lombard Street the basic pattern of money rates remained stable after the adjustments made on Thursday week. The banks' buying rates for July and August Treasury bills after the Treasury bill tender were generally 1 21/32 per cent. Credit was in fairly short supply during the week covered by the Bank return. On Thursday and Friday of last week the authorities made small purchases of bills, directly and through the banks, but on Wednesday no such relief was given and a number of houses were forced to seek 7-day loans at the Bank at 3 per cent.

In the gold market the range of prices continued to hover round 249s. though on Wednesday the price at the fixing dropped to 248s. 10½d. Business was slightly more active than in the preceding two weeks.

The Bank return shows a reflux of notes of £3.1 million. For the fourth successive week there was a fall in bankers' deposits —of £3.2 million, bringing them to £267.4 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
Deposit rates (max)		*Bank bills: 60 days*	1⅛
Banks	1½	3 months	1⅛
Discount houses	1¼	4 months	1⅛
Money—*Day-to-day*	1½–1⅝	6 months	2
Short periods	1½–1⅝	*Fine trade bills:* 3 months	2¼–3
Treas. bills *2 months*	1⅛	4 months	2¾–3¼
3 months	1⅛	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	May 20	May 12	May 19
Issue Department:*			
Notes in circulation	1,523·8	1,612·9	1,603·8
Notes in banking dept.	26·8	12·5	15·6
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
Banking Department:			
Deposits:			
Public accounts	11·3	19·9	19·4
Treasury special account	45·7	4·6	4·6
Bankers	213·2	270·6	267·4
Others	70·2	70·7	68·6
Total	400·4	365·8	360·0
Securities:			
Government	365·1	346·2	338·8
Discounts and advances	6·6	8·4	7·0
Other	17·9	14·0	13·9
Total	389·6	368·6	359·7
Banking department reserve	28·7	15·1	13·3
"Proportion"	% 7·1	% 4·1	% 3·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Max. Rate %
1953						
May 15	250·0	345·8	250·0	47	8·01	68
1954						
Feb. 12	230·0	369·9	230·0	41	4·00	58
" 19	240·0	398·9	240·0	41	3·56	46
" 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	432·9	270·0	41	3·83	53
" 12	270·0	414·6	270·0	42	2·61	45
" 19	260·0	365·6	260·0	42	3·64	50
" 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
" 9	270·0	392·2	270·0	42	4·05	59
" 15	230·0	417·2	230·0	41	7·41	44
" 23	230·0	415·4	230·0	41	7·54	38
" 30	230·0	431·5	230·0	40	11·36	38½
May 7	240·0	406·6	240·0	40	10·84	42
" 14	260·0	391·7	260·0	34	1·75	50

* *On May 14th tenders for 91 day bills at £99 11s. 5d. secured about 50 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.*

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: May 19	Market Rates: Spot: May 13	May 14	May 15	May 17	May 18	May 19
United States $	2·78-2·82	2·81 11/16–2·81 13/16	2·81 11/16–2·81 13/16	2·81¾–2·82	2·81¾–2·82	2·81¾–2·82	2·81¾–2·82
Canadian $		2·77 15/16–2·77 15/16	2·77½–2·77⅝	2·77½–2·77⅝	2·77⅝–2·77½	2·77 15/16–2·77 15/16	2·77 15/16–2·77 15/16
French Fr.	972·65–987·35	985½–986½	986½–986⅝	985½–986⅛	986–986⅛	985⅞–986	985⅝–985⅞
Swiss Fr.	12·15 6/16–12·33 6/16	12·23½–12·23⅞	12·23⅝–12·23⅞	12·23⅝–12·23⅝	12·23⅝–12·23⅝	12·23½–12·23⅞	12·23⅝–12·23⅞
Belgian Fr.	138·95–141·05	140·65–140·75	140·65–140·75	140·60–140·70	140·60–140·70	140·60–140·70	140·55–140·65
Dutch Gld.	10·56–10·72	10·64–10·64⅛	10·64–10·64⅛	10·64⅛–10·64⅛	10·64–10·64⅛	10·64–10·64⅛	10·63⅞–10·64
W. Ger. D-Mk.	11·67 3/16–11·84 3/16	11·75–11·75⅛	11·75⅛–11·76	11·75⅛–11·76	11·75⅜–11·75⅝	11·75⅛–11·76	11·75⅛–11·76
Portuguese Esc.	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·57⅜–14·59⅜	14·56⅞–14·57	14·57⅛–14·57⅜	14·57⅛–14·57⅜	14·56⅞–14·57	14·56–14·56⅛	14·54⅞–14·55⅛
Danish Kr.	19·19⅛–19·48⅛	19·44–19·44½	19·44–19·44½	19·44–19·44½	19·44–19·44½	19·44–19·44½	19·44–19·44½
Norwegian Kr.	19·85–20·15	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛
One Month Forward Rates							
United States $		½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par
Canadian $		7/16–9/16c. dis	7/16–9/16c. dis	7/16–9/16c. dis	½–5/8 dis	½–5/8c. dis	7/16–9/16c. dis
French Fr.		1¼–1¾ dis	1¼–1¾ dis	1¼–1¾ dis	1¼–1¾ pm	1¼–1¾ dis	1¼–1¾ dis
Swiss Fr.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
Belgian Fr.		⅞ pm–⅞ dis	⅞ pm–⅞ dis	⅞ pm–⅞ dis	⅞ pm–⅞ dis	⅞ pm–⅞ dis	⅞ pm–⅞ dis
Dutch Gld.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
W. Ger. D-Mk.		1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm–par
Swedish Kr.		2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm	2–1⅝ pm
Danish Kr.		1–3⅝ dis	1–3⅝ dis	1–3⅝ dis	1–3⅝ dis	1–3⅝ dis	1–3⅝ dis
Norwegian Kr.		Par–2⅝ dis	Par–2⅝ dis	Par–2⅝ dis	Par–2⅝ dis	Par–2⅝ dis	Par–2⅝ dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/1	248/11	...	248/11	248/11	248/10½

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For address of Local Office see Telephone Directory

CVS-295

COMPANY MEETINGS

ANGLO-IRANIAN OIL COMPANY

MAIN PROGRAMME OF CAPITAL EXPENDITURE SHOULD BE COMPLETED DURING 1955

FORMATION OF CONSORTIUM TO NEGOTIATE SETTLEMENT OF IRANIAN DISPUTE

EXPLORATION ACTIVITIES FURTHER EXTENDED

TOTAL SALES IN 1953 INCREASED BY 14% TO 37 MILLION TONS

SIR WILLIAM FRASER'S STATEMENT

The forty-fifth annual general meeting of the Anglo-Iranian Oil Company, Limited, will be held on June 10th at Britannic House, Finsbury Circus, London, E.C.

The following is the statement by the chairman, Sir William Fraser, CBE, LLD, which has been circulated to stockholders with the report and accounts for the year ended December 31, 1953:

Since the last annual general meeting Field-Marshal Viscount Alanbrooke, who has been an ex-officio director since 1946, has retired from the board; we shall much miss the wise counsel and wide experience of so valued and distinguished a colleague. Her Majesty's Treasury has appointed to succeed him Sir Gordon Munro, whom we welcome to the board.

In January last we sent to all stockholders a booklet of about a hundred photographs illustrating the wide range of the company's activities during 1953. This booklet, which was also distributed to the company's staff and business associates, was so well received that we propose to issue it annually in future at each year end, and consequently fewer photographs than usual are included in this statement. As with the showings of the company's films arranged in 1952, we feel stockholders will appreciate this further source of information about the company's operations.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The accounts for 1953 have been prepared in the same form as those for the previous year. Assets and liabilities representing the company's interests in Iran remain included in these accounts at substantially the same figure as for 1951 and 1952. When a settlement regarding those interests is concluded with the Iranian Government, it is your Board's intention to make all such adjustments as may be entailed thereby in the form and contents of these accounts.

Consolidated trading profit and other income for 1953 was £43,827,585 after provision of £20,056,243 for depreciation on fixed assets, allied companies and other trade investments and oil exploration interests. The gross consolidated profit thus totalled £63,883,828, comparing with £61,260,584 for 1952 when depreciation and other write-offs totalling £14,198,946 were provided.

The increase in depreciation of £5,857,297 is largely due to the reintroduction for taxation purposes of initial allowances as from April, 1953.

Income from subsidiary and allied companies is greatly increased this year, but last year's figures were abnormally low.

A new item appearing in the profit and loss account is interest on the debenture stock issued in January, 1953. The discount on and expenses of this issue have been completely written off.

Our claim for relief from United Kingdom taxation in respect of Kuwait taxation has still not been agreed by the Inland Revenue authorities. In view of the uncertain position we have again provisionally treated Kuwait taxation as a charge against trading profits for all purposes. Kuwait tax for 1952 amounted to £26,822,157, and for 1953 £30,748,542. Should our claim ultimately be accepted the net increase in the group's tax-paid profits to the end of 1953 could approximate £20 million.

The item of cost of land, oil wells, pipelines, refineries, etc., in the consolidated balance sheet shows an increase of £57,867,311, almost entirely due to expenditure on our refineries in the United Kingdom, Aden and Western Australia, as itemised below.

In the Anglo-Iranian Oil Company Limited's own balance sheet the item land, refinery, tank installation, etc., shows little change in the cost figure at £124,635,508, although the depreciation figure at £67,156,888 shows a reduction of £4,033,961. This is mainly because although expenditure on our Aden refinery has been added to the cost figure, our Kent refinery has been transferred at written-down value to a subsidiary company, a transfer whose effects disappear on consolidation. Similarly the increase from £58,954,999 to £100,180,423 in advances to subsidiary companies is due chiefly to this transfer of expenditure on Kent refinery and to expenditure on our Western Australia refinery. In the consolidated balance sheet the whole of this refinery expenditure is included in the heading land, oil wells, pipe-lines, refineries, etc., and does not show as investment in subsidiary companies.

In the consolidated balance sheet, tankers and auxiliary vessels stand at the net figure of £11,295,910 compared with £12,056,676 last year. Although capital expenditure on tankers during the year amounted to £8,529,522, this is more than offset by the depreciation of £8,524,382 provided and the book profit on the sale of certain vessels during the year.

Shares in subsidiary companies show an increase of £5,105,763, chiefly due to the capitalisation of advances to certain of our marketing subsidiaries. It will be noted that in total our investment under the heading of subsidiary and allied companies is practically unchanged from last year's figure.

CAPITAL EXPENDITURE

Total capital expenditure during 1953 was just under £75 million, financed by the proceeds of the debenture issue, retained profits and reduction of net current assets. This capital expenditure included the following main items:

	£
Aden Refinery	26,500,000
Kent Refinery	14,600,000
Kwinana (W. Australia) Refinery	10,700,000
Other UK Refineries	4,300,000
Tankers	8,500,000
Oil Exploration Interests ...	4,500,000
Marketing Interests	4,000,000
	£73,100,000

Capital expenditure in 1954 continues to be heavy, being of the order of £60 million. As at present foreseen, our main programme of capital expenditure should be completed during 1955, making our requirements thereafter considerably smaller than in the past few years.

After providing £19,342,232 for taxation on profits, the amount available for reserves and dividends is £24,382,850 compared with £25,165,966 for 1952. Your directors are of the opinion that there is no need to increase the preference stock reserve which already stands at £10 million; they have placed £14 million to general reserve and have recommended a final dividend on the ordinary stock of 25 per cent, and in addition a cash bonus of 2s. 6d. per £1 stock unit, both less income tax. The total distribution for the year approximates 7 per cent on the ordinary stock plus general reserve.

THE COMPANY'S INTERESTS IN IRAN

A year ago in my statement to stockholders I summarised the course of events in 1952 and early 1953 regarding the company's interests in Iran. At that time the Iranian Government had rejected the latest proposals for a settlement of the dispute which had been submitted through the good offices of the United States Ambassador in Tehran. There then seemed no immediate prospect of reaching agreement with the Iranian Government, either for arrangements to enable large scale activity of the industry to be restored, or for the assessment and payment of compensation to the company.

As stockholders will be aware, there was a change of government in Iran during August, 1953. It was thereafter the aim of Her Majesty's Government to secure the resumption of diplomatic relations, which the former Iranian Government had severed in October, 1952.

With a view to exploring on a tentative and hypothetical basis the problems involved if and when Iranian oil should again flow into its traditional markets, I sent invitations early in December, 1953, to the principals of seven other major oil companies to join with us in talks in London. These companies comprised five American companies, namely Standard Oil (New Jersey), Socony-Vacuum Oil, Standard Oil of California, Gulf Oil and Texas, together with Royal Dutch-Shell and the Compagnie Française des Pétroles. Each company is concerned with the production and marketing of Middle East oil on a large scale and can in consequence contribute constructively to a solution of the Iranian problem as a whole and to the restoration of Iranian oil to the world markets.

The invitations were accepted, and principals of all seven companies assembled here for talks during December. There was a general desire that the Anglo-Iranian Oil Company should find itself able to resolve the Iranian oil problem on its own, but all the companies were prepared to join in discussions with a view to the provisional formation of a "consortium" of companies which would endeavour to conclude an agreement with the Iranian Government, if that should prove to be a more acceptable alternative.

In the meantime, in a joint communiqué on December 5, 1953, Her Majesty's Government and the Iranian Government had announced the resumption of diplomatic relations; the communiqué went on to state that the two Governments would proceed at the earliest mutually agreed moment to negotiate a settlement of the oil dispute which had recently clouded relations between them. Mr D. Wright left London shortly afterwards to take up the appointment of Her Majesty's Chargé d'Affaires at Tehran, and there followed discussions on the oil problem between him and Iranian ministers. These discussions indicated that the best chance of reaching a solution lay in the formation of a Consortium of companies, and the Iranian Government itself expressed a wish to seek a solution on such a basis rather than through a single company.

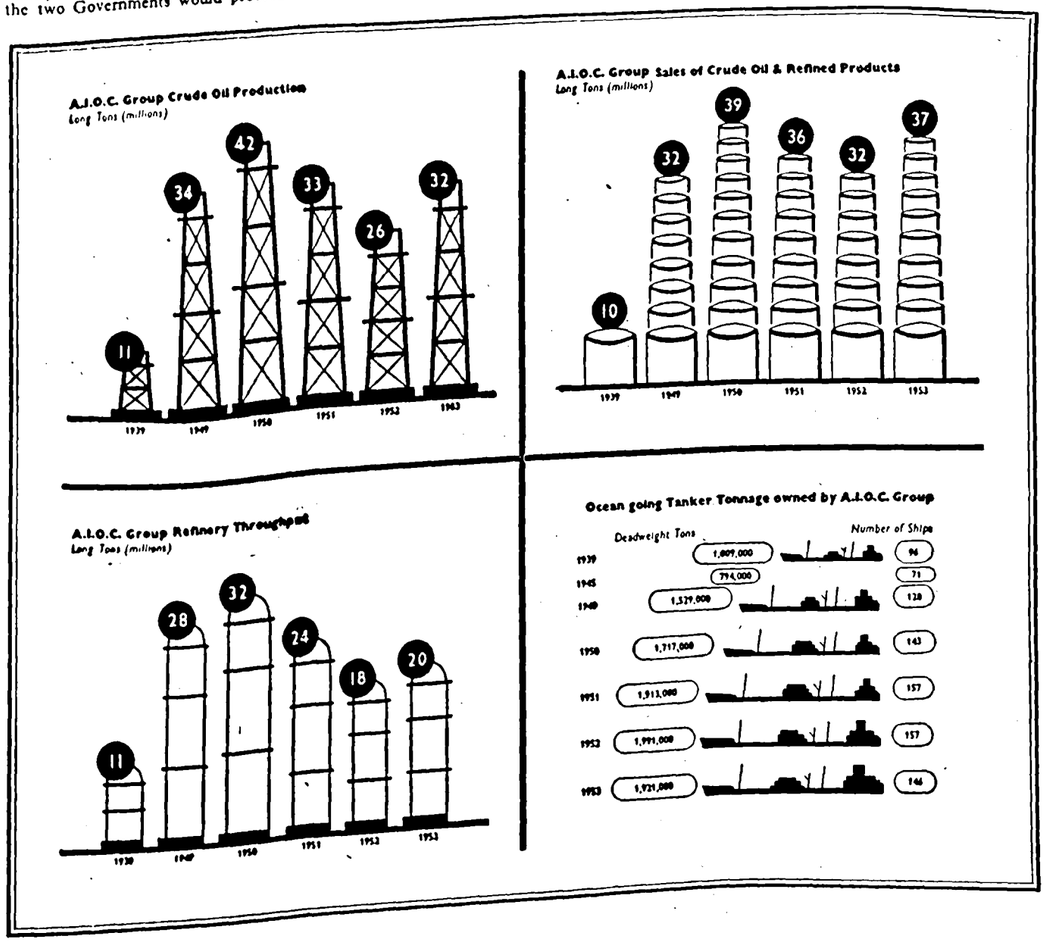
The Iranian Government was therefore informed by Her Majesty's Chargé d'Affaires in January of this year that it had been decided that the Anglo-Iranian Oil Company would resume its talks with the same seven companies in order to see whether it was feasible to form a Consortium, in which the Anglo-Iranian Oil Company would have an appropriate share.

Accordingly, talks with representatives of the companies began on February 1, 1954, the principals of the companies participating at a later stage. There took place an examination both of proposals to be submitted by the Consortium to the Iranian Government, and also of the arrangements which would apply between the companies comprising the Consortium. In the course of the discussions a technical mission representing the companies visited South Iran at the invitation of the Iranian Government. The companies thus had the benefit of up-to-date technical reports on the condition of the plant and equipment at the oilfields and refinery.

FORMATION OF CONSORTIUM

On April 9th an understanding was reached between the companies with regard to a basis for the provisional formation of a Consortium. The composition of the Consortium would be as follows: Anglo-Iranian Oil Company, with a 40 per cent share; the five United States companies, Standard Oil (New Jersey), Socony-Vacuum Oil, Standard Oil of California, Gulf Oil and Texas, with an interest aggregating 40 per cent; Royal Dutch-Shell with 14 per cent and the Compagnie Française des Pétroles with 6 per cent. The Consortium would not be established until there is an agreement with the Iranian Government which is acceptable to all the companies participating.

Throughout the period of these inter-company talks there had been close consultation between the company and Her Majesty's Government, and between Her Majesty's Government and the United States Government. On the same day as the understanding between the companies was reached the two Governments instructed their Ambassadors in Tehran to inform the Iranian Government with regard to the provisional arrangements which had been made, and to state that representatives of the Consortium could leave for Tehran for negotiations as soon as the Iranian Government was ready to receive



them. The Iranian Government immediately issued an invitation and a delegation of three negotiators, consisting of Mr Orville Harden of Standard Oil (New Jersey), Mr J. H. Loudon of Royal Dutch-Shell, and Mr H. E. Snow of the Anglo-Iranian Oil Company, left London on April 10th. Mr J. M. Pattinson and members of this and the other companies' staffs have accompanied the delegation to Tehran.

Parallel with the negotiations between the Consortium delegation and the Iranian Government, negotiations with regard to the compensation to be paid to the Anglo-Iranian Oil Company by the Iranian Government are being conducted by Her Majesty's Ambassador, who arrived at Tehran in March. It had been agreed that this question, with which the other members of the Consortium are not directly concerned, should be dealt with separately.

The two sets of negotiations are now in progress and I will not comment further at this stage. Any developments between now and the annual general meeting will be reported to you on that occasion.

Pending a satisfactory conclusion to these negotiations, Her Majesty's Government, on their own behalf and on that of the company, have of course reserved their full legal rights. The company has continued with all necessary legal action to protect its rights in oil cargoes derived from the area of the company's operations in Iran, and exported overseas. The legal proceedings referred to in my statement of a year ago have undergone a number of adjournments. In Nairobi the appeal from the judgment of the Supreme Court at Aden has not yet been heard, and there have been no decisions as yet on the merits of the company's suits before the courts in Italy and Japan over the ownership of the various cargoes which have been shipped from Iran to those countries.

PRODUCTION AND EXPLORATION

Crude oil production in Kuwait, Iraq, and Qatar was again substantially increased during 1953, when our offtake from those sources totalled some 32,200,000 tons, compared with 25,600,000 tons in 1952.

Kuwait was again our major source of supply in 1953, our offtake being 23,316,000 tons, compared with 19,820,000 tons in 1952. Production began in February, 1953, from the northerly extension of the Burgan field at Magwa, where there were 22 producing wells by the end of 1953, 13 wells having been completed during the year. Oil has also been proved and development drilling is proceeding at Ahmadi in a subsidiary structure east of the main Burgan field. Tanker loading facilities at Kuwait have been increased by the laying of submarine lines to three new buoy berths.

Our offtake from the Iraq Petroleum Company's production was 6,780,000 tons, compared with 4,295,000 tons in 1952, the increase being due to the use throughout 1953 of the new 30-inch pipeline to the Mediterranean from Kirkuk commissioned in April, 1952.

From the Mosul Petroleum Company's Ain Zalah field we received 295,000 tons, compared with 38,000 tons in 1952. Exploration in this area has proved oil at Butmah, whose potentialities are now being assessed.

Development of the Basrah Petroleum Company's Zubair field continued and our offtake was 744,000 tons, compared with 547,000 tons in 1952. A new field discovered at Rumaila is being actively developed.

From Quatar we obtained 1,018,000 tons, compared with 775,000 tons in 1952.

The Khanaqin Oil Company produced 520,000 tons, which were sold to the Iraq Government in accordance with our agreement, from the Naft Khanch field in north-east Iraq. This compares with 492,000 tons in 1952. Wells are now being drilled at Chia Surkh and Naft Khanch to enable the deep oil prospects of these structures to be evaluated.

In the United Kingdom our crude oil production was 54,600 tons compared with 55,400 tons in 1952 ; a new small oilfield was discovered at Plungar in Leicestershire at the end of the year. We have agreed with the Gas Council to explore on their behalf for natural gas in the United Kingdom. This is to be a large-scale exploration spread over a five-year period at an estimated cost of £1,000,000, the work to be carried out for the Gas Council by our subsidiary, the D'Arcy Exploration Company which, as well as wide experience in other parts of the world, has a unique knowledge of geological and drilling conditions in the United Kingdom. We are glad to be associated with the Gas Council in this search for natural gas supplies which, if successful, will be of considerable importance to the national economy. Survey work commenced in November last, and drilling began at Cousland in Scotland early this year.

In Scotland, production of shale-oil in 1953 was 104,000 tons, 2,500 tons less than in 1952. Costs of supplies, such as coal and pitwood, increased again during 1953 and prices obtained for products decreased. The shale industry thus continued to operate at a loss during 1953. In mid-October the excise duty on hydrocarbon oils produced from United Kingdom sources was reduced by 6d. per gallon, making the excise duty 1s. 3d. per gallon compared with the duty of 2s. 6d. per gallon on imported oils. This relieved the exceedingly difficult situation which the shale-oil industry was facing when I addressed you last year, and has enabled wages to be increased.

Our range of exploration activities in other parts of the world has been further extended. In Papua, where our joint undertaking with Australian and American interests continues to progress, a test well at Omati has encountered an interesting show of high-pressure gas at 13,743 feet ; this is believed to be the deepest so far drilled in the southern hemisphere. Another well is being drilled at Omati, and the northern delta area at Kuru, one of the most promising locations indicated by geological and geophysical surveys, is to be test-drilled in the near future.

In Australia, the Frome-Broken Hill Company, in which we are associated with Australian and American interests, has resumed its search for oil.

In Canada, we have acquired an interest in the Triad Oil Company which has well spread holdings in the proved or potential oil-bearing areas of Western Canada.

In Africa, extensive surveys and drilling have continued in Nigeria in partnership with the Royal Dutch-Shell Group. Oil of good quality was located and an intensified drilling programme is in hand to define the importance of this discovery. In East Africa, we are also working in co-operation with the Royal Dutch-Shell Group, and surveys have been carried out on the mainland and in Zanzibar Protectorate ; a suitable site for a first test well has been located on Mafia Island in Tanganyika and drilling will shortly begin.

In Trinidad, where we hold a one-third interest in Trinidad Northern Areas Limited, a well drilled on the mainland was unsuccessful. Test drilling underwater in the Gulf of Paria is being undertaken this year.

In Sicily, geological and geophysical surveys have been completed and a test well started at Vittoria in September has reached below 7,000 feet, with some indications of potential oil production.

Exploration of the two marine areas off the Trucial Coast in the Persian Gulf which I mentioned last year began in February, 1954.

REFINING

Our total refinery throughput during 1953, at 20 million tons, was 2 million tons greater than in 1952. With the new Aden refinery coming into commission this summer, and Kwinana refinery early next year, as well as expected increases in capacity of some of our existing refineries as mentioned below, our total refining capacity by the end of next year should be some 30 million tons, as anticipated in my statement to you last year. Parallel with this expansion in refining capacity, our refining operations and the quality of products are being continuously improved by the installation of new plant, some of which is described below, in a constant effort to achieve the most efficient and competitive production.

In Great Britain, our refinery throughput in 1953 was 9,327,000 tons against 6,788,000 tons in 1952.

This large increase was due to the coming into operation in February of the new Kent refinery, which processed 2,792,000 tons in 1953. Installation of new plant at this refinery proceeded satisfactorily, the catalytic cracking plant coming into service in October and the kerosine plant in December last, while the lubricating oil plant comes into production this month.

Llandarcy refined 3,883,000 tons against 4,254,000 tons in 1952, the decrease being due to reduction of the abnormal throughput at which this refinery had been working since our operations at Abadan ceased and pending the commissioning of Kent refinery. Throughput at Grangemouth was 2,493,000 tons against 2,375,000 tons in 1952. Catalytic cracking plants were commissioned early in 1953 at Llandarcy and Grangemouth, and good progress is being made with the installation of a platforming unit at Llandarcy and a catalytic polymerisation plant at Grangemouth.

At Pumpherston refinery, which processes Scottish shale-oil and crude petroleum produced in the United Kingdom, throughput was unchanged at 159,000 tons.

BRITISH PETROLEUM CHEMICALS LIMITED

Good results have been obtained from the Grangemouth plant of British Petroleum Chemicals, Limited, now a major supplier of alcohols for industrial purposes. Production of ethyl alcohol, a vital raw material for the chemical industry, now represents a significant proportion of the total United Kingdom supply. The adjacent plant of Forth Chemicals, Limited, for the production of monomeric styrene was brought into commission during the year and has operated most satisfactorily. Forth Chemicals, Limited, has decided to double the capacity of this plant. It is gratifying that our entry, with partners, into the field of synthetic petroleum base chemicals is proceeding so well.

In Belgium, the refinery at Antwerp which we own jointly with the Petrofina Company processed 1,787,000 tons, against 1,718,000 tons in 1952. It is intended to increase the capacity of this refinery to 2,700,000 tons during the next twelve months, and catalytic cracking and polymerisation plants are being installed.

In France, throughput of the Lavera and Dunkirk refineries of Société Générale des Huiles de Pétrole BP totalled 3,927,000 tons, against 3,758,000 tons in 1952.

In Germany, our Hamburg refinery processed 705,000 tons, against 663,000 tons in 1952. During 1954 this refinery's capacity will increase to 1,250,000 tons on completion of the additional plant mentioned last year. At the Oelwerke Julius Schindler refinery throughput was 195,000 tons, against 177,000 tons in 1952.

In Italy, the Marghera (Venice) refinery of Industria Raffinazione Olii Minerali, which we own jointly with Azienda Generale Italiana Petroli, refined 1,381,000 tons of crude oil, against 1,170,000 tons in 1952. A catalytic polymerisation unit and a lubricating oil plant were commissioned during 1953.

In Israel, the refinery at Haifa continued working at about one-quarter of its capacity, the 1953 throughput being 860,000 tons for local consumption.

The Kuwait refinery processed 1,427,000 tons, an increase of 155,000 tons over 1952.

In Australia, at Laverton (Melbourne) refinery throughput was 165,000 tons, against 161,000 tons in 1952. At Kwinana in Western Australia good progress is being made with the construction of our new 3 million tons capacity refinery, which is expected to be in operation in the spring of 1955.

At Aden the construction of our new 5 million tons capacity refinery is ahead of schedule, and is to come into operation in August this year. This is about four months in advance of our best expectations, and represents a remarkable feat of successful planning and construction by our team of staff and contractors.

SEA TRANSPORT

The British Tanker Company's fleet, at this time last year, numbered 151 ships totalling 1,934,000 deadweight tons. Since then 16 old ships totalling 161,000 deadweight tons have been disposed of, and seven ships (two of 32,000 and five of 16,000 deadweight tons) totalling 144,000 deadweight tons have been added to the fleet, making its present total 142 ships of 1,917,000 deadweight tons. The fleet is thus slightly smaller both in number of vessels and total tonnage, but this is more than offset by its increased proportion of larger, faster and newer ships. These three factors combine to enable the present fleet to carry a larger total tonnage more economically than ever before, a trend which will continue as new large vessels come into service and old small ones are disposed of. The 28,000 and 32,000 ton tankers, employed mainly in carrying crude oil from the Middle East to our refineries, are proving particularly efficient and economic in operation.

Now under construction or on order we have 20 ships totalling 474,000 deadweight tons, including ten of 32,000 tons. Four of the ten 16,000 ton ships ordered by the Lowland Tanker Company for our service are now in commission ; two are expected to be commissioned later this year and the remaining four next year.

In addition to our own fleet we continue to have over 2 million deadweight tons of tanker shipping on charter.

The written down value of the British Tanker Company's fleet in service at December 31, 1953, was £3 9s. 4d. per deadweight ton, and the average age per deadweight ton of the vessels was just under eight years. While the cost per deadweight ton of building tankers varies according to the size of the vessel, an average figure is of the order of £65.

DISTRIBUTION AND SALES

World demand for petroleum products (excluding the Iron Curtain countries) increased by about 5 per cent in 1953, a similar rate to that experienced in the preceding year. In the Eastern Hemisphere the increase in consumption was about 8 per cent, only fractionally less than in the preceding year ; this represented some 10 million tons of oil products and was more than covered by increases in crude oil production capacity, notably in Kuwait and Iraq, and by expansion in refinery capacity which during the year was augmented to the extent of 24 million tons per annum.

1953 was our second full year without supplies from Iran. As reported in my statement last year, although the Anglo-Iranian Group's sales of over 32 million tons of crude oil and products in 1952 were 3 million tons below those for 1951, our position had been improving and in the second half of 1952 sales were at a higher level than in the first half and some 11 per cent above those for the second half of 1951. This improvement continued, with the result that the Group's sales of crude oil and products in 1953 increased by 4½ million tons, or just over 14 per cent, compared with 1952, and totalled just under 37 million tons. This increase occurred mainly in crude oil sales ; sales of refined products increased by rather over 1 million tons, and were supplied to a greater extent from our own resources. Although we had, in order to meet our marketing requirements, to continue both to hire refinery capacity and to purchase large quantities of products, we were able, aided by the commissioning of the Kent refinery, to reduce the hiring of refinery capacity from 3 to 2½ million tons and purchases from 7 to 6½ million tons.

In the summer of 1953 there occurred the first general rise in the level of crude oil prices since 1947. Prices in the world market for the main products were adjusted initially to reflect the full extent of the increase in crude oil costs to the refiner, but there was a recession over the latter months of the year in motor spirit prices. The fall in tanker freight rates in the latter half of 1952, to which I referred in my last statement, continued throughout 1953 but in a much sharper degree, and these lower freight charges were appropriately translated into reduced selling prices in our markets. The level to which tanker freights had fallen by the end of 1953 was, however, so low that further reductions in the selling prices of products from this direction can scarcely be expected. Indeed, it would be more realistic to expect some recovery in freight charges before a point of equilibrium is reached, for the freight rates current towards the end of last year had dropped to a point at which the economic operation of the volume of tanker tonnage necessary for the world's oil trade would not be practicable for any sustained period at today's cost of construction and maintenance.

In Australia considerable further progress has been made with improving and expanding the distribution and marketing facilities of The Commonwealth Oil Refineries Limited, a wholly owned Anglo-Iranian subsidiary since our purchase of the Australian Government's shareholding as reported last year. The company is thus enabled to share in the Commonwealth's growing petroleum business sales by COR during 1953 showing a very satisfactory increase.

Both in Australia and New Zealand we are still confronted with the problem, mentioned below, of economic supply because of our lack of refinery capacity East of Suez. Also the petroleum industry, particularly in Australia, suffers from a price control system which permits little or no allowance for the considerable increase in internal costs brought about by higher commodity prices and wages ; the official cost-of-living index in Australia showed an increase of over 50 per cent between 1949 and 1953, without any corresponding increase being recognised in petroleum distribution costs.

SEVERE COMPETITION IN ALL MARKETS

As forecast last year, severe competition has been experienced in all our markets, and trading conditions have been far from easy. Particularly was this so in our Continental markets where to the pressures caused by a surplus of refining capacity has been added the new factor of a resumption of exports of Russian and Rumanian oil. It is, therefore, satisfactory to record an overall increase in sales by our Continental subsidiary and associated companies of 10 per cent compared with 1952.

In India, Pakistan, and in our other outlets in East and South Africa, the Rhodesias, Egypt and the Sudan, etc., our trading position has been maintained or improved upon.

Our aviation spirit business is still dependent on purchased supplies, and sales were at approximately the same level as in 1952. The market for aviation turbine fuels continued to expand, and despite highly competitive conditions our sales were increased. The BP Aviation Service continues to supply in whole or in part the aviation fuel requirements of a number of the major international air lines, of non-scheduled operators and private operators. The efficient servicing of participants in the United Kingdom to New Zealand Air Race by our airfield fuelling organisation materially contributed to the low times recorded.

The BP International Oil Bunkering Service has again met the extensive requirements of an important part of world shipping and it is most gratifying that shipowners have continued to support the company and our associates. Bunkering facilities have been improved and developed to ensure an even better BP service to shipping.

In view of our increasing production of lubricating oils, I am glad to say that our business both in automotive and industrial grades is expanding most satisfactorily. BP Energol lubricants were introduced during the year into Australia, New Zealand, Sweden and Norway, and by mid-1954 our lubricating oil will be available in all countries where we have general marketing interests.

In the United Kingdom the total inland consumption of petroleum products showed a welcome upward trend during 1953 as a result of the improvement in general industrial activity, and was particularly marked in the case of fuel oils. Motor spirit consumption showed some expansion despite the effects mentioned below of its present heavy taxation : the increasing demand for premier grades has been well maintained. The public were quick to recognise the advantages which premier grades offered, and in the highly competitive market for the motorist's custom BP Super continues to do well. An increasing number of motorists are also recognising the virtues of BP Energol motor oils. Burning-oil sales have also been well maintained, and it would appear that the higher heating standards which the public demand today are being very satisfactorily met by the use of kerosene, in which the position of our marketing company Shell-Mex and BP, is very strong.

Marketing conditions in the early months of the present year have remained highly competitive. We are still suffering from the handicap of having to supply our Eastern markets uneconomically due to our lack of refining capacity east of Suez and the excessively long hauls in which we are thereby involved. The commissioning of Aden refinery later this year and Kwinana refinery early in 1955 will rectify this position.

There is coming more into evidence the problem of maintaining in the Eastern Hemisphere the necessary balance between the proportions in which the main refined products are needed and the proportions in which they

can be produced from crude oil. This problem is aggravated by the very high rates of duty so frequently imposed by Governments on motor spirit, often representing more than half the price paid by the consumer, so that consumption of motor spirit is being arbitrarily retarded and the use of diesel oil as road vehicle fuel is being artificially accelerated beyond the rate of development which the basic economy of the compression ignition engine would normally warrant.

RESEARCH

Particular attention is given in our research and development establishments to anticipating the changes in market demands for quantity and quality occasioned by improvements in engines and equipment using petroleum products. This also entails intensive research work on the new types of refinery plant required to meet these changing requirements.

No effort has been spared to maintain the outstanding quality of our premium grade motor spirit, BP Super, whose performance has been further developed in the interests of users and engine manufacturers alike. The Products Section of Sunbury Research Station, where all products are subjected to critical examination for performance and quality, has been further enlarged.

New and improved methods of analysing the complex hydro-carbon mixtures dealt with in refining and in the petrochemical field are being continually developed. Last year the further application of X-rays and the use of radio-active isotopes have made possible great advances in laboratory techniques. One example is a new apparatus which will greatly speed up the checking of tens of thousands of samples which have to be examined in each of our refineries every year.

Crude oil availability and quality have occupied a major part of our research programme. The problems connected with the discovery and development of new sources of crude oil are the particular province of our research centre at Kirklington Hall, where the application of entirely new techniques in seismic work is being studied. Research on the provision of instruments for obtaining electrical measurements in bore-holes and on the interpretation of such measurements has been carried on with successful results. Samples of all crude oils available to us are specially analysed at Sunbury to assess their suitability for use in our various refineries and crude oil markets. Where applicable these assays are followed by comprehensive pilot plant studies on larger samples. For this purpose pilot plants, reproducing every process used in our refineries are maintained at our research station.

PERSONNEL

Throughout 1953, the Company has continued to enjoy most loyal and efficient service from all groups of its personnel in the many and widespread spheres of its activities.

The various training schemes which the Company operates provide its employees with the fullest opportunities for their advancement. At the same time these schemes aim at ensuring for our operations a continuous supply of well-qualified and experienced personnel.

The year has been marked by a growing rate of expansion in our operations, and the many problems and additional work which have arisen have been tackled with zest and enthusiasm by all concerned. You will, I feel sure, wish me to thank on your behalf all the Company's employees, whether at home, afloat or overseas, for their excellent and devoted work during the year.

THE BRUSH GROUP LIMITED

(Formerly The Brush Electrical Engineering Company Limited)

RISING WAGES *v.* COMPETITIVE ABILITY

SIR RONALD W. MATTHEWS ON IMPROVED TREND OF TRADING

The sixty-fifth annual general meeting of The Brush Electrical Engineering Company, Limited, was held on May 20th, at Winchester House, Old Broad Street, London, E.C.2.

Sir Ronald W. Matthews, DL, MInstT (the chairman), presided.

The following is an extract from his circulated statement:

You are aware that your board has for some time past been seriously concerned at the continued shortage of available working capital and has constantly reviewed various methods of raising further permanent capital. As a step in this direction £940,000 of new capital was raised in September as 6 per cent cumulative convertible redeemable preference stock.

The net proceeds of this issue together with substantial reductions in stocks and work in progress have enabled us to achieve a reduction in bank borrowings, trade liabilities and other indebtedness. With the general improvement in the balance sheet and having regard to the not unsatisfactory trading position of the company your directors have felt justified in recommending the payment of a dividend at the rate of six per cent, less income tax, on the ordinary stock.

The year under review has been a period of keen price competition both at home and particularly in the overseas markets. A fall in turnover has been inevitable but the rate of gross profit earned on this reduced turnover by the group's English factories was almost the same as in 1952.

CHANGE OF NAME TO THE BRUSH GROUP LIMITED

You will no doubt have observed that during recent months we have adopted for group publicity purposes the title "The Brush Group." The significance of the former title the "BRUSH ABOE GROUP" was frequently misunderstood and your board has considered it desirable that a simpler title should be adopted. The board are now recommending that the name of the company should be changed to "THE BRUSH GROUP LIMITED." Assuming this is agreed, the title of the Brush Electrical Engineering Company, Limited, will be immediately passed to a subsidiary company which we shall employ to manage the Loughborough Works on behalf of the parent company.

We shall thus have The Brush Group Limited as the parent company, Brush Electrical Engineering Company, Limited, carrying on business on the electrical side, and the engine companies carrying on business under their own names as they do at present. No transfer of assets is involved in this arrangement.

The present policy of the board is to consolidate the structure of the group and to make the fullest possible use of our existing manufacturing facilities, which we consider to be fully adequate for our business.

Stockholders have no doubt noticed the recent announcement in the press that Associated British Engineering Limited has sold its substantial holding of Brush Stock to Thomas Tilling Limited. Your board welcome this association with an undertaking with such a distinguished history and wide repute.

The statement then reviews the group's widespread manufacturing interests, comprising the Loughborough factory, Brush Bagnall Traction, Limited, Hopkinson Electric Company, Limited, Petters Limited, J. and H. McLaren, Limited, the National Gas and Oil Engine Company, Mirrlees Bickerton & Day, Limited and Vivian Engine Works, Limited.

SALES

The statement continues: We have faced keener competition throughout the world. Nevertheless the net intake of new orders both for the home and export markets exceeded the figures of 1952 and the year closed with an improved trend which has been maintained during the first quarter of 1954. But we have not yet reached the position where our order intake is equal to our production and we have to face a situation in which not only price but short and punctual deliveries are an essential condition of success; and the continued upward trend of wages is threatening our ability to compete on price especially with our German competitors. Such a trend can only be justified by increased effort, for which we shall always be ready to provide appropriate incentives, and by economies in production to which contribution must be and is in fact being made at all levels in our organisation.

Our overseas sales force has been strengthened by the appointment of additional representatives in various parts of the world, and the establishment of branch offices in India, Pakistan and Venezuela. Your managing director, Mr Miles Beevor, visited India and Canada, two of our most important markets, during the year obtaining first-hand knowledge of the conditions prevailing in those countries.

It is evident that there is a large and rapidly expanding market in Canada for group products and our organisation in that country is being developed, to derive the maximum benefit. We are well aware that pro-British sentiment is not enough to secure business for us. We must prove to the customer, whatever his country, first that our products are "up-to-date" and efficient; secondly that they comply with his requirements rather than with what we think he should want; thirdly that they will be delivered on time; and fourthly that if need arises prompt and efficient service will be forthcoming on the spot. If we are to overcome competition both at home and abroad it is on these four points that we must stake our reputation.

One of your directors, Mr S. A. Lane, visited Moscow on two occasions recently and booked orders (subject to export licences) for a total of five million pounds.

We have entered the new year with a not unhealthy order book, and with satisfactory prospects in most of our traditional markets and others that we are vigorously assaulting. The urge towards the development of the backward areas of the world grows stronger day by day, and The Brush Group is in every way armed to play its full part in that essential task. Our sales organisation is healthy and alert, our factories well managed and excellently equipped.

The report and accounts were adopted, and the proposed change of name to "THE BRUSH GROUP LIMITED" was approved.

A full copy of the statement is available on written request to Duke's Court, Duke Street, St. James's, S.W.1.

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

RECORD VOLUME OF NEW OVERSEAS LIFE BUSINESS

In the course of his remarks at the annual general meeting, Mr E. J. W. Borrajo, MBE, AIA, deputy-chairman of the company, said:

You will, I know, share my regret that our chairman, Sir Frank Morgan, is unable, through illness, to preside at our meeting today. He is, I am glad to say, progressing satisfactorily but it is particularly disappointing, to him and to us, that he should not be with us at the first annual meeting since his election as chairman of the company.

ORDINARY BRANCH

In the ordinary branch the number of life assurance policies issued at home and overseas during 1953, including new group life assurance policies, was 141,000, assuring sums of £120 million. The total sums assured, including bonuses, under policies in force at the end of the year exceeded £908 million.

Out of the surplus for the year 1953 a sum of over £6,750,000 has been allocated to policyholders and the directors have declared for with-profit policies issued in the United Kingdom (other than group pension policies) a reversionary bonus at the rate of £1 18s. per £100 sum assured—an increase of 4s. per cent over the rate for 1952.

The with-profit group pension system which we introduced in 1951 continues to make progress. Though this system has been operating for so short a time it is already justifying our belief that it is an intrinsically cheap method of providing pensions. When to this is added its flexibility and the fact that it relieves the employer of administrative and financial worry, it is evident that the system deserves the most careful consideration of all employers who are making pension arrangements. For this class of business the directors have again declared a compound reversionary bonus pension on deferred pensions at the rate of £1 10s. per cent, whilst the special final bonus pension, added when pensions are entered upon, has this year been increased to £12 10s. per cent.

MILLARD TUCKER REPORT

It is a disturbing feature of our national life today that high rates of taxation are deflecting the energies of many people from productive work: action can rarely be taken in the business field without careful examination of the impact of taxation.

Among the most complicated and troublesome taxation problems are those relating to the various forms of provision for retirement and it was therefore with a feeling of relief that the life assurance world heard of the appointment of the second Millard Tucker Committee in 1951. The problem before the Committee was formidable, as will be realised by all those who have read the valuable report which was recently published.

It was understandable in the circumstances, but nevertheless disappointing, that the Chancellor of the Exchequer, in the Finance Bill, was not able to propose the implementation of any of the recommendations. I cannot emphasise too strongly the unsatisfactory nature of the present position, which should surely be remedied at the first opportunity. The existing and already over-complicated situation is now beset by the worst complication of all—uncertainty. Not only are all pension schemes, whether they be private schemes or insured schemes, in a state of suspense but the great number of self-employed persons and employees with no pension rights or inadequate retirement benefits are in a position of uncertainty as to the best form in which to make their own arrangements.

I would, however, stress the fact that an ordinary endowment assurance contract gives valuable protection for dependants and would for many such persons be preferable even if the recommendations of the Millard Tucker Committee were implemented. The relief of income tax on assurance premiums is valuable and the lump sums at retirement are, of course, completely free of tax.

OVERSEAS LIFE BUSINESS

A record volume of new business has again been written by our overseas branches. Over 45,000 policies were issued in 1953 assuring sums of £51 million, which is some 42 per cent of the total written in the ordinary branch.

At the end of 1929 our overseas life assurance business amounted to only 8,000 policies assuring a sum, including bonuses, of less than £2 million. The corresponding figures for all overseas territories at the end of last year were 360,000 policies assuring over £300 million. This amount is more than the sum assured in the whole of the ordinary branch as recently as 1942. The annual premium income in respect of our overseas life business now exceeds £10 million.

From the outset it has been our policy in each territory to maintain Prudential traditions and principles but to adapt our methods to local practice and thus to meet the varying needs of the different communities. When we started business in the various overseas territories we determined our premium rates having regard to local conditions such as interest and mortality rates, expenses and taxation. During the early years of our development abroad we declared the same rate of bonus in all territories as in the United Kingdom, because the trends of the overseas surpluses were not sufficiently stable to justify us in differentiating bonuses. But with the growth of the business significant divergencies in surplus earnings have, as we anticipated, become apparent and the different rates of bonus declared in the various territories reflect these divergencies. The policy which we have followed enables us to keep our business in each territory on a self-supporting basis and to quote premiums and declare bonuses appropriate to local conditions.

Our largest expansion has occurred in Canada, Australasia and South Africa, and over 85 per cent of our existing overseas life business was written by the branches established in these territories. All of them have had to compete with long-established and prosperous local companies.

We began transacting life business in Canada in 1930 and have made outstanding progress there. The new business sums assured written in 1953 amounted to over £17 million, which is the largest figure for any of our overseas branches, and the sums assured and bonuses under policies in force amount to over £105 million.

Our operations in Australia and New Zealand started in 1931. We now have large organisations in both these countries, with representatives in all the principal cities and towns and with policies assuring over £90 million.

In the Union of South Africa we began the transaction of life business in 1932, when our office in Johannesburg was opened. We have also developed in East Africa, the Rhodesias and Nyasaland, and our South African branch now assures sums of over £75 million. A distinctive feature of this branch is the success which has followed the introduction of group pension business on a with-profit basis.

The remainder of our overseas life business was written in the Middle and Near East, the territories where we transact business being India, Pakistan, Ceylon, Malaya, Egypt, the Sudan, Cyprus and Malta. The total sum assured and bonus is now approaching £40 million.

The progress we have already achieved has been most noteworthy and a sure foundation has been laid for still greater achievements. The potentialities of the Commonwealth countries in which we are operating are boundless and we are proud of the part we are playing in their economic development. This contribution to a vigorous and progressive development would not have been possible except through private enterprise, not only because private enterprise provides an essential flexibility but also because it is hardly conceivable that a nationalised undertaking, even if it were able to enter the overseas insurance market, could maintain its position there and gain the confidence of the insuring public.

INDUSTRIAL BRANCH

In the industrial branch the new business was slightly less than in the preceding year, the new sums assured being £78 million compared with £78,300,000. The average sum assured per policy issued was £58, which is more than double the corresponding figure for the year 1939. Over 70 per cent of the new premium income was derived from endowment assurances.

The total sums assured and bonuses in force now exceed £1,000 million. The premium income of £44 million last year is a further indication of the magnitude of this branch, and you may like to know that the Man from the Prudential collects over 30 per cent of all the industrial assurance premiums paid in the United Kingdom.

The trend of expenses in this branch showed a further and more marked improvement. They amounted to 29.05 per cent of the premiums, as compared with 29.50 per cent for the preceding year and 29.60 per cent for the year 1951. These, I would emphasise, are "all-in" expense ratios, which include the industrial branch share of staff pension scheme costs and outdoor staff bonus.

Out of the surplus for the year 1953 a sum of over £8,300,000 has been allocated to policyholders and the directors have declared a reversionary bonus at the rate of £1 10s. per cent on all participating policies. This is an increase of 2s. per cent over the rate for the previous year.

Bonuses paid last year on claims by death and maturity added, on the average, over 19 per cent to the original sums assured.

APPORTIONMENT OF PROFITS IN THE LIFE BRANCHES

The distributable surpluses in the life branches again showed substantial increases over those for the previous year. As a result your directors were able to make a further increase in the proportion of these surpluses allocated to the policyholders and at the

same time to increase the amount allotted to the shareholders. In each of the life branches the policyholders' allocation for the year 1953 is approximately 91.2 per cent of the distributable surplus and the shareholders' allocation is approximately 8.8 per cent.

You will not, I am sure, have failed to note the increases in the rates of reversionary bonus declared over the last few years. In recent years we have been emerging from the straitened conditions of the war and of the immediate postwar period, and as a result the growth of the distributable surpluses has been abnormally rapid.

GENERAL BRANCH

Our general branch business has shown gratifying expansion during 1953, the premium income increasing by over £900,000 to nearly £12 million. In addition, premiums of £1,800,000 were obtained by our American subsidiary, and of the £13,800,000 total some £8 million was derived from overseas sources. Our general branch premium income has more than trebled since 1945, an expansion even more striking than our progress in the ordinary branch.

In addressing you last year, Sir George Barstow referred to the outstanding service our local staff were able to give to those of our policyholders who sustained losses in the East Coast floods in February. You will be interested to know that over 3,500 claims were handled in this connection and claim payments were £300,000.

The accounts chiefly affected by these exceptional claims were the fire and miscellaneous accounts, but other factors have been favourable so that, despite the flood losses, the net outcome has been satisfactory. There has been a welcome improvement in the motor account, due mainly to a better claims experience overseas. The sickness and accident account, although less favourable than in 1952, has shown a satisfactory profit. Our gross interest earnings have increased by £65,000.

The net surplus after provision for taxes and excluding the amount brought forward has increased from £448,000 in 1952 to £514,000. Of this surplus the directors have transferred £100,000 to the general branch contingency fund and £250,000 to the additional reserve fund.

The net dividend on the B shares has been increased to 2s. 6d. The sum set aside for this purpose together with the corresponding provision from this branch for dividends to A shareholders is again more than covered by the interest on our general branch funds after deduction of taxes.

The figures of our American subsidiary, The Prudential Insurance Company of Great Britain located in New York, are annexed to the accounts before you. The results of that company's operations in 1953 have again been profitable and the premium income has increased by £100,000. A dividend of 10 per cent was paid for the last four years and has again been declared in 1954.

INVESTMENTS

The financial crises which have recurred with such depressing regularity in postwar years were fortunately absent in 1953, and industrial production not only recovered from the setback in 1952 but attained a higher level than in 1951, our previous best year.

The Government has been able to permit a progressive relaxation of controls, thus introducing a healthier element of competition into many industries. There has been a steady, if unspectacular, improvement in our economic position which has been reflected in the continued growth of our gold and dollar reserves. In spite of this improvement, however, we are still far from earning the surplus of £300 million which the Chancellor has indicated is necessary if we are to re-establish a sound economy. It is therefore clearly most important that we should aim at a further substantial increase in our exports. In the face of the strong foreign competition now developing this will prove an arduous task, and one of the factors upon which its fulfilment depends is the allocation of a sufficient proportion of our national resources to new capital investment. The present high level of company taxation unfortunately acts as a deterrent to such capital investment, and therefore the recent provisions for investment allowances are to be welcomed as a helpful contribution to the problem.

Our company is at all times ready and willing to play its part in providing finance for undertakings which are expanding on sound and progressive lines. Such investments properly selected are in the interests of our policyholders and at the same time advantageous to the national economy. It has been our experience that there have not been sufficient investments of this character available to absorb the funds at our disposal, and this may well be an indication that too little is being done towards the re-equipment and modernisation of British industry. This shortage of suitable outlets in the industrial field is reflected in the increase in our holdings of British Government Securities during the year by over £14 million. Nevertheless we have increased our holding of ordinary shares by nearly £8 million. This follows a similar increase in 1952 and brings the total amount invested in this class of security to a figure of £83 million.

I hope that these remarks provide an adequate answer to the suggestion frequently made that we are unwilling to finance industry to a sufficient extent, particularly in the form of equity capital. On the other hand, it has been suggested that our large holdings of ordinary shares may give us an undesirable measure of control over British industry. It is our policy to steer a middle course between our readiness to invest in industry and our desire to avoid holding a large proportion of the equity capital of individual companies.

WIDESPREAD PORTFOLIO

Although our total investment in ordinary shares is substantial, our portfolio embraces a very large number of companies. Such a wide distribution achieves our wish to avoid unduly large individual holdings and at the same time provides a greater measure of security than can be obtained by the investment of very large sums in a relatively small number of concerns.

Some facts about our holdings in this country may be of general interest. We have shares in the equity of nearly 1,100 United Kingdom companies. Our average holding, on the basis of market values, is less than 2½ per cent. At the lower end of the percentages which compose this average will be found our holdings in the biggest of the country's industrial undertakings where even a very small percentage of the equity represents a large cash investment.

At the other end there are only 14 companies in which our holding exceeds 25 per cent. There are six industrial companies in this group and they are comparatively small concerns; the remaining eight are investment and finance companies which have widely spread investments and which also follow the policy of avoiding control of individual companies. Of these 14 companies there are only two in which we own a controlling interest; one is our wholly owned subsidiary Prudential Nominees Ltd., which exists in the main for the purpose of holding the investments of our trustee and executor business and of our staff pension scheme, and the other is the North Central Wagon and Finance Co. Ltd., a public company whose ordinary capital is quoted on the Stock Exchange and of which we hold 57.7 per cent. To complete the picture of our subsidiary interests I should perhaps mention that outside the United Kingdom we own two insurance companies which operate our business in the USA and Finland, and certain of our real property investments overseas are for the sake of convenience held in the form of companies which we control. Lest it be thought that our nominee company is used for our investment holdings, I reiterate the statement made four years ago, namely, that it is not our practice to conceal our interests by holding stocks and shares in the name of nominees and that the extent and nature of our interests can be ascertained by reference to the share registers of the companies concerned.

Let me repeat that it is our clear and definite policy not to acquire such large proportionate holdings in industrial companies that we might be called upon to intervene in matters of management and direction, and the figures I have given you regarding our portfolio demonstrate that we have given practical effect to this policy.

VITAL FACTOR IN MAINTENANCE OF HEALTHY CAPITAL MARKET

Our funds represent reserves which are required to meet the obligations under our insurance contracts. It must therefore be our aim, as has been previously stated on so many occasions, to invest our funds with a view to producing the best return for our policyholders. The very real competition which exists between the many offices seeking to achieve this aim is a vital factor in maintaining a healthy capital market, thereby enabling the intending borrower to raise money on fair and equitable terms. I do not claim perfection for the system on which the capital market is based but it has been built up and adapted over many years and works remarkably well.

The introduction of state control of the investments of insurance companies would, by removing this competitive element, seriously interfere with the smooth working of the market to the disadvantage of those desiring to raise fresh capital. More serious still would be the effect upon the prospects of the policyholders. In my view it is quite clear that state control of life assurance investments would result in subordinating the policyholders' interests to political considerations.

During last year there was a further drop in interest rates resulting in a rise in the market values of the securities in our portfolio. These show a substantial appreciation above the value at which they stand in our published accounts.

Despite this fall in interest rates we are still benefiting from the higher yields which have been obtainable on new investments in recent years. This, combined with improved dividends on existing securities, has been the main factor contributing to an increase of more than 5s. per cent in the gross rate of interest earned in each of the life branches during 1953.

STAFF

I come now to the staff. To all grades, both at home and overseas, I express our appreciation of the manner in which, in widely differing spheres, they have served the company during the past year.

Upon its staff, individually and collectively, the Prudential depends for the upholding of its worldwide prestige; the quality of the thousands of men and women employed by the company is reflected in its reputation, which never stood higher than it does today.

THE BURMAH OIL COMPANY LIMITED

IMPROVED COMMUNICATIONS RESULT IN INCREASED SALES

FORMATION OF NEW BURMESE OPERATING COMPANIES

SIR KENNETH HARPER ON WIDESPREAD ASIAN INTERESTS

The fifty-second annual general meeting of the Burmah Oil Company, Limited, will be held on June 11th in the Merchants Hall, 30, George Square, Glasgow.

The following statement by the chairman, Sir Kenneth B. Harper, has been circulated with the directors' report and accounts for the year ended December 31, 1953:

The total trade in 1953 in petroleum products in Burma, India and Pakistan, though failing to maintain the promise of expansion indicated earlier in the year, showed a small overall increase in volume over 1952, but returns in general were lower. Our Group's trading profit, after charging the cost of exploration in both India and Pakistan, was £5,365,530, or £99,142 down on that for the previous year.

Investment income at £3,581,912 is £273,092 higher than last year, due to the increased dividends received from Anglo-Iranian and Shell and from our trade investments. The steady rise each year in dividends from the latter is the result of the considerable finance which we have been providing recently as our share of the cost of expanding the marketing facilities of our Associates in India and Pakistan.

No dividend has been taken in from The Tinplate Company of India Limited, as declaration and payment were delayed beyond December 31st last. I refer you to Note No. 4 on the accounts.

The income from all sources was £8,948,924. Of this amount £1,235,783 has been provided for depreciation, emoluments to directors amounted to £36,025, while taxation absorbed £4,424,792, leaving a net income for the year under review of £3,252,324 (£2,871,838 in 1952), which together with the carry forward from 1952 of £596,047 resulted in an available surplus of £3,848,371.

DIVIDEND

Out of this sum your board has allocated £1,100,000 to general reserve and has recommended a final dividend on the ordinary stock of 15 per cent which, with the interim dividend of 2½ per cent paid on November 6, 1953, makes a total of 17½ per cent for the year. After providing for these dividends and the dividends on the preference stocks the balance of profit remaining to be carried forward to 1954 is £596,411.

You will remember that when presenting the 1951 accounts to you I indicated that we then had a heavy capital expenditure programme ahead of us. The parent company's balance sheet now before you shows the measure and shape of this investment during 1953, namely an increase of £2,582,011 in net advances to our subsidiary companies, mainly to finance additions to plant and increased working capital requirements, and an increase of £3,554,398 in trade investments, representing your company's share of the capital requirements of our associates the Burmah-Shell marketing companies in India and Pakistan and Burmah-Shell Refineries Limited at Bombay. To meet this finance it was necessary to draw on our holding of Government securities to an amount of £4,750,000.

We should begin in 1955-56 to reap the benefit of transferring funds from Government securities, with their relatively low interest rates, to employment in the operational and more remunerative field. Before the end of 1955 the Bombay refinery should be in full operation and sales of Sui gas by Pakistan Petroleum, Limited, should have begun.

The consolidated balance sheet reflects the increase in advances to our subsidiaries referred to above. Fixed assets are up by £1,082,513, the financing of debtors absorbed a further £1,380,675, and creditors were reduced by £1,617,492. On the other hand there was a reduction in financing stocks of products and stores of £1,309,042. The addition to fixed assets comprises a further expansion of Assam Oil Company facilities at Digboi, further additions to construction work in progress at the new installation of our Pakistan Trading subsidiary at Chittagong and final amounts which became payable on completion and successful sea trials of two new tankers, *Burmah Star* and *Burmah Sapphire*.

TRADING

The effect of the improvement in communications in Burma to which I refer later was to increase total sales of petroleum products by 11 per cent over 1952 figures. During 1953 indigenous production supplied about 36 per cent of the petroleum products sold in Burma, the balance being imported. The previous year's percentage was 32.

In the group's markets elsewhere the year's progress was not so satisfactory. In Assam the market was affected by the recession in the tea industry and Assam Oil Company's sales showed an increase of barely 1 per cent over the previous year. The trade was picking up again in the second half of the year.

In the rest of India and Pakistan recovery from the setback in trade which occurred in 1952 was slower than had been expected, but over the year the total volume of trade of our subsidiaries and associates increased by 4 per cent.

Motor spirit trade fell in both India and Pakistan, largely as a result, particularly in Pakistan, of high duties on this essential commodity. We accordingly welcome, as a move in the right direction, a reduction of the motor spirit duty in the recent Pakistan Budget from the crippling rate of Rs. 2 (4s. 4d.) to the still high rate of Rs. 1½ (3s. 3d.) per gallon. In Pakistan there were also restrictions on the imports of motor vehicles, tyres and spare parts, while in India trade was influenced by uncertainties about nationalisation of transport.

The long term potentialities of the India and Pakistan markets for petroleum products must be very great, but until these restrictions are eased or removed the development of motor transport will be handicapped.

BURMA

Many stockholders will remember the large part Burma used to play in the group's operations to produce and refine crude oil. Until we acquired control of Assam Oil Company, Limited, in 1921, practically the whole of our production of crude oil came from Burma and three-quarters of it was still being produced in Burma when in 1942 the Japanese enemy overran the country and we had to deny them our oil by "scorching" the oilfields and refinery. After the war we started to rehabilitate the plant and facilities, but had to suspend this work in 1948 when the new independent Burmese Government lost to insurgents the control of a large part of their country, including the territory through which the main pipeline ran from the oilfields to the refinery near Rangoon. Since then our operating companies have produced and refined at the oilfields the relatively small quantities of indigenous oil which they have been able to market in the prevailing state of communications.

It is now over five years since the insurgent troubles broke out and progress in regaining control of the country has been disappointingly slow. It is the more satisfactory to be able to report that a distinct improvement became noticeable in 1953. The rebellion is by no means over but road, rail and river communications were maintained last year with less interference by insurgents and our Burma Trading subsidiary was able slightly to extend the distribution of products.

Ever since 1948, at the request of the Government of the Union of Burma, we, in conjunction with the Indo-Burma Petroleum Company, Limited, and the British Burmah Petroleum Company, Limited, have been negotiating an agreement with the Government to continue to develop the oilfields in association with them and I have reported to you year by year the slow progress towards completion of these negotiations. I am glad now to be able to inform you that an agreement was signed on behalf of the Union Government and the three oil companies on January 12, 1954, and that a new Company—The Burma Oil Company (1954) Limited—is in process of taking over the three oil companies' oilfields and refinery assets and operations as from January 1, 1954.

The capital of this new Company all of which is being issued to the three oil companies in the form of vendors' shares is the "kyat" equivalent of £15 million. The Union Government are acquiring a one-third interest from the companies for cash. The first payment of £2,500,000 has been received and the balance of £2,500,000 is payable by instalments or in one sum at the Government's option. The Government also have the option of buying for cash any increased holding they may wish to acquire after their holding to date has been fully paid up. We look forward to a happy partnership with the Union Government, in mutual interest and mutual trust, and we wish the new Company every success.

There has been no progress in the long outstanding matter of our denial claims against the Burmese Government under the Defence of Burma Act of 1940. We hope some advance will be made this year with the preliminary legal issue of that Government's liability under the Act, leaving the quantitative claims to be considered later.

INDIA

Last year I told you about the promising new oil well at Nahorkatiya, a few miles west of Digboi. The second well at Nahorkatiya has recently found good production three-quarters of a mile away from the first, and more wells are being drilled to prove the extent of the oil pools. Until we know the

results of these I would rather not attempt an estimate either of the additional potential production available or of the economic rate of extraction, but there is no reason to modify the cautious optimism I expressed last year. Unfortunately, Nahorkatiya, being at the extreme eastern side of India, is inconveniently placed for supplying the market, and oil from this source will be at a disadvantage compared with imported oil in the matter of internal freight charges.

Assam Oil Company's seismic, gravity and aero-magnetic surveys of the Assam Valley, which were intensified when oil was found at Nahorkatiya, are now well advanced, but it is too early yet to say what, if any, possible new structures will be disclosed.

The two million-ton refinery which is being built on Trombay Island at Bombay by Burmah-Shell Refineries, Limited, financed jointly by your Company and Shell, has made good progress and is expected to come on stream early in 1955.

PAKISTAN

Test wells in two areas of East Pakistan were abandoned during the year, after failing to find oil. On the evidence of these wells our advisers rate the prospects of the areas as poor.

In West Pakistan, results of further drilling on the Balkassar field in the Punjab have been disappointing. The limestone structure covers an area of some 20 sq. miles, but fissuring in the limestone seems to be restricted to a very small part of the structure.

No. 1 well at Zin, the second anticline to be tested in the group of structures, of which Sui was the first, has indicated a large volume of gas-bearing limestone but no oil. The gas is at such low pressure as to be of no commercial value.

A seismic survey of the third area in the group, at Uch, has just started.

A year ago I reported to you the discovery of a major natural gas field at Sui. After the second well had been completed, the gas reserves were estimated at 2¼ billion (English style) cu. ft. The third well is nearing completion, and has indicated that this estimate will have to be increased. The second and third wells are eight miles apart, with the first well between them.

Plans to utilise this gas have gone ahead with the enthusiastic help of the Pakistan Government. The Sui Gas Transmission Company, Limited, has been formed to take delivery of the gas from Pakistan Petroleum Limited at Sui for transmission to major consuming centres. The Transmission Company will lay a 350-mile pipeline from Sui to Karachi at a cost of about £9 million, and it is expected to be in operation by the middle of 1955. We hope this source of plentiful and cheap fuel will prove of immense benefit to Pakistan and a good investment for your Company. Our Pakistan Trading subsidiary has been appointed managing agents of Sui Gas Transmission Company.

The equity of the rupee equivalent of £4 million in the Transmission Company has been subscribed by Pakistan Industrial Development Corporation (a State concern), the Pakistan public, the Commonwealth Development Finance Company, Limited, and The Burmah Oil Company, Limited, the first two named holding 51 per cent equally between them and the latter two Companies equal shares of the remaining 49 per cent. Application has also been made by the Transmission Company for a loan from the International Bank for Reconstruction and Development for the balance of its capital requirements.

Your Company thus has a dual interest in this project, namely, 24½ per cent in the Transmission Company and 70 per cent in the producing company, Pakistan Petroleum, Limited.

PETROLEUM CONCESSIONS

A feature of the times in the three countries in which our Group operates is that in each of them the Government has the statutory right or obligation to prescribe conditions to the effect that prospecting licences or mining leases will be granted only to citizens of the country or to companies incorporated in the country, and in the latter case to require the licensee or lessee to associate national capital in the enterprise to such extent as may be prescribed at the time of issue. In Burma we have the Government as a one-third partner in the new company, The Burma Oil Company (1954) Limited. In India, 25 per cent is the holding of Indian capital which we are advised is to be prescribed in the case of one area in which we are interested. In Pakistan, 30 per cent of the capital of Pakistan Petroleum Limited is held by the Government and the Pakistan public.

While from several points of view we welcome the association of national capital in such enterprises as ours, we would rather in some respects that the financial stake were held by the public than by the Government. Governments come and go, but the public remains, and oil ventures are long-term propositions. But it is one thing to prescribe that the public shall subscribe and quite another thing to attract them to do so. In the case of Pakistan Petroleum Limited, after the list had been kept open for three months to allow time for the public to take up their prescribed 30 per cent, they had actually applied for less than 1 per cent and the Government subsequently decided to take up the balance. In the case of the Sui Gas Transmission Company, which is not a speculative prospecting venture but an undertaking expected to show a good and reasonably safe return, the public issue was oversubscribed five times in a few hours. The difference is interesting and instructive. The public have the money but are not prepared to take the kind of long-term risk which your Company and other British companies have taken for many years past, sometimes successfully and more often not. I feel sure the implications have not been lost upon the interested Governments.

LABOUR

In the field of labour relations I am glad to say there were no serious stoppages during 1953 in India, Pakistan or Burma. In Burma and India, however, there were the same difficulties as in recent years with excessive litigation arising from the predominant part played by Industrial Courts.

TANKERS

The second and third of our new "Burmah" class tankers came into commission in August and September, 1953. All three are giving excellent service. They are specially designed for our trade in India and Pakistan to carry several grades of bulk as well as packed oil and to meet the shallow river drafts encountered at Calcutta and Chittagong. Unfortunately the drafts at these ports have been allowed to deteriorate during recent years, but as the result of the representations made to the respective Port Commissioners we are hopeful that every effort will be made to effect improvement.

Full advantage of our experience of tropical waters has been taken in designing the accommodation for officers and crews in these new ships

With tanker freight rates depressed throughout the year the fleet was able to contribute only a bare profit to the Group's earnings. There is already a surplus of world tanker tonnage and it is increasing faster than the rate of world consumption of petroleum products. The immediate outlook for a stronger freight market is therefore not encouraging.

STAFF

It is a pleasure to express the board's appreciation of the good work done and the spirit prevailing among managements and staffs in all spheres of our Group's operations, at home and overseas.

MARIEVALE CONSOLIDATED MINES, LIMITED

RECORD TONNAGE MILLED

Mr P. M. Anderson, chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 7, 1954, said that owing to a shortage of labour it was not possible to take full advantage of the increase in milling capacity to which he had referred the previous year. Nevertheless the tonnage milled in 1953 increased by 26,000 tons to the record figure of 749,000 tons. The average yield was 0.12 dwt. lower at 4.89 dwt. and, because of this and the lower price received for gold, the working revenue declined slightly to £2,300,774. Working costs rose by 1s. 5d. per ton milled so that the working profit of £824,187 showed a decrease of £123,662 as compared with the previous year. The rise in working costs was due to further increases in the cost of labour, stores and power.

Provision for taxation absorbed £362,806 and the net profit was £450,525, being £55,305 less than in 1952. Two dividends totalling 1s. 9d. per share, being an increase of 1d. per share, were declared and absorbed £393,750, and the balance carried forward was £465,430.

DEVELOPMENT

The development footage driven totalled 32,909 feet. Of the 18,864 feet on the Main Reef Horizon 12,300 feet were on reef and sampled disclosing 6,850 feet or 56 per cent payable averaging 25.6 dwt. over 14 inches. 14,045 feet were driven on the Kimberley Reef Horizon and 6,805 feet were on reef and sampled of which 1,740 feet or 26 per cent was payable averaging 16.2 dwt. over 15 inches.

The ore reserve, recalculated as at December 31, 1953, increased by 100,000 tons to 3,600,000 tons, averaging 5.5 dwt. over an estimated stoping width of 47 inches, the value being unchanged and the width being one inch more.

The company won one of the Safety Shields for 1953 presented by the Prevention of Accident Committee of the Transvaal and Orange Free State Chamber of Mines which reflected great credit on all concerned.

During the first quarter of 1954, the ore milled was 188,000 tons and the working profit amounted to £202,689. In development work 4,431 feet were driven on Main Reef of which 2,860 feet were on reef and sampled, disclosing 1,445 feet or 51 per cent payable, averaging 29.0 dwt. over 10 inches. On the Kimberley Reef Horizon 4,005 feet were driven and, of the 1,675 feet on reef and sampled, 305 feet or 18 per cent was payable, averaging 15.7 dwt. over 11 inches.

The reports and accounts were adopted. The appointment to the board of Mr P. H. Anderson was confirmed. The retiring directors, Messrs P. M. Anderson, C. B. Anderson and J. S. Walker were re-elected.

NEWTON, CHAMBERS AND COMPANY, LIMITED

CAPITAL SCHEME OF ARRANGEMENT APPROVED

SIR SAMUEL ROBERTS ON THE YEAR'S ACHIEVEMENTS

PROFIT AND TAXATION

The seventy-second annual general meeting of Newton, Chambers and Company, Limited, was held on May 13th at Thorncliffe, near Sheffield, Sir Harold West, CIMechE, FIIA (managing director), presiding in the absence of the chairman, Sir Samuel Roberts, Bt.

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

The gross profit for the year was £726,057 compared with £671,973 for the previous year. This profit has been made after charging £93,703 as an addition to the reserve for replacement of fixed assets. That reserve now stands at £667,895.

The net profit amounts to £145,175 against £152,696 in 1952 and after including profits of earlier years (£18,115) the profit available for distribution is £163,290 compared with £179,331 in the previous year. This slight reduction is accounted for by an increased charge for taxation of £61,605, making it necessary to provide £580,882 against £519,277 previously.

As I have pointed out before, the amount set aside for the replacement of fixed assets is not allowed as a deduction when the taxable profits are computed; as a result almost 80 per cent of the year's profit will be paid to the Exchequer as income tax, profits tax and excess profits levy.

Your directors have proposed to allocate the profit as follows:

Employees Profit Share.—The substantial increase in the gross trading profit for the year is the result of successful management and excellent works co-operation. Therefore £30,235 has been provided in the accounts as a profit share bonus for all employees. This was distributed last Christmas, the fourth distribution of its kind.

Dividend.—Your directors recommend a final dividend of 20 per cent, making 30 per cent for the year. This represents only 6.4 per cent on the capital actually employed in the company. In these times when the company's production facilities are fully and profitably employed it is no more than bare justice that the shareholders should benefit by this modest increase.

WORKING CAPITAL

Current liabilities at £1,961,333 show an increase of £159,154 and include liability for taxation which, as a result of the higher profits earned, has increased by £211,686. Current assets at £3,474,530 now exceed current liabilities by £1,513,197 —a still further improvement on the satisfactory position disclosed by previous accounts.

CAPITAL EXPENDITURE

During the year expenditure on works, plant and machinery amounted to £133,952. A large part was in connection with the re-equipment of the excavator works and the addition of a second mechanised foundry unit in the light castings department. At the date of the accounts we were committed to further capital expenditure of £191,533.

After referring briefly to the progress of the trading and service departments, the statement continued:

THORNCLIFFE COAL DISTILLATION *LIMITED*

In June last year the claim of Thorncliffe Coal Distillation Limited, for compensation in respect of the assets vested in the National Coal Board was at last settled on terms which can be regarded as satisfactory, and a meeting was held on October 8th last at which the voluntary winding up of this subsidiary was approved. Since that date distributions have been made to the shareholders amounting to 24s. for each £1 preference share (together with a sum equivalent to arrears of interest) and 21s. for each 1s. ordinary share. In addition a final payment of 1s. 8.85d. for each 1s. share will shortly be made to the ordinary shareholders.

N. C. THORNCLIFFE COLLIERIES LIMITED

The negotiations with the District Valuation Board appointed under the Coal Industry Nationalisation Act 1946 in connection with the colliery company's claim for compensation have been completed, but the amount this subsidiary company will eventually receive cannot be known until all other claims on the global sum allocated to the Yorkshire district have been settled. Final settlement of all claims will be delayed for many months. I am of the opinion that the assets of this company when realised will not differ very much from the amount of £650,000 standing in the balance sheet.

SHARE CAPITAL

In view of the great expansion of the company's trading in recent years your directors have felt it desirable to bring the share capital more into line with the capital employed in the undertaking. The claim for compensation in respect of the nationalised assets of Thorncliffe Coal Distillation, Limited, was settled during the year, but N. C. Thorncliffe Collieries, Limited, which is a wholly owned subsidiary, must still await the settlement of the district claims. Your directors feel that a considerably overdue reconstruction of the parent company's capital should no longer be delayed.

It is proposed, as set out in the scheme of arrangement, to convert the preference shares into ordinary shares and to increase the issued share capital of the company to £2 million by the creation of an additional 1,200,000 ordinary shares of £1 each. These shares will be issued as fully paid up by capitalising certain reserves; £1,141,860 will be transferred from the investment reserve and £58,140 from the amount standing to the credit of the profit and loss account.

It will be noted that in the accompanying balance sheet the investment reserve stands at only £716,136, but it has since been increased to £1,260,364 by the profit arising out of compensation realised to date in respect of the company's holding in Thorncliffe Coal Distillation, Limited, and by a surplus arising out of a recent revaluation of the company's trade investments.

I would point out that the issue, if approved by the shareholders, will be made without encroaching on the company's general reserve, which will still stand at £800,000 in addition to an investment reserve of £113,865 and a reserve for replacement of fixed assets of £667,895.

GENERAL

The board have decided to concentrate the trading operations of the company into three production divisions under three assistant managing directors: Mr P. J. C. Bovill (chemicals division), Mr S. C. Tyrrell (excavator division), and Mr K. E. Walker (engineering division, comprising the heavy construction and light castings departments).

The board have approved a "good service" gratuities scheme whereby workpeople with more than 10 years' service will, on retirement, receive a gratuity to be determined by length of service.

For part of the year our managing director, Sir Harold West, held the office of Master Cutler of the Company of Cutlers in Hallamshire, the 315th of the line, and the directors wish to congratulate Sir Harold and Lady West (as Mistress Cutler) on a most successful year of office.

MANAGING DIRECTOR'S REMARKS

Proposing the adoption of the directors' report and accounts, the managing director, *Sir Harold West, in the course of his speech* said: I have to tell you with great regret that Sir Samuel Roberts, our chairman, is suffering from a severe attack of bronchitis and that his doctor will not allow him to travel to Thorncliffe today.

I know what a great disappointment this is to Sir Samuel, as he has been intimately interested in the scheme of financial reconstruction which we are putting before the shareholders this afternoon. I am sure the shareholders will wish me to send Sir Samuel our best wishes for a speedy recovery.

Sir Samuel's statement speaks for itself and tells shareholders of many of the happenings and developments of the past year. He refers to the settlement of the valuation on the voluntary liquidation of Thorncliffe Coal Distillation Limited, which was this company's most valuable investment.

The quotation "The difficult we can do at once, the impossible may take a little longer," became our watchword from 1947 onwards, and within three years we had replaced, by the development of our other business, the very substantial sales turnover we had lost through the nationalisation of our collieries. This I dare claim as a very considerable achievement.

Thorncliffe, however, must operate as a community, and in its relations with staff and workpeople must continue to develop a sense of loyalty to the company for the good of all who look to this organisation for employment.

Our developments and production in the past ten years would have been greatly restricted were it not for our apprentice training schemes and our business training college for girls. Our bread cast upon the waters many years ago has resulted in your company now having a higher percentage of young people under thirty years of age in its employment than any other similar organisation in this part of the country.

The report was adopted.

At subsequent separate class meetings of the holders of ordinary and preference shares and at an extraordinary general meeting the board's scheme of arrangement and capitalisation proposals were sanctioned.

THE GROOTVLEI PROPRIETARY MINES,

STRONG ORE RESERVE POSITION

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 6, 1954, said that an important feature of the year's work was the decrease of 113,000 tons in the ore milled, which was due entirely to the continued shortage of labour, particularly for work underground. This decrease not only had the effect of substantially reducing the revenue, but also had some effect in increasing the cost per ton milled owing to the incidence of fixed overhead charges on the smaller tonnage produced.

He said that there was a small decrease of 0.07 dwt in the yield per ton milled and the average price received for gold sold during the year was 1s. 10d. per ounce fine less than in 1952. In addition the premium received for gold sold at enhanced prices declined by nearly £77,000. Working costs were mainly affected by increased costs of labour, stores and power. The net effect of all these factors was a reduction in revenue of 1s. 10d. per ton and an increase in working costs of 2s. per ton, so that the working profit of £2,788,510 showed a reduction of 3s. 10d. per ton milled as compared with the previous year.

Provision for taxation amounted to £1,439,173 and the net profit was £269,560 lower at £1,346,917. Two dividends totalling 2s. 3d. per unit of stock, or 3d. less than in 1952, were declared, absorbing £1,286,867. The balance unappropriated was £606,203.

In view of the shortage of native labour and the strong ore reserve position, the curtailment of development was continued. The footage driven was 8,654 feet less at 41,191 feet. 34,115 feet were on reef and sampled and 15,230 feet, or 45 per cent, proved payable, averaging 13.2 dwt over 16 inches.

The re-calculated ore reserves remained unchanged at 16 million tons, averaging 4.6 dwt over an estimated stoping width of 47.5 inches.

During the first quarter of 1954 the ore milled was 522,000 tons and the working profit £618,102. Development footage totalled 6,360 feet, and of the 4,035 feet sampled, 1,120 feet, or 28 per cent, proved payable, averaging 12.5 dwt. over 17 inches.

IMPROVED LABOUR SUPPLY

Since the end of 1953 there had been a material improvement in the native labour supply, but it had not so far been possible to take full advantage of this, owing to a shortage of European labour for supervision.

A member asked a number of questions, mainly regarding the values obtained from the Kimberley Reef on various parts of the company's property. In reply, the chairman stated that he could not supply the answers to these detailed questions immediately, but that the question of exploiting the Kimberley Reef was kept constantly under review. So far, however, there had not been any indication of values that would affect the mine.

The reports and accounts were adopted, the appointment of Mr H. C. Koch to the board was confirmed, and the retiring directors, Messrs H. C. Koch and H. F. Oppenheimer, were re-elected.

J. BIBBY & SONS LIMITED

GENERAL IMPROVEMENT IN TRADING

MR H. P. BIBBY'S REVIEW

The fortieth annual general meeting of J. Bibby & Sons Limited was held on May 14th at the registered office of the Company, 21 King Edward Street, Liverpool, Mr H. P. Bibby, JP (chairman of the company), presiding.

The secretary (Mr Angus Morrice, FACCA) read the notice convening the meeting and Mr E. T. Denton, FCA, of Messrs Edward Denton and Son, the auditors, read the report of his firm.

The following is the chairman's review, which had been circulated with the report and accounts for the year ended December 31, 1953; and was taken as read:

Board of Directors.—The directors have elected Mr H. H. Bibby and Mr H. Morton Bibby to the board and you will be invited to confirm their election at the annual general meeting. I feel sure that the two new directors will prove a source of strength to the board.

Mr J. P. Bibby, who for some years has been vice-chairman of the company, has asked to be relieved of this office and it gives me great pleasure to express to him the thanks of the board for his services in this capacity. Mr H. Mason Bibby has been invited to succeed him as vice-chairman and I am pleased to say that he has accepted this office.

A MARKED IMPROVEMENT

Accounts.—The consolidated profit and loss account is very satisfactory and represents a marked improvement compared with the past few years. The main advance has been in the profits of the parent company, but our subsidiary companies, Henry Cooke and Company (1932) Limited and Twyford Mill Limited, have made a good contribution to the total. The accounting date of the latter company has been altered to coincide with that of the remainder of the group and consequently their profits cover a period of a year and a half: the additional amount thus brought in is not, however, a material one. The accounts also include adjusted Ministry of Food processing allowances for previous years amounting to £62,987.

We have slightly rearranged the form of our profit and loss account, which we believe shows the position more clearly. We have again thought it prudent to provide in the accounts for the rising cost of replacement of fixed assets, and the amount for the year is £200,000. We think it is important to apply in our own profit and loss account the principle for which industry is contending: that provision should be made for maintaining the physical as distinct from the money value of a company's assets by appropriate deductions from trading profits, leaving only as net profit an amount which is truly free for appropriation.

BURDEN OF TAXATION

Despite the fact that there was no liability to excess profits levy, taxation accounted for the very substantial sum of £768,502, and while little fresh can be said about the burden which such a figure imposes, the proportion which it bears to the total profit will be observed.

Two small subsidiaries which were acquired as a result of the purchase of Twyford Mill Limited and Joseph Thorley Limited were liquidated during the year. The activities of neither of these companies were complementary to our main business and one of them had ceased to operate prior to its acquisition.

THE YEAR'S TRADING

The accounts reflect a general improvement in all our trading. Subsidies on animal foods were removed on April 1st last year, the industry was completely decontrolled at the end of July, and there has been a substantial increase in trade during the year. Our seed crushing and oil refining departments, which remained under the control of the Ministry of Food throughout the year, were rather more remunerative and the soap section, while still meeting with very strong competition, showed some improvement.

While it is gratifying to be able to record such a satisfactory outcome of the year's trading, it should be borne in mind that competition in the future is likely to be intensified and it may not be possible to maintain profits at the present level. For this reason it has been thought advisable to retain the larger part of our earnings in the business and to recommend a modest increase in the dividend on the ordinary shares from 5 per cent to 6½ per cent for the year.

SUBSIDIARY COMPANIES

Reference has already been made to these companies, but I add the following additional information.

Henry Cooke and Company (1932) Limited maintained their level of profit during the year and the new plant which I referred to in my last review will come into operation in 1954. This will allow for greater variety in the manufacture of paper and give an increase in output.

The integration of the seed sales of Twyford Mill Limited with the animal foods organisation has borne some fruit during the year, and an increased profit has come from this source: we hope for further progress in the future.

Our third subsidiary, Joseph Thorley Limited, is still in the process of reorganisation and we hope that as a result it will become a profitable member of the group. We are continuing to modernise their cattle food factory at King's Cross and to re-equip the Wandsworth premises on the south side of the Thames as a new factory.

PROSPECT

In my last review I suggested that the partial decontrol of the sale of compound cooking fat was probable during 1953, but as events have turned out this has been postponed till May of the current year, when, together with seed crushing and oil refining, compound cooking fat will be free and our well-known product "Trex" will be on the market again; our plans are well in hand for making the most of the return of this familiar domestic cooking fat and we are convinced that "Trex" will regain its former popularity with the housewife.

The return of seed crushing and oil refining to free enterprise is to be welcomed, but will pose a few problems. Fresh markets will need to be found for our crude and refined oils which since 1939 have been the sole property of the Ministry of Food, and a large amount of money will be required to finance this side of the business.

A change of this nature must inevitably bring with it a little anxiety in the process, but we are convinced that in the long run it will be good for the industry.

INCREASED SALES OF ANIMAL FOODS

As I have stated in a previous paragraph, sales of animal foods showed a very satisfactory increase during the year, and the indications are that there may be a moderate further growth during 1954: these sales represent in value about half our total product.

Members will be aware that the farming community is itself facing a difficult time in passing from a long-continued period in which the Ministry of Food bought all their products at agreed prices, into a quite different situation of freer trading whose exact form is not yet fully defined for the future. I think, however, that it will be agreed that a large agricultural output is a sheer strategic necessity for this country in the present uneasy state of the world, and that a prosperous agricultural community is a social asset we cannot dispense with.

It must therefore be the duty of whatever government is in power to ensure these ends by the formulation of long-term policy for agriculture which, while being fair to the consumer, gives the farmer the support he needs so that he can play his proper part in the economy of the nation.

PERSONNEL

This review would not be complete without a very sincere tribute to all those who serve the company, wherever they may be, whose hard work and loyal co-operation make the success of the enterprise possible.

The report and accounts were adopted and a final dividend of 4 per cent, less income tax, on the ordinary shares, making 6½ per cent, less income tax, for the year, was approved.

The retiring directors, Mr H. P. Bibby, JP, Mr J. W. Bibby, BA, Mr H. Mason Bibby, MEng, MIMechE, Mr C. L. Bibby, MA, BSc, FRIC, and Mr Maurice Scholes, BEng, MIMechE, were re-elected; and the remuneration of the auditors, Messrs Edward Denton and Son, having been fixed, the proceedings terminated.

DE BEERS CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

A SUCCESSFUL YEAR

PROSPECTS OF THE DIAMOND TRADE

SIR ERNEST OPPENHEIMER'S STATEMENT

The sixty-sixth annual general meeting of De Beers Consolidated Mines, Limited (incorporated in the Union of South Africa), will be held on June 9th in Kimberley.

The following are extracts from the statement by the chairman, Sir Ernest Oppenheimer, DCL, circulated with the report and accounts for the year ended December 31, 1953:

CONSOLIDATED ACCOUNTS

The consolidated balance sheet and consolidated profit and loss account are consolidations of the individual accounts of the following companies:

De Beers Consolidated Mines, Limited, The Consolidated Diamond Mines of South West Africa, Limited. Premier (Transvaal) Diamond Mining Company, Limited. The Diamond Corporation, Limited. De Beers Investment Trust, Limited. De Beers Industrial Corporation, Limited. Griqualand West Diamond Mining Company (Dutoitspan Mine), Limited. The South West Finance Corporation, Limited. H.L.G. Limited. Marmora Mines, Limited, and New Jagersfontein Mining and Exploration Company, Limited.

The consolidated profit and loss account shows that the group profit for the year, after providing £6,661,969 for taxation, was £18,354,829 in which the outside or minority shareholders have an interest to the extent of £1,600,043, including their proportion of dividends declared by subsidiary companies, leaving a balance of £16,754,786 attributable to your company as its share of the profits. To this sum has been added an amount of £16,924,616, being the unappropriated balance at December 31, 1952, after allowing for an adjustment in respect of minority interests, giving a total available for appropriation applicable to your company of £33,679,402. Out of this amount, £4,522,155 has been transferred to reserve, and £8,964,038 has been declared in dividends, leaving an unappropriated balance of £20,193,209 (representing an increase for the year of £3,056,796) of which £7,474,432 is in your company's own accounts and £12,718,777 is your company's interest in the unappropriated balances in the accounts of its subsidiary companies.

The consolidated balance sheet shows total assets of £114,528,056. This includes the sum of £15,236,135, being the net excess of cost of investments in subsidiary companies over their nominal value, less amounts written off and after adjustment on consolidation. This latter sum is more than covered by capital reserves on the other side of the balance sheet totalling £38,248,535. Current assets, loans to other companies, and investments total £75,818,855 and exceed all liabilities to the public by £57,271,572. The remaining items in the consolidated balance sheet do not call for comment.

Your company has had a successful year. The group has financial reserves which, together with the £15 million capital resources of the trading companies, afford solid protection under all foreseeable contingencies.

REVIEW OF THE DIAMOND TRADE

I now pass on to a review of the diamond market during 1953. At £43,336,000, gem sales were £2,400,000 less than in 1952. I wish to stress that this drop was not due to any falling off in demand, but was occasioned solely by the fact that less diamonds were available although all producers were working to full capacity.

Gem stocks held by all producers and the Diamond Corporation, Limited, are at an irreducible minimum. It is, therefore, evident that future sales of gem diamonds are entirely dependent on current production. From this it follows that the value of gem diamonds to be sold in 1954, assuming present price levels, is likely to be somewhat lower than last year.

On the industrial side of our business, there was a marked falling off in 1953. This was due, in part, to the cessation of stockpiling purchases by the United States Government, but also occasioned by the decline in demand for industrial diamonds. An active research is being conducted with the object of widening the industrial market.

The sales of industrial diamonds for the first quarter of 1954 at £4,500,000 were better than during the relevant period in 1953. This, however, can be misleading, as the increase was due to unexpected sales for stockpiling. Present indications are that we can expect total sales of industrial diamonds in 1954 to be somewhat less than they were the previous year.

There are at present no signs of any falling off in the demand for gem diamonds, and unless there is a severe recession in the United States, 1954 should be another satisfactory year. Whilst the United States is still our principal customer, recently there has been a welcome development in that cut diamonds are being exported by manufacturers in various centres to countries other than the United States. We shall watch this new development with close interest as its expansion can only be of benefit to us.

INVESTMENTS OUTSIDE THE DIAMOND INDUSTRY

I now wish to comment on our principal investments in enterprises not connected with the diamond industry.

Your company's shareholding in De Beers Industrial Corporation, Limited, remains unchanged at 3,587,434 ordinary shares, which is 71¾ per cent of the issued ordinary share capital. The principal asset of the Corporation is its 50 per cent holding in the equity share capital of African Explosives and Chemical Industries, Limited.

De Beers Industrial Corporation had a successful year and maintained its dividend of 10 per cent in spite of the fact that the dividend income received from its holding in African Explosives and Chemical Industries was reduced.

Once African Explosives and Chemical Industries, Limited, reach their full scope, coupled with the expansion by other companies in which De Beers Industrial Corporation, Limited, are interested, we can anticipate that the dividends receivable by our company from De Beers Industrial Corporation will increase.

De Beers Investment Trust, Limited, incorporated towards the end of 1952, has completed its first year of business. The greater part of the Trust Company's assets is by way of loans, at satisfactory rates of interest, to companies operating principally in the Orange Free State and the West Rand, which loans carry valuable conversion rights.

The market value of the Trust Company's investments per March 31, 1954, reflects an appreciation of no less than £3,750,000 over cost.

The Trust Company is now firmly established on a sound basis according to a pattern which indicates that it will thrive and expand, at the same time contributing to the development of Southern Africa. A cause for sober optimism is that it is certain that the Trust Company in due course will be a substantial contributor to the revenue of the parent company, such revenue being derived from sources other than the diamond industry.

DARWINS

NOTABLE EXPANSION DEVELOPMENTS

The twenty-fifth annual general meeting of Darwins Limited was held on May 18th at Sheffield, Mr F. Thompson-Schwab (the chairman) presiding.

The following is an extract from his circulated statement:

My closing words to shareholders at our last annual meeting referred to increasing competition and a decrease in demand for some of our products. That was in May, 1953. Subsequent to the meeting competition became even more intense, and with the likelihood later in the year of falling prices demand suffered a serious decline in certain of our standard lines.

During the year there were also severe reductions in the prices of certain raw materials. At an early stage your board had taken the view that some raw materials, such as tungsten, were likely to be subject to continuing price reductions and had therefore reduced stocks to an absolute minimum.

During the year there were twelve successive reductions in the price of tungsten from a high of 27s. 6d. per lb. to a low of 13s. per lb. The effect of these reductions has been that we have had to absorb a considerable loss during the year in the tool steel department.

Increased competition has come from many sources, both in this country and overseas. I have already told you that sales of some of our standard lines had fallen by quite a considerable extent. On the other hand, another standard line, Magnets, has increased in sales and we have exported in quantity to a number of hard currency countries. The outlook in that direction is very promising indeed.

The year in question has been notable for two major items of expansion. The first was at the Andrews Toledo Works, where we completed on December 18, 1953, the installation of an Electric Arc Furnace of the most modern type. This is now working well and gives the promise of economies in production as well as giving us a greater range of finished steels.

NEW ACQUISITION

By a coincidence, the starting-up of the Arc Furnace coincided with the acquisition by the company of the entire share capital of The Sheffield Forge and Rolling Mills Company, Limited.

Our experience since the date of acquisition confirms your board's view that the Sheffield Forge Company should prove a profitable addition to the Darwins' group of companies.

The present capital structure of Darwins now consists of 450,000 Six per cent cumulative preference shares of £1 each and 1,460,000 ordinary shares of 10s. each, giving a total capital of £1,180,000. I am sure that you will share my satisfaction that we have no debentures or charges on our assets.

So far as the current year is concerned, there are signs that the downward trend of demand which showed itself during 1953 and continued into the beginning of 1954 has been arrested.

I turn now to the appropriation of the profits. After taxation, which absorbs no less than £123,000 out of a total of £240,000, the amount which is available is £117,000 which together with the amount brought forward from last year totals £155,000. Of this sum £83,000 is retained in the Sheffield Forge accounts, dividends paid, or proposed, total £57,000 and we are left with a final balance to carry forward of just under £15,000.

The report was adopted.

ASSOCIATED FISHERIES

MR W. A. BENNETT'S SPEECH

At the annual general meeting of Associated Fisheries, Limited, on May 14th, the chairman, Mr W. A. Bennett, said that the very definite decrease in the demand for fish became even more pronounced during the current year. Markets were frequently oversupplied and an unusually high proportion of good quality landings were left unsold, the company's unwelcome share exceeding 4,000 tons or 6 per cent of its total catch. Since price controls on fish ceased in April, 1950, the consumption of fish had been appreciably affected by variations in the supply of other protein foods, especially meat and eggs. They have a very distinct advantage over fish in competing for a share of the housewife's expenditure as their prices are heavily subsidised. Meat "subsidy" paid by the Exchequer was £39 million and for "support" price of eggs £24 million. Only by comparing these "subsidies" with the landed value of all fish caught in 1953 by the whole British fishing fleets, which was £41 million, can the degree of "unfair" competition faced by the fish industry be realised. The group turnover exceed £6 million, and after covering all costs and depreciation the profit remaining out of every 20s. turnover was practically 1s. of which taxation will absorb 7d. and net dividends 2¼d, leaving only 2¼d retained to assist in meeting increased replacement cost of assets. Current results show an improvement on last year's, but there is no real evidence of a sustained increase in sales. The directors are not unduly depressed as the company has a sound organisation, well financed, well staffed, and imbued with a grim determination to surmount all obstacles.

HUMPHREYS LIMITED

(Building and Civil Engineering Contractors)

HAMPERING EFFECT OF GOVERNMENT RESTRICTIONS

The SIXTY-SECOND ANNUAL GENERAL MEETING of Humphreys Limited, will be held on June 9, 1954, in London.

The following is an extract from the statement by the chairman, Mr. A. V. Bridgland, which has been circulated with the report and accounts:

The trading profit for the year is £57,440, an increase of £4,705 over last year, to which has to be added interest, dividends and miscellaneous revenue to give a total of £77,462. The two principal items against this are bank interest of £17,099, showing a rise of £14,378 and a taxation charge of £25,100, leaving a net profit of £26,481 for the year, an increase of £1,986 over last year. We have in the appropriation account provided for an increase in dividend of 1 per cent, making a final dividend of 7 per cent on the Ordinary shares, and we have transferred a further £25,000 to general reserve.

The accounts of R. H. Morris (Pty.), Limited, cover a period of fifteen months and show a profit of £8,115. Generally, during the period under review this subsidiary has had to contend with a difficult time, as South Africa was feeling very much the effect of a restricted influx of overseas capital, but the position today is, I feel, one that is turning in favour of a resumption of investment of capital from outside sources and the prospects are certainly brighter.

As to National Quarries (Pty.), Limited, in which between R. H. Morris (Pty.), Limited, and ourselves we have a 51 per cent holding, you will see that its cash position is good, but that its trading profit last year was reduced.

HINDRANCE TO CHEAPER BUILDING

Reverting now to home affairs, I regret to have to say that the vexed question of building licences still hampers all our activities in this country. Licences are becoming a little easier to obtain, but it is still a moot point whether the system of controlling building by licence has achieved its object. When we are urged to increase both the production and the efficiency of our type of business, it becomes difficult to appreciate the motives of such exhortation while the system of building licences is maintained.

Planning has been the hardest worked term in use since the war ceased. So far as building operations are concerned, we have had to suffer the effect of Ministry after Ministry, public authority after public authority, intervening in and upsetting the smooth progress necessary for the initiation of new projects. No rebuilding or development plan should take at the outside more than six months to pass all the authorities, yet we know that some have taken years to get through, with a consequent loss to client, architect and builder and eventually the tenants. We believe that with these delays and restrictions alone, building costs have gone up by as much as 20 per cent, yet still we are asked by the Government of the day to improve the efficiency of our industry or else they will have to intervene. It might well be asked why they cannot reverse the criticism, and look to themselves first as possibly the greatest hindrance to cheaper building that exists today.

It is a crying need of the industry to be relieved of these fetters as quickly as possible. In South Africa one can erect a building much more quickly than in England, and it is an indisputable fact that with greater freedom greater production arises. Can the Government disprove this? If they cannot, they decry their own political slogan of "freeing the people."

Finally, we have a large order book for the future, and our prospects are good if we are allowed to carry out our orders.

ANALYSIS OF PROFIT

	£
Earned profit before taxation	51,581
Less taxation	25,100
Net profit after taxation	26,481
Appropriated as follows:—	
Preference dividend net	3,025
Ordinary dividend net	12,100
Balance retained	11,356
	26,481
Preference Shareholders:—	
Issued capital	£100,000
Gross dividend covered by taxable profits	9 times
Capital covered by net assets	4·8 times
Ordinary Shareholders:—	
Issued capital	£200,000
Gross rate of dividend paid	11%
Gross rate earned on present capital excluding Reserves	21%
Net assets attributable to each 5s. Ordinary Share	9s. 7d.

THE VULCAN FOUNDRY, LIMITED

IMPROVED RESULTS IN DIFFICULT YEAR

VISCOUNT BRIDGEMAN ON THE OUTLOOK

The ninety-first annual general meeting of The Vulcan Foundry, Limited, was held on May 13th in London. The Rt Hon The Viscount Bridgeman, CB, DSO, MC (the chairman), presiding.

The following is an extract from his circulated statement:

Stockholders will be glad to see from the directors' report and accounts that operating profit has risen by £162,568 to £384,604, and net profit by £84,453 to £161,710.

£55,000 has been appropriated to general reserve, £50,000 to reserve for replacement of plant and machinery, and £10,000 has been placed to the Welfare Fund for the employees, who will thus participate in the year's improved results, in addition of course to the usual incentive payments directly related to production.

Your directors propose a dividend for the year of 9 per cent, plus a bonus of 2 per cent, making 11 per cent in all for 1953, as against 7 per cent for 1952.

TRADING ACTIVITIES

The increased profit, due to the higher volume and value of goods invoiced is in its turn due to an appreciable improvement in deliveries of steel, which I mentioned last year.

The year 1953 cannot be described as easy. The most difficult problem was that of the large order of 24 steam locomotives for Iran and although the political situation made it uncertain till early in 1954 whether delivery could be made or payment be forthcoming, the order was completed and the locomotives held pending shipment. To this factor the increase in the figure of debtors is largely due.

This, and the large amount due from the Argentine at the end of 1952, now received, contributed to our need for bank overdrafts which have, however, been appreciably reduced since the end of the year.

Besides the Iranian order, steam locomotives have been built for Victoria and Iraq, spare boilers sent to many parts and electric and diesel locomotives, built as before in conjunction with The English Electric Company and The Drewry Car Company, have gone to New Zealand, Queensland, Spain, Brazil and elsewhere.

PRODUCTION IMPAIRED BY STEEL PLATE SHORTAGE

As the year proceeded, steel deliveries improved generally, but our difficulties are by no means ended, especially as to steel plate. This latter shortage has for two years created a bottleneck which has gravely impaired the company's production and that of our subsidiary, Robert Stephenson & Hawthorns Limited. We have done everything possible to bring the position to the notice of those in authority, but though the position has improved we are left with its unfortunate consequences. Deliveries are running late and British locomotive manufacturers are being blamed for broken promises, which have been prejudicial to our chances when tendering for new work. In addition, the deliveries we could offer, which were already unfavourable in comparison with those of German, Japanese and other foreign competitors owing to the size of our order book, were further protracted by the effects of the steel shortage. Moreover, for the first time since 1939, the problem of manufacturing at competitive cost has become a serious one. Our competitors have also been able to quote lower prices, in some cases 10 per cent below ours, whereas until recent months our prices were some 15 per cent below those of German manufacturers.

How far these were "sacrifice" prices quoted so as to re-enter the market at any cost, and how far they were assisted by favourable financial terms from foreign Governments and banks concerned is a matter for inquiry. But the fact remains that valuable orders from countries which have been traditional British markets have gone elsewhere, as in the case of Indian Government Railways, where, out of roughly 650 locomotives ordered in 1953, not one order came to the United Kingdom.

Loss of orders will automatically improve the delivery which can be quoted in future, but the price factor remains to be mastered. To do so will need the greatest efforts of all concerned. If one takes into account not only the wages paid by the company, but also the wage element in the cost of steel and other materials purchased, it will be seen that a high proportion of the cost of a locomotive represents wages and that there is danger in increases in this direction, unless accompanied by greater productivity. Indeed, the prospect of such rises makes it difficult to quote the fixed price terms which nowadays are generally called for.

CHANGED TRADING CONDITIONS

The conditions for obtaining orders have radically changed since the war, and orders from countries like India and the Argentine which used to be negotiated in London must now be sought in the countries themselves. Our arrangements for overseas representation are, I hope, abreast of the times. The company's own representatives have during the year been to Australia, India, Pakistan, Turkey, Jugoslavia and the Middle East.

The private buyer of main line locomotives is almost extinct and virtually the whole of our business is now with Governments. Once again I gladly acknowledge the help we receive from the Board of Trade and Export Credits Guarantee Department. None the less under present conditions we may need even more help if we are to cover the political and economic risks which are inseparable from a business like ours and which must be taken if we are to hold our markets.

Few industries export so high a proportion of their product and home orders are essential to give a stability which the export trade by itself does not afford. It is regrettable that this stabilising influence, which is so invaluable to our foreign competitors, has for many years been denied to the locomotive industry in this country.

REASONABLY HEALTHY ORDER BOOK

Meanwhile our order book is still reasonably healthy, and the most noteworthy order received in 1953 was one for 46 steam locomotives for the East African Railways and Harbours.

Planned production for 1954 includes steam locomotives for Bolivia, Chile, India, Nigeria and Victoria, electric and diesel locomotives for Brazil, British Guiana, New Zealand, India, Spain and Tasmania, and spare boilers for Rhodesia, South Africa, India and Ceylon.

CHAIRMAN'S ADDITIONAL REMARKS

Since I circulated my statement I am pleased to report that satisfactory arrangements have been made to ship the 24 locomotives to Iran and they leave almost at once.

The report and accounts were adopted.

BEYER, PEACOCK & COMPANY, LIMITED

(Locomotive Builders and General Engineers)

CENTENARY YEAR

MR HAROLD WILMOT ON THE OUTLOOK

The annual general meeting of Beyer, Peacock & Company, Limited, was held on May 19th in London, Mr Harold Wilmot, CBE (chairman and managing director) presiding.

The following is an extract from his circulated review:

The consolidated balance sheet shows a liquid balance of £2,108,476 as compared with £1,191,676 at the end of the previous year. It is, perhaps, not inappropriate that in the hundredth year of trading total sales and total gross profits should both have reached new record high levels.

Beyer, Peacock locomotives still enjoy an unrivalled reputation throughout the world. It continues to be our ambition that the name of the company shall be synonymous with all that is best in design, materials, and craftsmanship. Competition is getting keener and in my opinion will continue to do so for some time. We believe, however, that apart from some convulsion in world economy, a steadfast devotion to our engineering ideals, coupled with unremitting zeal in the study of our customers' operating conditions and requirements, will ensure an adequate flow of high grade business to our company. Present locomotive orders will provide continuity of production at present load for over two years.

During the year under review considerable progress was made by our subsidiary companies.

At the end of the hundredth year of trading, shareholders may like to know that the board has had a professional valuation of all the land, buildings, plant, and machinery belonging to the group. In the consolidated balance sheet these assets, exclusive of loose tools, etc., etc., stand at £1,471,015 gross, less depreciation reserves of £563,797, that is £907,218 net. The valuation recently completed shows a figure at December 31, 1953, of £2,301,397 as compared with the foregoing net amount.

RIGHTS ISSUE WELL RECEIVED

As foreshadowed in last year's report, your board considered it appropriate to make a rights issue of ordinary shares. This issue, made in September, was well received by shareholders and was considerably oversubscribed. 566,667 ordinary £1 shares were issued at a price of 27s. 6d., bringing the total capitalisation of the company to £1,500,000 — £1,200,000 ordinary and £300,000 preference. In an endeavour to preserve some measure of equity as between old and new shareholdings an interim dividend of 4 per cent was paid prior to the new issue. This early date for an interim dividend is not likely to be repeated.

For reasons which were stated in my last review, the board now consider it appropriate further to increase the authorised capital of

the company for which purpose a resolution has been included in the notice calling the annual general meeting.

HISTORY REVIEWED

There are a few important dates in our company's history. The founding of the partnership of Charles Frederick Beyer, Richard Peacock and Henry Robertson in 1854, the formation of the public limited liability company in 1902, the invention of the Garratt-type of locomotive articulation in 1907, armament production during the war period of 1914-18, the grouping of British Railways, in 1923, the great depression of 1931-34, the period of expansion (new products by subsidiary undertakings) 1932-53, the second world war 1939-45, the nationalisation of British Railways in 1948, our association with Metropolitan-Vickers Electrical Company, Limited, on electric and diesel-electric locomotives from 1950 to date. Through it all we have preserved a certain character—the spirit of industrial adventure and a devotion to quality in design and workmanship. In common with most old companies we have had our patches of glory and our periods of frustration and eclipse.

At the close of our century, the company is at least as strong as ever in its history. This is the result of the continued support of shareholders who have provided the necessary risk capital, and of the devoted and competent service of the company's employees of all grades. We therefore face our second hundred years in good heart, with firm resolve, and with justifiable confidence.

The report and accounts were adopted and the proposed final dividend of 3½ per cent, plus a bonus of 8½ per cent, making 16 per cent, less tax, for the year, were approved, and the resolution increasing the capital was sanctioned.

GEDULD PROPRIETARY MINES, LIMITED

PROBLEM OF LABOUR SHORTAGE

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 6, 1954, stated that operations were hampered by a shortage of native labour throughout the year under review and, towards the end of the year, by a shortage of European miners. Because of this it was impossible to maintain production at the former rate and the tonnage milled at 1,125,000 tons was lower by 128,000 tons. Accordingly, though the average yield improved by 0.29 dwt to 3.19 dwt per ton so that revenue per ton milled rose by 3s., the lower price received for gold and the decrease in output resulted in the total working revenue declining by £68,278 to £2,264,228.

He stated that, owing to increased costs of labour, stores and power and the higher incidence of overhead charges on the lower tonnage, working costs rose by 4s. 1d. per ton milled and the working profit at £361,890 was £106,843 less than in 1952.

The continual rise in the cost structure in recent years had rendered unpayable considerable tonnages of ore remaining in the mine, and it had therefore become necessary to restrict the mining of marginal ore. While this policy, by increasing the average yield had helped to offset the fall in profits, it would inevitably result in the shortening of the remaining life of the mine.

THE ACCOUNTS

After taking into account the other items detailed in the profit and loss account and after providing £91,324 for taxation, the net profit from mining operations was £252,214. To this must be added income from investments amounting to £622,284, or £104,502 less than in 1952, so that the total profit for the year was £874,498. These investments comprised principally the company's holdings in East Geduld Mines and in Grootvlei Proprietary Mines.

Two dividends totalling £839,992 or 11s. 6d. per share, being a decrease of 1s. per share, were declared. After making provision for the other items detailed in the appropriation account, including £34,564 for capital expenditure, the balance carried forward was £327,685.

Development footage driven on Black Reef was 13,805 feet and, of the 10,085 feet on reef and sampled, 2,635 feet or 26 per cent proved payable averaging 4.0 dwt over 57 inches.

The ore reserve recalculated as at December 31, 1953, showed a decrease of 600,000 tons to 2,500,000 tons, the value being unchanged at 3.40 dwt and the estimated stoping width at 53 inches being one inch more.

During the first quarter of 1954 the ore milled amounted to 266,000 tons and the working profit was £73,180. Development work on Black Reef totalled 2,746 feet of which 2,515 feet were on reef and sampled disclosing 170 feet or 7 per cent payable with an average value of 4.8 dwt over 72 inches.

The reports and accounts were adopted, the appointment of Mr C. B. Anderson as a director of the company was confirmed and the retiring directors, Messrs W. M. Frames and M. W. Richards were re-elected.

MOSS' EMPIRES

A STRONG POSITION

The annual general meeting of Moss' Empires, Limited, was held on May 20th in London.

Mr Prince Littler (the chairman) in the course of his speech, said: The profit on trading after charging renewals of furnishings has decreased by nearly £80,000, of which about £12,000 is accounted for by an additional charge for furnishing renewals. The decrease is regrettable. It is no doubt accounted for to a considerable extent by the large number of television sets which have been purchased throughout the country. This has had the effect of reducing attendances at places of entertainment such as theatres and cinemas. Live entertainment has suffered rather less than cinemas. Business also suffered as a result of the Coronation festivities.

Fortunately the decrease in the trading has been offset by a lower charge for taxation on the profits of 1953—just under £40,000—by an increase in dividends and interest, by profit on purchases of debenture stocks and by a surplus on the sale of a trade investment. The result is that the profit of the year is £1,100 more than in 1952. Further, there was a net credit of £9,348 to profit and loss from other sundry sources. An interim ordinary dividend of 7½ per cent was paid in August last and the proposed final dividend is 10 per cent, less tax, leaving £36,454 to be carried forward against £21,893 (as adjusted) brought in.

When one turns to the consolidated balance sheet and profit and loss account, I am glad to say that these again show a strong financial position. The consolidated balance sheet discloses fixed assets of £2,497,765, as against £2,456,670 in the preceding year, an increase of over £40,000. The consolidated profit and loss account shows a profit for the year of £147,341, as compared with £123,221 an increase of over £24,000.

The report and accounts were adopted.

UNITED PREMIER OIL AND CAKE COMPANY

CAPITALISATION AND BONUS ISSUE PROPOSALS

The thirty-fifth annual general meeting of United Premier Oil and Cake Company, Limited, was held on May 17th in London, Sir Eric Mieville, GCIE, KCVO, CSI, CMG, the chairman, presiding.

The following is an extract from his circulated statement:

The group's profit on trading, before charging depreciation and taxation, for the year ended December 31, 1953, amounted to just over £640,000. This amount exceeds the previous year's earnings by £40,000 and is only £6,500 short of the group's record earnings in 1951.

A further substantial sum was expended during 1953, as in previous years, on the group's fixed assets. We propose to continue with the programme of modernisation begun in 1946, which is proving its value in the increased efficiency and profit-earning capacity of our factories.

The group's working capital, being the excess of current assets over current liabilities, as at December 31, 1953, had attained the substantial figure of approximately £1,150,000. Of this amount, £285,000 was held in the form of cash; bank overdrafts have been eliminated. In June, 1954, trading in all oilseeds will become free and we shall no longer act as agents for the Ministry of Food, crushing these commodities for a fixed remuneration. We shall, therefore, from that date have to carry and finance stocks of these items ourselves and we are glad to have what we estimate will be sufficient cash and bank facilities available for this purpose.

We welcome the resumption of free trading in this large section of our business, although it will inevitably introduce uncertainties which did not exist when we were acting for the Ministry. The prospects do not cause us alarm, but in both our trading and financial policies we shall proceed with caution.

We now recommend, as on this occasion last year, a final dividend of 9d. per stock unit (less tax), making a total of 1s. per stock unit (less tax), being a distribution of 20 per cent on the ordinary share capital.

CAPITALISATION PROPOSALS

Your directors have decided to recommend the capitalisation of £85,000 of the company's reserves by an issue to shareholders of 17 new ordinary shares for every 63 ordinary stock units of 5s. each held on April 15, 1954. The shares will be credited as fully paid and then converted into ordinary stock units of 5s. each, ranking pari passu in all respects with the existing ordinary stock of the company. By this operation the issued share capital of the company will be increased to £1,150,000. The group's reserves will remain in excess of £900,000, so that the real capital employed in the business is still substantially greater than the issued share capital.

It is the board's present intention to declare an interim dividend of 3d. per stock unit (less tax) in the autumn, but the amount of the final dividend for 1954 cannot, of course, be determined until the results of the present year's working are known. The board hope, however, to be able to recommend the maintenance of the 20 per cent rate of dividend on the share capital as increased by this capitalisation of reserves.

The report and accounts were unanimously adopted and the board's capitalisation and bonus issue proposals were sanctioned.

THE EVER READY COMPANY (GREAT BRITAIN), LIMITED

MANUFACTURERS OF DRY BATTERIES

MR E. N. ROWBOTHAM'S STATEMENT

The annual general meeting of The Ever Ready Company (Great Britain) Limited will be held on Thursday, June 10, 1954, at the Head Office, Hercules Place, Holloway, London, N.7.

The following is the statement of the chairman, Mr E. N. Rowbotham, which has been circulated with the report and accounts for the year ended February 28, 1954:

INCREASED PROFIT AND DIVIDEND

I am gratified to be able to report to you that for the first time in the history of the company the net profit, before tax, has exceeded £1 million. The net profit for the year ended February 28, 1954, is £1,076,992, compared with £847,625, an increase compared with last year of £229,367.

Unfortunately, I have to record the melancholy fact that the taxation charged in the year's accounts also constitutes a record in the history of the company at £670,185, compared with £499,362, an increase of no less than £170,823.

There is, therefore, left available to stockholders only £58,544 out of the increase in the net profit, before tax, of £229,367, making the total net profit, after charging tax, £406,807, compared with £348,263 last year.

Your directors consider that the results fully justify the restoration of the 5 per cent cut in the final dividend, which increasing taxation forced them to make in 1950. Fortunately, the excess profits levy ended on December 31st last and, therefore, the taxes payable by the company next year, while still very heavy, should not be so formidable as this year.

CAPITALISATION OF RESERVES

The board have had under consideration for some time the advisability of bringing the issued ordinary share capital of the company more into line with the company's asset position, which has steadily improved year by year. The directors' report refers to the arrangements which we propose to make to capitalise a portion of the company's reserves. My letter to stockholders on this subject, which accompanies this report, sets out in full detail the arrangements we propose to make. I shall not comment further here, save to emphasise that stockholders must not assume that on the issued ordinary capital being increased by the amount of the proposed issue, the total amount of dividend paid on the ordinary stock will be necessarily increased. Future dividends must depend on the course of future trading and also on the need for further capital expansion which may arise from time to time.

SALES EXPANSION

In spite of the difficulties which still exist regarding import quotas and foreign exchange, the company's export turnover again shows a substantial increase over last year.

At the same time, home sales have been well maintained in general, and there has been a marked increase in sales of the company's "Alldry" battery-operated radio receivers. Although the small reduction in purchase tax from 66⅔ per cent to 50 per cent last year was disappointing, the demand for our "Alldry" radio receivers since has exceeded our expectations. We have had difficulty in meeting the demand for several months past, but we have recently increased our radio set production facilities, and the position should improve in the near future.

Recent technical improvements in our portable "Alldry" radio receivers and batteries have reduced the cost of listening to less than ¼d. per hour, which is below that of prewar years. The life of our torch and cycle lamp batteries has also been increased.

It would seem clear that the reductions in selling prices which we were able to make last year have contributed materially to the expansion of our business and profits, and we have recently taken a step further by reducing the prices of batteries used in hearing-aid equipment. The use of hearing-aids is becoming more and more widespread and batteries for these appliances now contribute a noticeable addition to our turnover.

The current trading year has started satisfactorily and gives us reason to think that sales will be well maintained both on the home and overseas markets.

STRONG FINANCIAL POSITION

The consolidated balance sheet shows that the company's financial position remains strong. The surplus of current assets over current and deferred liabilities (including the deferred liability for future taxation) has increased from £554,374 to £630,897. Stock-in-trade is again lower at £1,285,545 mainly due to lower prices of raw materials, and trade debtors are reduced from £814,478 to £700,426. We have taken advantage of the considerable increase in the available cash balance to pay off an additional instalment of the deferred liability for obligations to employees' pension funds in respect of past service. This deferred liability which amounted to £361,630 in 1952 is now reduced to £226,108.

In addition we have purchased £400,000 tax reserve certificates in order to set aside the cash necessary for the payment of taxes.

After providing for taxation and the recommended higher rate of dividend we have allocated £160,000 to reserves and the carry forward remains the same.

Our subsidiary company which deals with battery and other chemicals has had a successful year's trading in spite of difficult competitive conditions and has contributed substantially to the year's results.

We have extended the production facilities in our engineering subsidiary during the year. This company has expanded considerably since joining the group and has produced steadily improved results.

The subsidiaries in Germany have again carried on a satisfactory though comparatively small business. General conditions in Germany have improved during the year, and the board are actively considering plans for the expansion of our business in that country.

TRIBUTE TO STAFF

I take this opportunity of expressing the directors' appreciation of the willing and efficient services rendered by the staff and all concerned in the company's business. In recognition of their loyalty your directors decided to present 183 inscribed gold watches to long service employees who have completed twenty-five years' continuous service with the company.

THE BRITISH VACUUM CLEANER AND ENGINEERING COMPANY

SUBSTANTIAL CURRENT TRADING IMPROVEMENT

The fiftieth ordinary general meeting of The British Vacuum Cleaner and Engineering Company Limited was held on May 14th at Goblin Works, Leatherhead.

Mr J. J. Hambidge (chairman and joint managing director), in the course of his speech, reminded shareholders of the warning contained in his address last year that the current year's results would inevitably be affected by rising costs and the unfavourable trading conditions then ruling—the overall experience of electrical appliance manufacturers—largely as a result of the combined application of double purchase tax and consumer credit restrictions on the home market and the continuance of import regulations of many overseas countries as affecting the export market.

Mr Hambidge added that his warning, based on the first half of the year under review, proved not to be unfounded and was reflected in the accounts presented. As a result of the heavy setback in sales which had been experienced, and the impact of this on their liquid resources, it had at that time become vitally necessary to cut back production to a lower corresponding level.

In the latter part of the year a considerable improvement in their order book took place, both in home and overseas markets, but unhappily in the few remaining months left before the close of the financial year it proved impossible to effectively and sufficiently gear up production to meet the suddenly expanded order book in the changed conditions resulting partly from some relief on purchase tax.

Mr Hambidge continued: Troubles seldom come singly, and our industrial section would have produced better results fully in line with our budgetary forecast of the section but for virtual default of important customers in connection with two very large-scale contracts that we were carrying out in Australia. These we were, without warning, compelled to suspend and, as a result, added enormously to our difficulties and gave major and added emphasis to the financial stringency. This stringency was later relieved to some extent by property realisation.

Your directors have entered into negotiations with the well-known firm of John Thompson Ltd., of Wolverhampton, whereby they are acquiring our shareholding in the subsidiary company—B.V.C. Industrial Constructions Limited. The financial outcome will enable the directors progressively to expand development of Goblin Home Appliances on a very much wider and more effective scale than has hitherto been possible.

Arising from the sale of the freehold interest in the latter half of the last financial year, the overall financial position shows a very marked improvement.

THE OUTLOOK

I am very glad to tell you that there has been substantial improvement in the first half of the current financial year to date. Vacuum cleaner sales show a very substantial increase over those of the same period last year—in fact, more than twice the number, and our washing machine sales have taken a great move forward almost commensurate

VAN DYK CONSOLIDATED MINES

POLICY OF MORE SELECTIVE MINING

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held in Johannesburg on May 7, 1954, said that operations were hampered throughout the year by a shortage of European and native labour and by underground fires in April and July. Because of this and because of the diversion of a portion of available labour to increased secondary development, the tonnage milled declined by 224,000 tons to 1,022,000 tons. Accordingly, in spite of a slight increase in yield, the total output was some 14,000 ounces lower, which, combined with the lower price received for gold, caused the working revenue to decline by £221,753 to £2,127,897.

He stated that mainly owing to increased costs of labour, stores and power and the higher incidence of overhead charges on the lower tonnage, working costs rose by 6s. 4d. per ton milled and absorbed £2,093,345, so that the working profit for the year was £34,552. After taking into account £56,334 recovered under insurance policies in respect of the fires, together with other items of revenue and expenditure detailed in the profit and loss account, a net profit of £80,672 was carried to appropriation account. Capital expenditure absorbed £30,190 and a balance of £162,750 was carried forward.

DEVELOPMENT

Development footage totalled 40,975 feet and of the 22,260 feet on reef and sampled, 5,880 or 26 per cent proved payable, averaging 10.4 dwt over 22 inches, equivalent to 229 inch-dwt. Rather more than half the total footage developed was in the No. 5 Shaft area, and of the 7,200 feet on reef and sampled, 2,055 feet or 29 per cent was payable averaging 9.3 dwt over 23 inches, equivalent to 215 inch-dwt.

The ore reserve tonnage decreased by 200,000 tons to 1,300,000 tons, averaging 3.7 dwt over 42 inches, the value being 0.2 dwt higher and the estimated stoping width one inch more than in the previous year. The No. 5 Shaft area accounted for approximately 20 per cent of the total ore reserve tonnage.

CURRENT RESULTS

To counteract the decline in the grade of ore mined that had taken place over a period of years, the mine had recently followed a policy of more selective mining, resulting in an improvement in the yield. The cost of the increased secondary development required, coupled with the higher incidence of standing charges on the reduced tonnage had, however, been heavy and profits had continued to be low. Thus, the results for the first quarter of 1954 show a tonnage milled of 234,000 tons with a yield of 3·48 dwt. and a working profit of £7,750.

Of the current tonnage milled, approximately 10 per cent was coming from the stopes in the No. 5 Shaft area. The severe faulting and folding of the reef and the erratic gold values in this area, referred to at the previous annual general meeting, had continued throughout the year.

In conclusion, the chairman stated that at the present level of costs and the present price of gold, the mine was making only small profits and he could not hold out any promise of improvement unless the mine was fortunate enough to obtain much better development results than so far disclosed in the No. 5 Shaft area.

In reply to a question by a member, the chairman stated that the value obtained in borehole R.N.1, the position of which was shown in the plan of the underground workings circulated to members with the annual report, was 3.4 dwt. over a width of 11 inches. This borehole, which intersected the reef at a borehole depth of 7,400 feet, or a vertical depth of approximately 6,600 feet, was sunk by the company's predecessors, Reef Nigel Exploration Gold Mining Company, Limited.

The reports and accounts were adopted and the retiring directors, Messrs B. Elkin and W. M. Frames, were re-elected.

ST. HELENA GOLD MINES

HIGHER TONNAGE AND YIELD

MR P. M. ANDERSON ON PLANT EXPANSION PROPOSALS

Mr P. M. Anderson, the chairman of the company, in addressing members at the annual general meeting held at Johannesburg on May 6, 1954, said that the tonnage milled in 1953 was 799,000 tons, which was 201,000 tons higher than in the previous year, and the yield improved slightly to 4.06 dwt. As a result of the higher tonnage, the charge per ton for development was substantially lower and that for overhead expenses somewhat reduced, so that, in spite of increases in the cost of labour, stores and power, working costs at 42s. 9d. per ton milled were 3s. 9d. per ton lower than in 1952.

The working profit for the year increased by £207,061 to £330,348 and, after taking into account the items detailed in the profit and loss account, the net profit was £261,535. After making provision for the various items detailed in the appropriation account, the carry forward was increased by £96,805 to £105,164.

Net expenditure on fixed assets during the year totalled £225,808, including £163,795 in respect of development footage in excess of that charged to working costs, and was financed out of capital funds in hand.

DEVELOPMENT

Mainly as a result of the shortage of labour, the total development footage at 57,966 feet was somewhat lower than in 1952. Of the 25,665 feet on Basal Reef and sampled, 13,560 feet, or 53 per cent, proved payable with an average value of 10.5 dwt over 31 inches, equivalent to 325 inch-dwt. Though the footage sampled was slightly lower than in the previous year, the percentage payability showed a distinct improvement and there was also an increase in the inch-dwts of the payable footage. These improvements were partly due to the good results obtained from development work in the northern portion of the mine.

The ore reserve, recalculated as at December 31, 1953, was 2 million tons, averaging 5.3 dwt over an estimated stoping width of 51 inches, representing an increase of 750,000 tons, the value being unchanged, and the estimated stoping width being one inch more.

INCREASED SCALE OF OPERATIONS

During the first quarter of 1954, the scale of milling operations continued to increase and the yield per ton milled rose to 4.38 dwt. The ore milled totalled 230,000 tons and the working profit was £148,914. 12,181 feet were driven of which 4,605 feet were on Basal Reef and sampled, disclosing 3,000 feet or 65 per cent payable, averaging 18.2 dwt over 28 inches, equivalent to 509 inch-dwt.

It had been found that the milling section of the reduction plant was capable of exceeding its designed capacity of 80,000 tons per month and that, with slight extensions to the cyanide section, which work was now in hand, the plant should be capable of treating slightly more than 100,000 tons per month.

PLANT EXPANSION

In concluding, Mr Anderson said that the profitable exploitation of the company's large lease area would call fairly soon for an additional vertical shaft, to be followed, in due course, by a further expansion of milling capacity. But, before deciding on the location of this shaft, further information was needed about reef depths and geological structure to the east of the present workings and, accordingly, a programme of diamond drilling from surface was in progress which would take some time to complete. The method of financing the shaft would be decided in due course.

The reports and accounts were adopted and the retiring directors, Messrs P. M. Anderson, S. R. Fleischer and H. C. Koch, were re-elected.

ORIENT STEAM NAVIGATION COMPANY

AIR/SEA TRANSPORT RELATIONSHIP

MR A. I. ANDERSON'S VIEW

At the fifty-fourth annual general meeting of Orient Steam Navigation Company, Limited, held in London on May 14th, Mr A. I. Anderson (the chairman) said that the working profit was £747,576—an improvement of £156,905 on last year's figure. The directors recommended a dividend of 4 per cent free of tax.

There had been a slight increase in the amount set aside for depreciation, but this, though adequate in relation to first cost, did not provide enough for full replacement. Unfortunately all operating costs except oil fuel had continued to rise.

Since the last meeting, *Orsova* had been delivered and the new Pacific service inaugurated. Particular tribute was due to the staff both ashore and afloat for the hard work and hard thinking they had put into these major new ventures.

Mr Anderson welcomed the new investment allowance as a first step towards admitting the principle of allowing shipowners to set aside more than the first cost of a ship before having to pay taxes on so-called "profits." He pointed out, however, that the allowance was only small in relation to postwar increases in building costs and that no ship already paid for would benefit from it. Thus while it lessened it did not remove the danger that the tax-gatherer would continue depriving the industry of sums which were essential for future replacement, if its future efficiency was to be maintained.

Speaking of the relationship of air and sea transport, Mr Anderson said that if both developed on economic lines, they should be more complementary than competitive. The one catered for speed and the other for comfort. Some of the new traffic created by air travelled partly by sea, to the benefit of both forms of transport. However, the assistance in one form or another that civil aviation was getting from the taxpayer must not be forgotten, particularly when some of the taxes were obtained at the risk of doing serious damage to the future of shipping. He felt that before long this danger must be recognised by all Governments and that when the two forms of transport were left alone to find their own economic places in the world's transport system, each would have much to gain from the other's progress.

The report was adopted.

AUTOMATIC TELEPHONE AND ELECTRIC CO.

NOTABLE CONTRIBUTION TO EXPORT DRIVE

The annual general meeting of the Automatic Telephone and Electric Company Limited will be held on June 9th in Liverpool.

The following is an extract from the circulated statement of the chairman, Sir Alexander Roger, KCIE:

The profit of the parent company at £1,086,591 shows an increase of £236,021 over 1952. Taxation at £603,700 absorbs £140,632 more than in the previous year, and represents 55 per cent of the trading profit. The net profit for the year available for appropriation is £95,389 higher at £482,891. In spite of increasingly serious competition in overseas markets and other adverse factors, the results of the year's trading are satisfactory.

Sales of telephone equipment have again been limited by Treasury restriction on Post Office capital expenditure. This policy is depriving the country of a telephone service adequate to its need, and is also denying hundreds of thousands of would-be subscribers facilities for the better transaction of their business and private affairs.

Sales of telephone equipment overseas, although showing some reduction on 1952, have been maintained at a satisfactory level and the industry in general has fought hard to make a notable contribution to British exports.

It is vital at this stage in our export trade position that we can look forward to a period of stability—where our efforts to reduce production costs are not nullified by incessant wage claims.

EXPERT TOOL AND CASE HARDENING

ESTABLISHMENT OF LONDON SELLING ORGANISATION

The thirty-third ordinary general meeting of The Expert Tool and Case Hardening Company Limited was held on May 19th in London, Mr A. H. Redfern (the chairman) presiding.

The following is an extract from his circulated statement: The net profits, before taxation, amount to £127,261, as compared with £166,288. Taxation absorbs £72,500, leaving a disposable surplus of £54,761, as compared with £62,888 in 1952.

After providing for a final dividend of 16¼ per cent (making 27½ per cent for the year), the preference dividend, and appropriating £20,000 to general reserve, the balance of undistributed profits carried forward amounts to £42,859, compared with £34,612. Total capital and revenue reserves (not including the reserve for future taxation) now amount to £189,619, against an issued ordinary share capital of £160,000.

Your directors have had under consideration for some time the establishment of a central selling organisation in London, which would distribute the products of some of your subsidiary companies and also those of other manufacturers. A wholly owned subsidiary company, Adams, Ashmore and Company, Limited, has been formed for this purpose since the date of the balance sheet.

Now about the current year, the steps being taken by your directors to increase output have not yet become wholly effective, but the policy being adopted will, I feel confident, have a favourable effect on future results. The report was adopted.

B.I.C.C.

SATISFACTORY RESULTS

The ninth annual general meeting of British Insulated Callender's Cables, Limited, will be held on June 10th in Liverpool.

The following is an extract from the circulated statement of the chairman, Sir Alexander Roger, KCIE:

In my statement last year I expressed the opinion that trading conditions in 1952 had been exceptionally favourable and the drop in 1953 trading profit of £1,178,002 to £8,344,074 was not unexpected by us. Under all the circumstances we consider the results, which are more in line with the normal year 1951, to be satisfactory.

The main features of the profit and loss account are that the fall in trading profit has been more than offset by the decreased charge for taxation and the increased special receipts leaving net available profit from the year £533,901 higher at £3,998,336.

Your directors have had fully in mind the claims of stockholders for an increased distribution. Thus, while continuing to strengthen reserves by transferring £500,000 to reserve for replacement of fixed assets, and £1 million to general reserve; and by adding £322,346 to the balance carried forward on profit and loss account, they propose to pay a total dividend for the year of 10 per cent less income tax (of which 2½ per cent, less income tax, has already been paid as an interim dividend last January) and to make a special distribution of 2½ per cent free of income tax out of capital profits earned on the realisation of investments and properties in 1953 and earlier years.

As the balance sheet shows, the position of the group is a very strong one, reserves now exceeding the issued capital and total assets amounting to over £62 million.

For our production people 1953 has not been an easy year.

In certain of our activities the group has enjoyed a good load factor with all its benefits, but in others the load has been erratic with all its consequent problems.

Technically, I believe that in our industry we are as efficient as anyone in the world and we are spending large sums each year to remain so. From the cost angle much can be done by the introduction of new plant and processes, but the full benefits can only finally be obtained by overall efficiency and hard work. Your board are all in favour of higher salaries and higher wages, provided, and it is a most important proviso, they are accompanied by higher efficiency and increased output.

Although there has been a welcome increase in the intake of orders since last autumn, there is no doubt that the days of having long order books are over, and that we are back to the prewar position in many of our products with delivery and price becoming of increasing importance.

The relinquishment of Government controls over most of our raw materials, and the growing freedom we therefore enjoy, are a help and challenge to us all in the group to achieve greater productivity, even higher efficiency and lower costs. They must remain our foremost objectives.

Conditions from the short-term aspect may not be easy—they rarely are! But I have confidence in the future of this group with its wide spread of interests both in products and in territories; with its active research and technical activities; with its fine factories constantly being improved; and above all with its enthusiastic, competent and loyal team of men and women.

Also issued with the accounts was a tribute from the board of directors to Sir Alexander Roger on the occasion of his retirement as chairman and director of the company.

JOHNSON & PHILLIPS

STRONG LIQUID POSITION

The forty-ninth annual general meeting of this company was held on May 20th in London.

Mr G. Leslie Wates, JP, Comp. IEE, chairman and joint managing director, in the course of his speech, said: The trading balance for the year 1953 is just over £600,000 and is less than last year's trading balance by approximately £100,000. This difference in the trading balance is entirely accounted for by our rubber cable business.

The introduction of lower selling prices automatically caused falls in the value of the cables we had in stock, both at home and abroad, the whole of which has been borne in the current trading account.

The other departments, namely, the paper cable department and the engineering departments manufacturing switchgear, transformers and capacitors, have done well, and in the aggregate have increased their sales, and their gross and net profit, over those of the previous year. Our capacitor department is being completely overhauled and is already beginning to show good results.

Our current assets amount to £4,399,889 whereas the current liabilities to creditors and others are only £1,331,667, thus showing an excess of £3,068,222.

Although the dividend is at the rate of 15 per cent on the nominal value of the ordinary shares, by reason of the reserves and the credit balance on profit and loss account, the dividend gross, expressed in terms of percentage on the capital of the shareholders employed in the business is only 6.15 per cent, and after tax, only 3.37 per cent is actually paid to shareholders.

The report and accounts were adopted.

SAN FRANCISCO MINES OF MEXICO

The forty-first annual general meeting of San Francisco Mines of Mexico Limited was held on May 18th in London.

Mr C. E. Temperley, OBE, MC (the chairman), presided and in the course of his speech said: Compared with the previous year the proceeds from the sale of our production fell by £2,754,000; our tax bill fell by £2,368,000 and our costs rose by £330,000. The end-effect of these changes was that the net profit for the year fell by £715,000 to £255,000.

The increased amount of unilateral relief granted by the UK Finance Act of 1953 enabled us to transfer back to appropriation account nearly £400,000 of previous provision for taxation now no longer required. Your directors recommend a dividend of 2s. per unit out of operating profit and a bonus of 2s. out of tax provision no longer required.

From a technical point of view, operations at the mine were entirely satisfactory. Underground development at our two mines continued to show satisfactory results.

For several years your company enjoyed high metal prices and earned handsome profits. Metal prices rise and fall like the tide. The tide has now ebbed and at present prices our earnings are comparatively small. It has been the board's policy to build up and maintain a strong cash position and our finances are very strong indeed. It is impossible to predict the duration of present conditions, but I am confident that when the tide does turn your company will be in excellent shape to resume its prosperous journey without difficulty or delay.

The report was adopted.

CITY OF BLOEMFONTEIN

FOUR PER CENT INSCRIBED STOCK 1954

NOTICE IS HEREBY GIVEN that the books of the City of Bloemfontein 4 per cent Inscribed Stock 1954 will be finally closed for transfers at the close of business on Tuesday, June 8, 1954.

For Barclays Bank (Dominion, Colonial and Overseas)
(Registrars of the above Stock).
G. A. D. HARRISON,
Manager.

Circus Place,
London Wall, E.C.2.

AVELING-BARFORD LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the 5½ per cent Cumulative Preference Stock, the 5 per cent Second Cumulative Preference Stock, the Ordinary Stock and the "A" Ordinary Stock will be closed from Tuesday, May 25, 1954, to Tuesday, June 8, 1954, both days inclusive.

By Order of the Board,
H. C. RYAN, Secretary.

Invicta Works, Grantham.
May 18, 1954.

HER MAJESTY'S COLONIAL SERVICE

Statistician (CDE 63/7/03) in the Department of Agriculture, Kenya, to advise on the design of field and other experiments conducted by the Department including sampling, investigations and surveys, and to assist in the statistical analysis of results.

The appointment will be on two years' probation for permanent and pensionable employment. Salary on scale £550 to £1,320, plus a temporary variable and non-pensionable allowance which is at present 35 per cent of salary with £350 a year maximum. When quarters provided, rental will be charged at 10 per cent of salary furnished or 7½ per cent unfurnished (maximum of £150). Free passages for officer, wife and family up to cost of three adult passages. Income tax at local rates which are much lower than in United Kingdom. Generous home leave.

Qualifications required are a good degree in Mathematics or Statistics with some post-graduate training in statistics, and preferably a diploma in statistics; some experience of, or training in, statistical methods as applied to agricultural field experiments is essential.

Intending applicants, who should be between 21 and 40 years old, should write to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, stating briefly personal particulars and qualifications and quoting above reference.

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH invites applications from economists for two vacancies on its research staff to work in the field of capital formation, particularly (i) on the statistical and economic analysis of data on the sources and uses of funds of public companies, now being compiled at the Institute from published accounting material; (ii) on experimental work using available material (including firms' records) for the measurement of the growth of industrial capital in real terms in the postwar period.

The two vacancies are for (i) a Research Associate Grade I or special appointment of higher grade, salary in the range of £950-£1,600 p.a. according to qualifications and experience; (ii) a Research Associate Grade II, salary in the range of £600-£950 p.a. F.S.S.U. or equivalent provision and family allowance scheme available. Good academic qualifications and research experience are essential. One at least of the two vacancies will be filled by an economic statistician. Both appointments would be for two years in the first instance, with possibilities of extension. The Institute would welcome applications from candidates already in other posts who are in a position to arrange for leave of absence without pay, or secondment, for the necessary period; a part-time appointment would be considered in the case of an exceptional candidate. Where such an arrangement would involve an applicant in abnormal expenses (e.g. of removal of household or maintenance of a home in his existing area of domicile) the Institute would be prepared to consider making a grant toward such expenses.

Applications, marked "Confidential," should include full details of qualifications and experience, the names and addresses of two referees, and should reach the Secretary, 2 Dean Trench Street, London, S.W.1, by May 31, 1954.

MARKET ANALYST required to form Investment Research department in CITY MERCHANT BANK. Thorough previous experience Stock Market Research essential. Candidates must be used to working independently and should preferably be aged 35-45. Salary £1,500/£2,000, with excellent future prospects.—Write Box "MY/57" c/o 95 Bishopsgate, E.C.2.

A YOUNG CHARTERED ACCOUNTANT, aged 26 to 28 years, is required by a well-known Industrial Company to train for a position of responsibility in which initiative and drive will lead to early promotion and lucrative employment. A University degree would be a good additional qualification but not essential. This is a unique opportunity for a young man to prepare himself for an appointment with the widest scope and interest. An adequate salary covers the training period, with ultimate prospects of earning up to £3,000 per annum.—Please send details of qualifications and experience to Box No. 557.

A £9,000,000 turnover group of factories has been started and brought to satisfactory and profitable operation by manager in his thirties.

He will be available in 3-6 months. General administrative and technical experience, Britain and the United States. £3,500 minimum salary or will consider share option in suitable company.—Box 562.

GERMAN economic student (21) desires stay in England or Commonwealth; willing to teach or work.—Box 560.

ACCOUNTANT A.C.W.A. (34) seeks better post. Chief Accountant public company. Seven years' experience costing factory and building industry, budgetary control, financial accounts. Overseas war service. Captain R.A.S.C. Highest references.—Box 558.

JOURNALIST, under 35, with mature judgment on foreign affairs, knowledge of news sources, and experience in handling copy, wanted for important editorial post in London involving both reporting and comment. Good salary and prospects for an outstanding man.—Box No. JU-093, 10 Hertford Street, W.1.

ACCOUNTANT/OFFICE MANAGER with keen interest in all forms of mechanised accounting and special flair for punched-card technique seeks employment where there is scope for these or other progressive methods and ideas.—Box 561.

CHARTERED ACCOUNTANT required to open Continental office for London Chartered Accountants. Good knowledge German and French essential. Salary by arrangement.—Box 559.

THE POLYTECHNIC, 309, REGENT STREET, W.1.

SESSION 1954/55

Enrolment can now be made for the following full-time courses:
(1) General Certificate of Education Advanced Level; Preliminary and Final B.Sc.(Econ.); and B.Sc.(Sociology) of London University.
(2) Commercial Administration.
(3) General Secretarial Studies.
(4) Professional Course for Accountants.
(5) Professional Course for Statisticians.

Inquiries and applications to the Head of the School of Commerce, from whom a prospectus can be obtained.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of Research Assistant in the Department of Industrial Relations. Applicants should have an Honours Degree in Economics and previous research experience would be an advantage. Salary £450 per annum. The post is for one year, and may be renewed for a further two years. Six copies of application, with the names of three referees, should be sent to the undersigned, not later than June 26, 1954.

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

May, 1954.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of Assistant Lecturer in the Department of Industrial Relations. Commencing salary £450 per annum. Six copies of applications, with the names of three referees, should be sent to the undersigned (from whom further particulars may be obtained) not later than June 26, 1954.

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

May, 1954.

LONDONDERRY: MAGEE UNIVERSITY COLLEGE

APPLICATIONS are invited for an Assistant Lectureship in the departments of Mathematics and Economics for three years from October 1, 1954. Salary £500, rising by annual increments of £50 to £600, with the usual children's allowances and FSSU benefits. Applicants should possess adequate qualification in mathematics, but should be interested mainly in economics and social science.

Three copies of applications, which should include two testimonials and the names of two referees, should reach the Secretary of the Trustees, Magee University College, Londonderry, Northern Ireland, not later than June 12th. Fuller information, if desired, may be obtained from the Secretary.

HOME OFFICE: CHILDREN'S DEPARTMENT AND PROBATION INSPECTORATES. The Civil Service Commissioners invite applications for pensionable posts as Inspectors Grade II in the Children's Department Inspectorate, in London and Provinces, and in the Probation Inspectorate in London.

The Children's Department Inspectors' duties include the inspection in England and Wales of arrangements for boarding out children with foster parents, of children's homes and nurseries and of approved schools and remand homes, and assistance in training workers in child care.

The Probation Inspectors' duties include inspection of probation work in England and Wales, advice on individual cases and assistance in the training of entrants to the Probation Service.

Age preferably at least 28 on April 1, 1954. Candidates must have a wide experience of social conditions in this country and an understanding of behaviour problems. They should normally have had practical experience of family case work. Preference will be given to candidates who hold a University degree or a diploma or certificate in social or domestic science or institutional management or who have taken other recognised training in social or educational work.

Salary scales (London) (including Extra Duty Allowance where payable): Men, £872-£1,126; women, £729-£985.

Particulars and application forms from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4328/54. Application forms to be returned by June 3, 1954.

MINISTRY OF EDUCATION requires, for England only, HM INSPECTORS (men and women). Preferably under 50. Good educational qualifications and experience in Adult Education desirable. Qualifications in Economics, Philosophy and Psychology particularly desirable.

Posts permanent and pensionable. Inclusive salary: *London* £1,075 by 12 increments to £1,625 (men); £970 by 11 increments to £1,438 (women). *Elsewhere* slightly less. A few posts carry £100 allowance. Appointments may exceptionally be made above the minimum. Higher posts filled by promotion.

Application form from the Secretary (Inspectors' Section), Ministry of Education, Curzon Street, London, W.1. Closing date June 15th.

PROGRESSIVE BUSINESS MEN'S FORUM—a Symposium on "GENEVA—PROSPECTS OF PEACE IN ASIA." Speakers: Mr Dingle Foot, QC, Mr Emrys Hughes, MP, Mr Niall Macpherson, MP, Mr Woodrow Wyatt, MP. On THURSDAY, MAY 27th, CORA HOTEL, Upper Woburn Place, WC1, at 7.45 p.m. Visitors 3s. 6d.—MAYFAIR 4215 for reservations.

STATISTICIANS in the HOME CIVIL SERVICE.—The Civil Service Commissioners invite applications for posts of Assistant Statistician in Government Departments. Selection will be by interview in London in late July. Age at least 20½ and under 24 on August 1, 1954, with extension for service in HM Forces and approved post-graduate statistical experience. Candidates may be mathematical or economic statisticians; they must have a First or Second Class Honours Degree (II (i) where the Second Class is divided) with statistics as the principal subject or a substantial part of the final examination, or a post-graduate University Diploma or higher Degree in Statistics. Those so qualifying this summer will be eligible. Starting emoluments in London, including Extra Duty Allowance (where payable), between £507 and £669 (men) or £588 (women), according to periods of National Service and post-graduate experience, rising to £923 (men) and £810 (women). Promotion prospects to £1,570 (men) and £1,395 (women), with possibility of later increases to £2,100 (men) and £1,950 (women). Particulars and application forms from the Secretary, Civil Service Commission, Burlington Gardens, London, W1, quoting No. 96/54. Completed application forms must reach him by July 3, 1954.

CHEMIST, Ph.D.; young, energetic, experienced research, development, production, management, business aptitude, administrative ability, technical/non-technical post, possibility eventual directorship. London area.—Box 563.

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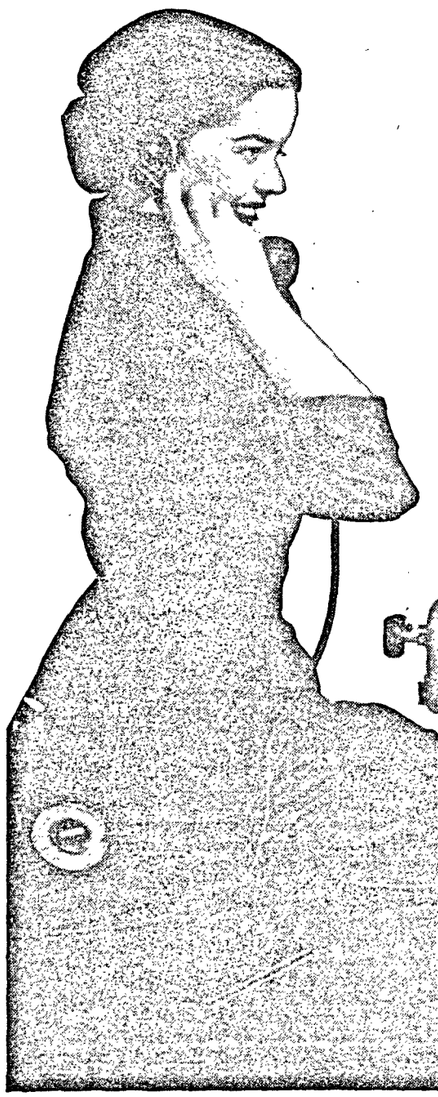

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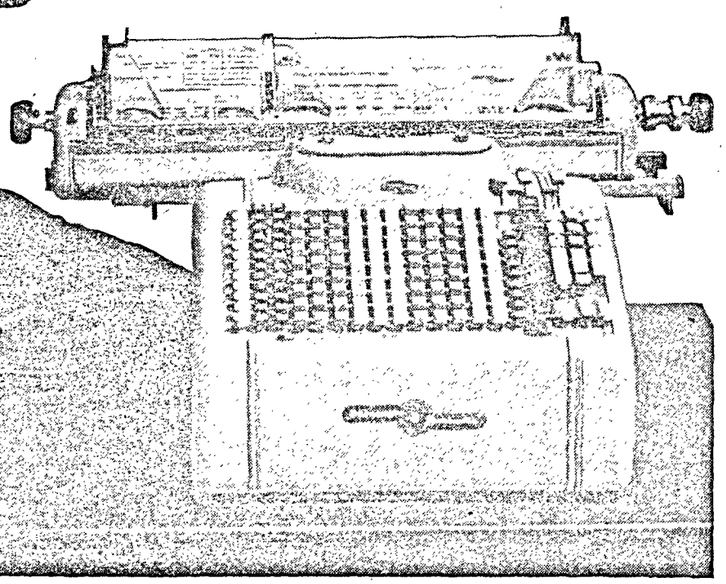

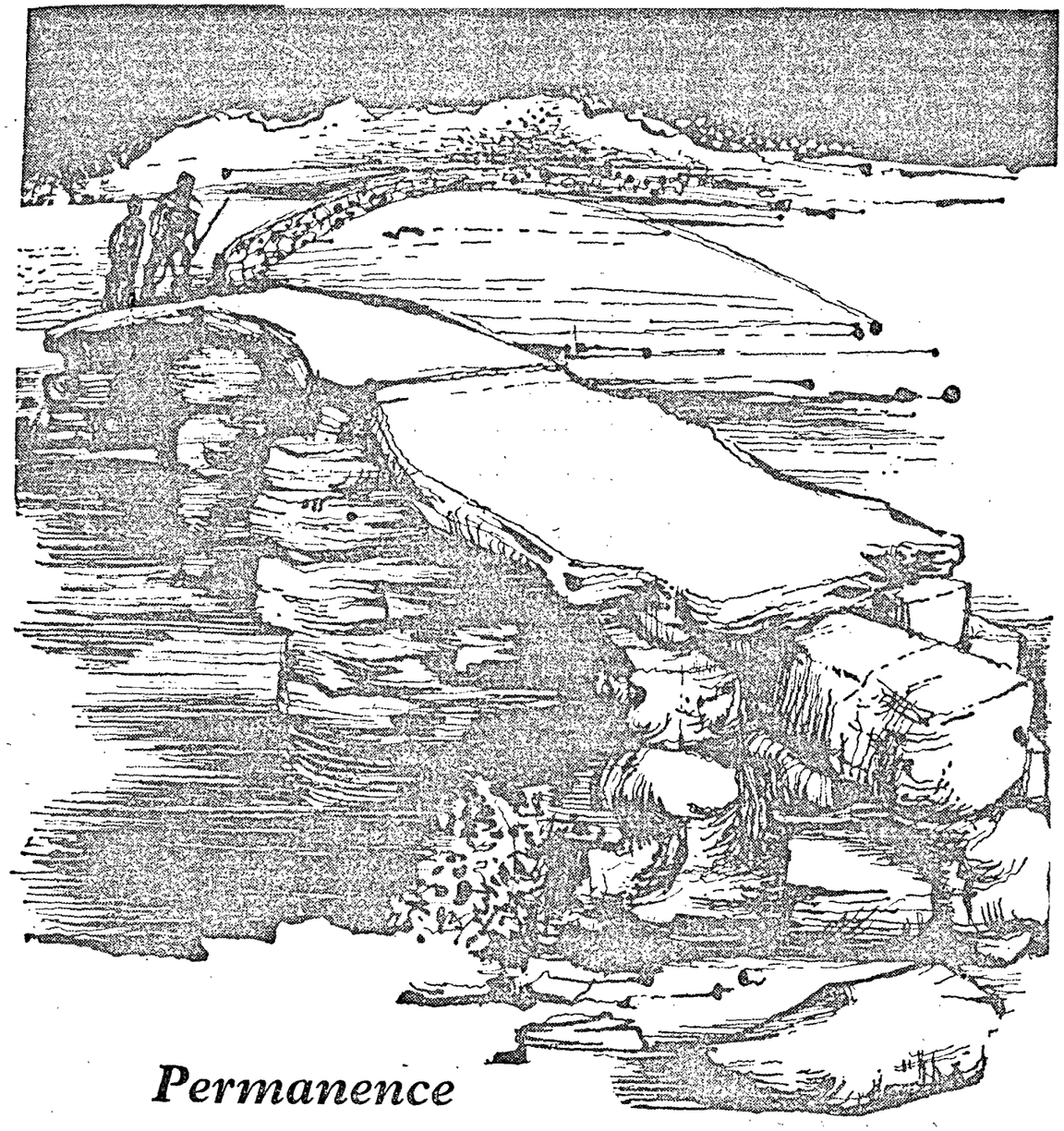

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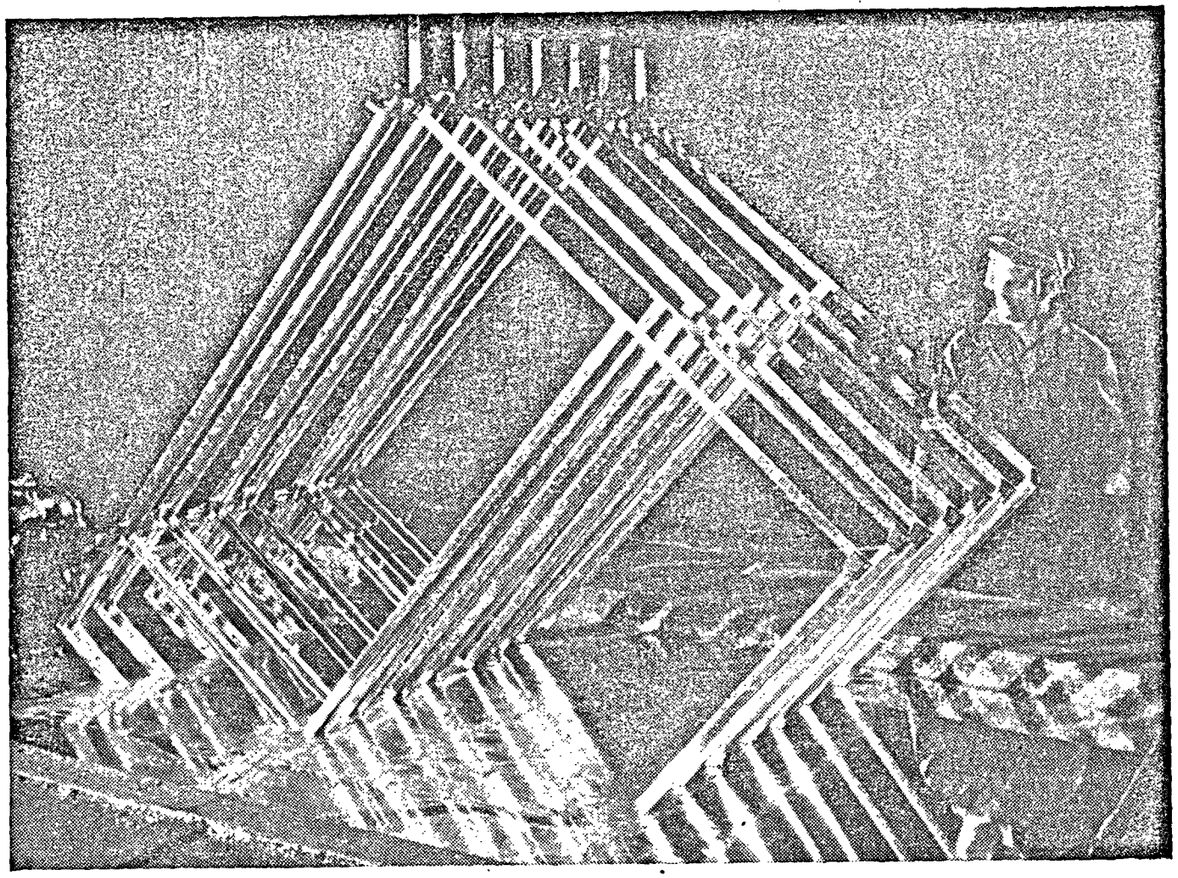

The story of the Crittall window that had two baths

A Crittall steel window had two baths. The first was in molten zinc at 860° Fahrenheit, to give it a positively rust-proofed, galvanized surface. The window was then placed on the roof of Fulham Gas Works for twenty months, followed by another twelve months in the steam and fumes of the coke-quenching sprays. The second bath, at the end of the thirty-two months, was just to remove the accumulated quarter-inch thick layer of corrosive deposits. Was the Crittall Window any the worse for this trying experience? No, not a bit! Its tough galvanized surface was still as intact and corrosion-proof as the very day the window was made. That is why Crittall rust-proofed windows, with the very smallest outlay for ordinary, sensible maintenance, will outlast any building they are called upon to grace and protect.

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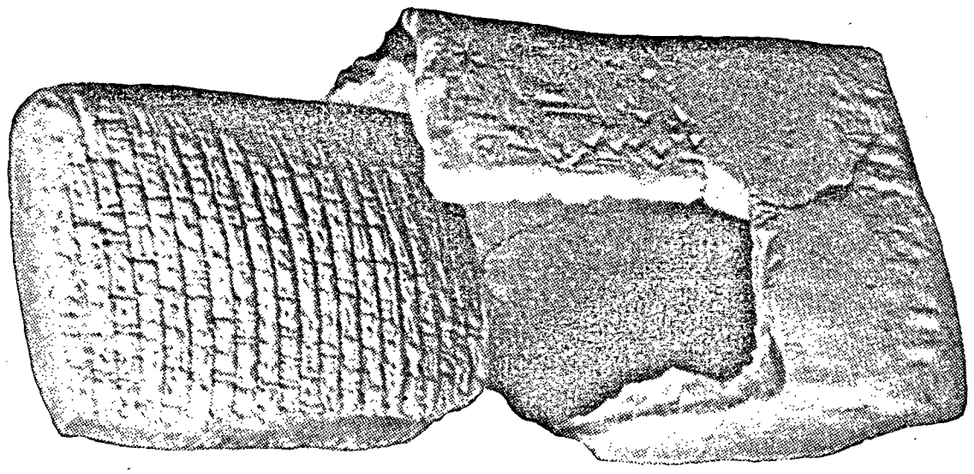
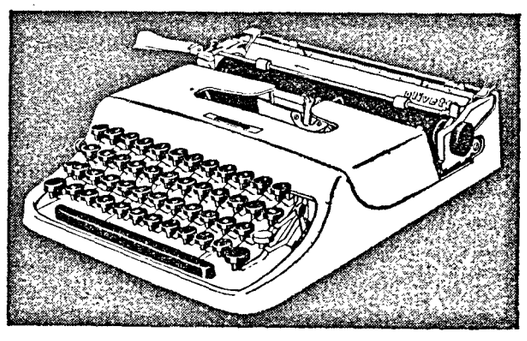
Here is a letter and its envelope written several thousand years ago on the banks of the Euphrates. The message was inscribed in wet clay which was then left to dry, and later covered with another layer of clay to carry the address. The letter was opened by breaking the envelope as if cracking a nut from its shell.

Ingenious—yes—but cumbersome and antiquated. A far cry indeed from letters of today, quickly written on a typewriter—a typewriter, to be precise, which is smooth, light to the touch, responsive, handy, comfortably carried—written, in a word, on the Lettera 22.





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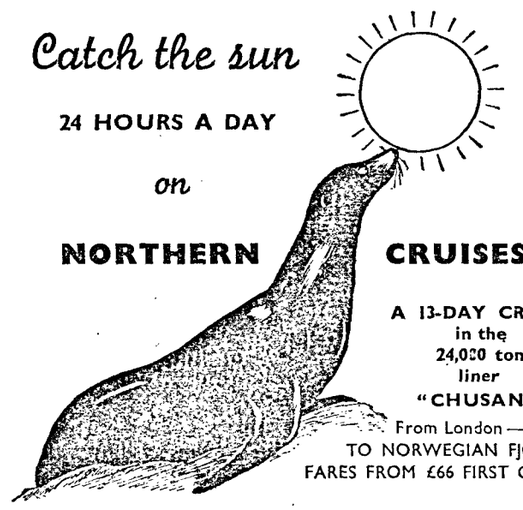

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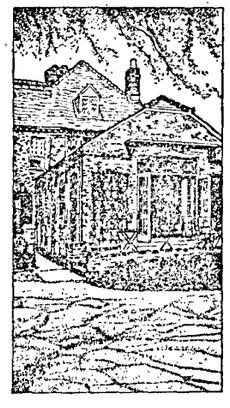

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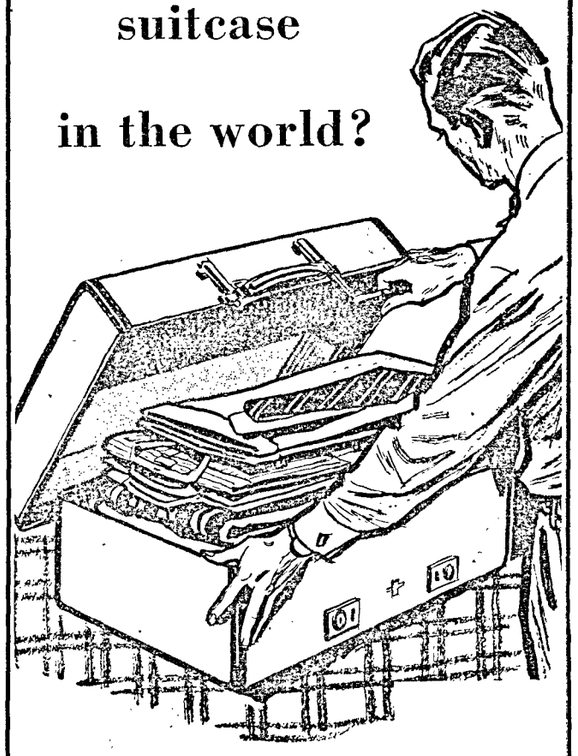

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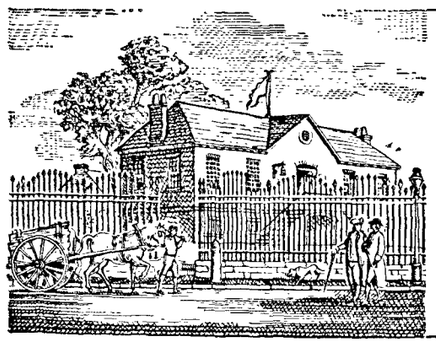

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Asia's Hour 687
Change is Whose Ally? 689
Brave Answer to Malan 690
The Derby in Danger 692

NOTES OF THE WEEK
Mr Attlee Turns Mendicant; Retreat to China; M. Bidault Watches the Clock; M. Mollet to the Rescue; Free Vote for More Pay; Unexploited Bomb; Ten Thoughtful Men; Correcting the Record; Korea's Stalemate; Geneva Through Russian Eyes; The Footplateman's Home; Screening the News; No Decision in Ireland; Towards a Balkan Military Pact; See-Saw in North Africa; Ceylon's Rubber Again; Consumers of Old; Britain Tours for Trade; Strain on Uniscan. 694

BOOKS AND PUBLICATIONS . . 704

AMERICAN SURVEY
Ploughing McCarthy's Furrow . . 709
Guns for Guatemala; Splitting the AEC; Steel Surprise; Competitive Monopoly?; Constitution in the Air; Cheap Labour from Mexico; Shorter Note.

THE WORLD OVERSEAS
Seato and the Commonwealth . . 717
A European Saar?—I; Uganda Outlook; Insoluble Trieste; Myth of Cheap Japanese Labour; Money on the Wing; Journal of Geneva—V.

THE BUSINESS WORLD
Tougher Going in Oil 727
Putting Copper on its Feet . . . 729

BUSINESS NOTES
Investors Think Again; Edith Comes Out; Omo Detergens; Raw Cotton Agreement?; Money Rates Settling Down; Coryton Refinery Completed; Chess Masters at EPU; Ships or Dividends; Implementing Monopoly Reports; "Pru" Down the Middle; Argentinians to Think Again?; New Peaks in Cocoa; Butyl Rubber from Fawley?; Hudson's Bay and Oil; Tax Gatherer and the Public; Award for Thomas W. Ward; Ford's Farming System; The Value of Weight; 69 Crystal Balls; Banging the Savings Drum; Plant for Russia; Shorter Notes. 731

COMPANY NOTES AND SECURITY PRICES 744
STATISTICS 747

Roads for Britain

FOLLOWING PAGE 726

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Asia's Hour

WHEN a camel advertising a local circus lurched through the draughty streets of Geneva a few days ago, hardly a soul stopped to stare. In the past month, Calvin's city has come to take the exotic for granted. Admittedly, it has accustomed itself to a floating Far Eastern population since the first days of the League of Nations, and even in May, 1954, a Vietnamese encountered in a Geneva bus may prove to be attending the World Health Assembly. But Asia has never before stepped so dramatically across the Alps. Of the score of delegations at the present Geneva conference, nine are from the Far East; and the citizens, blinking at the unfamiliar flags of states ranging from Cambodia to North Korea, rub elbows in their narrow streets with Indonesians, Japanese, Pakistanis and other Asians who are present as journalists, unofficial observers, pleaders of causes or waiters in the wings.

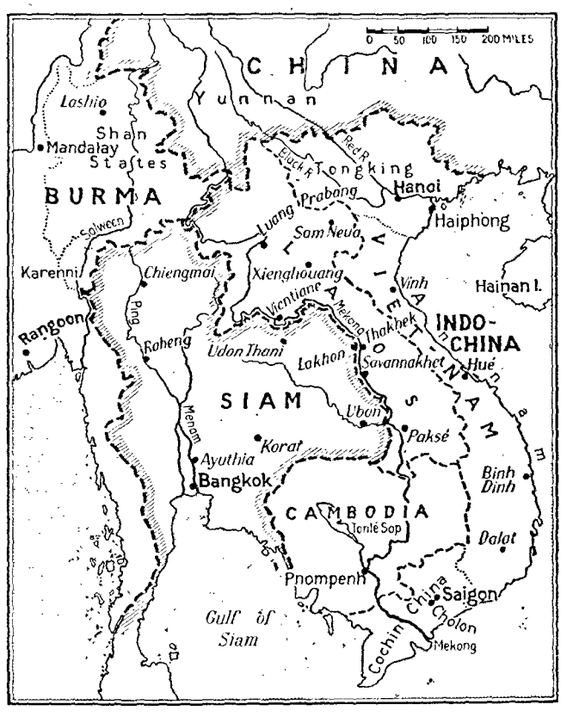
But this is Asia's hour in a deeper sense. The proceedings at Geneva have now reached a point at which the future course of events in the Far East, and perhaps in the larger world, waits upon decisions that must be taken—and taken soon—in Peking and in Delhi, in Seoul and Pyongyang, in Saigon and in Ho Chi Minh's jungle capital in Tonking. Nearly all the western governments' cards have been laid on the table, face upward, and with an hourglass alongside them as a polite but clear reminder that in this kind of fateful game there must be a limit to the intervals between rounds. France has committed itself to Indo-Chinese independence; Mr Eden has held open, for several crucial weeks, a door that successive gusts from various directions threatened to slam shut; and Mr Dulles has shown great restraint in extremely provoking circumstances. The mistakes the western nations have made in the past cannot be wholly blotted out of the record; but through the bitter month of crisis and confusion that is now ending patience and firmness have survived to emerge this week, still in partnership, into a slightly milder atmosphere.

The barometer at Geneva, after oscillating wildly, almost daily, between hopes and fears, seems indeed to have steadied somewhat. It is not by any means set fair; but it is a sounder guide to political reality now than when it was veering from storm to sunshine and back again. The evaporation of some of the inflated hopes of recent weeks has contributed as much to this new steadiness as has the failure of several threatened storms to materialise. Mr Krishna Menon's arrival and his round of quiet and cautious talks have dispelled the widely prevalent idea that Delhi was sending him to Geneva equipped with a miraculous key that would unlock all doors. The "Molotov plan," announced with fanfares a week ago, is now seen in its proper proportions, as a sensible procedural formula but nothing more. And the concessions made on both sides as regards Korea are generally recognised as quite inadequate to remove the basic obstacles to the reunification of that country.

The clearing of the air has made it easier to identify and concentrate

upon the hard core of the Indo-China problem. This is now plainly seen to be the question of partition. However, unfortunately for clarity, in the circumstances of the Geneva conference, partition seems to be an unspeakable word. In Vietnam, two rival governments each assert an authority over the whole state which neither in fact can exercise ; and even in Cambodia and Laos, the Communists have put forward the claims of their " resistance governments " to be considered on equal terms with the recognised administrations. According to the latest reports available, however, the Viet Minh have not only accepted the argument that military regrouping must be the first step towards a settlement, but have also carried it a little further towards its logical consequence—which is effective partition—by urging that the reshuffle should take account of economic factors. This is progress indeed. A few weeks ago, it was being proclaimed that Vietnamese territorial unity was of paramount importance, which implied that the bloodshed must go on until one side or the other was totally liquidated. Now, sanity is gaining ground.

But there is still much ground to be covered. The crucial point that has been at issue for the past week concerns Cambodia and Laos, not Vietnam. Outside the Communist camp, few people are prepared to take seriously Pham Van Dong's claim that in each of these two smaller states a wholly indigenous " liberation movement," associated with the Viet Minh, but drawing all its strength from Cambodian or Laotian sources, has effective control over enough territory and population to entitle it to the status of a government. The evidence for this claim is flimsy indeed ; the best the Communist press could do to establish the existence of a Laotian " people's army " was to produce a photograph of eight men with a flag, and on the other side of the ledger it is an ascertainable fact that several former leaders of Laotian resistance to France are now in Geneva as members of the Laotian government's delegation. Any independent examination on the spot would quickly reveal, first, that most Cambodians and Laotians have no wish to exchange their nascent independence for Communist rule ; and, secondly, that even in the jungle areas and isolated valleys in the two states over which the red flag waves, invading columns from Vietnam have played a much more decisive part than the local guerrilla bands.



To grant the Viet Minh a permanent tenure in these states would therefore be a disastrous concession. If independent Communist administrations are, in effect, to be tolerated by Laos and Cambodia, why not by Siam, by Burma, by India or East Pakistan ? Indeed, once the Communists were comfortably established in the two states, they would no longer be confronted with any natural barriers to a further expansion. Geography has provided one such barrier in the thickly forested mountains that shut northern Vietnam off from the rest of Indo-China ; but between Laos, Cambodia and Siam there is no similar obstacle, and once Siam was penetrated the cork would be well and truly out of the South East Asian bottle.

Negotiation on this vital issue is still possible. Although the Communists have pressed their demands on Laos and Cambodia publicly and forcefully, they have left themselves an open avenue of retreat. The two shadowy " resistance governments " have never been formally recognised by Peking, by Moscow, or even by Ho Chi Minh ; their two heads, Souvanouvong and Son Ngoc Minh, could at any moment be converted into " unpersons " by the well - oiled propaganda machine. The Communists are in a position to retire gracefully ; they can even withdraw the Viet Minh troops from the two states without ever admitting that they had been there. Their antagonists at Geneva may be able to smooth this path of retreat ; but they themselves can hardly give way on a point involving such obvious moral issues, any more than they could in Korea. The hour of decision is Asia's, not the West's.

But it is not only Communist Asia that must now take a fateful choice. The nations of free Asia also face an urgent decision. Are they, by inaction, to give the impression that they are indifferent to the fate of two newly free Asian states ? If they are ready to see Laos and Cambodia crumbled into satellites of Peking, what of Siam and Burma ? It is not known what passed between Mr Menon and Mr Chou En-lai during their long talk in Geneva this week ; but it is obvious enough that at this crucial moment, a clear intimation to the Communist bloc that free Asia is at last alive to its own danger might turn the scales.

Change is Whose Ally ?

LAST week the Conservative Political Centre brought out a booklet with quite the best title of any political publication since the war. The title is " Change is Our Ally "* ; and under this strangely unconservative device ten Tory backbenchers have expressed their forthright abhorrence of the prewar Conservative policies of molly-coddling monopolies, sponsoring rationalisation and rushing to the rescue of any industry that had been rendered uneconomic by technical progress abroad. Their views do not, of course, carry the weight of official party policy, but are merely offered " for discussion and judgment "; and some of their proposals for the future, which are reviewed in more detail on page 696 of this issue, are admittedly more cautious than their condemnation of the past. This is a booklet written by ten politicians with praiseworthily liberal leanings, but also with an obvious desire to hold on to their seats.

Nevertheless, its publication is a significant event. Nine of the back-benchers concerned are under the age of fifty ; and it is reasonable to suppose that by the late 1960s at least two or three of them will hold very important positions in the Conservative hierarchy. Their work goes some way to suggest that the Government back benches now contain some hard-thinking young men who have done very well intellectually out of the last peace. If so, as their influence matures, a new prospect will open before the Conservative Party. Hitherto the party's basic instinct has been to resist all forces making for economic change, although this instinct has been tempered by the fear that the electorate might consider this very unprogressive. The new band of young Tories instinctively understand that it is in the country's interests that they should welcome and encourage the forces making for economic change, although this instinct is tempered by the fear that the electorate might find this very uncomfortable. The change in attitudes could not be more complete, even if the change in policies may lag some way behind it.

The new leaven should clearly be welcomed by all who hold radical opinions. But should it also be welcomed by those whose main objective is to keep the Conservatives in—and the Socialists out of—office in as many Parliaments as possible throughout the second half of this century ? This is the question that will trouble those whose control over the early development of Tory policy is likely to be decisive ; it is also—as the caution underlying many of the proposals in " Change is Our Ally " shows—the question that is worrying the back bench authors themselves. The question demands an answer from those who must declare an interest in the adoption by the Conservatives of a progressive policy, who believe indeed that those who should declare such an interest are the British people at large.

The fears of the party managers can be understood only when it is recognised that the proposals in " Change is Our Ally " are not a logical development of the slow postwar progress towards Tory Reform that has been associated with the name of Mr Butler ; indeed, in many ways they represent a sharp break from it. Butlerism has involved the Conservatives in the abandonment of certain traditional attitudes, but only those that had clearly become unpopular. The party has thrown off most of its previous attachment to privilege, some of its previous objections to the social services, and all of its previous objections to Keynesian finance. But it has done so not out of courage but out of funk. In the process, the Butlerites have annoyed nobody except Sir Waldron Smithers, and the party managers can feel fairly safe that he will not react by voting Labour.

★

The philosophy of " Change is Our Ally " must seem a different proposition. Its implementation would annoy very many people very considerably, at any rate in the short term. The workers and capitalists in such declining industries as cotton textiles, the farmers, the big and little monopolists, would all be hurt far more by a policy that welcomed economic change than the honeyed words of this booklet might lead them at first reading to believe. Labour would be given some new catchwords, and it would certainly gain some new recruits. The Conservative Party, in short, would lose the support of some middle-class conservatives, and it would have to try to make up for this by gaining the support of progressives in all classes instead.

This is the disruptive challenge of " Change is Our Ally " ; and it is understandable that some party tacticians should argue fearfully that disruption means decay. But, before they do so, they should consider carefully what is their alternative. The most obvious alternative, presumably, is to rely on the simple common bond that wins the party nine-tenths of its present votes : to stand as a rallying point for the majority of the country which does not believe in Socialism. The main objection to this policy is a peculiar but increasingly insistent one : it lies in the dawning realisation that the leaders of the Labour party do not believe in Socialism either. In the second half of this century a conservative party may not look like an alternative to Labour ; it may merely look like the same thing, but with too many rich men attached.

* " Change is Our Ally," edited by Enoch Powell and Angus Maude. Joint authors : Robert Carr, Richard Fort, Viscount Lambton, Gilbert Longden, Angus Maude, David Ormsby-Gore, Enoch Powell, John Rodgers, J. E. S. Simon, John Vaughan-Morgan. Published by the Conservative Political Centre. 1s. 6d. 104 pages.

The transformation of the Labour party into a conservative party is already far advanced, not because Mr Attlee and Mr Morrison are conservative men (as 1931 showed, they are not), but because of the remorseless pressure of events. In their hearts the Labour leaders now recognise that the redistribution of the national income in favour of the working class has gone as far as (though they dare not say further than) is consistent with the operation of normal economic incentives; their basic instinct in this field is now the very conservative one of defending the new *status quo*. As for Labour's belief in public ownership, that has now degenerated into a desperate and equally conservative search for industries in which they feel that nationalisation should not make very much difference; probably the only industry that will be brought under public ownership in Labour's next tenure of office is water, which is not likely to scare even Bournemouth very much.

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If this does prove to be the political pattern of the next half century, if the electorate is merely to be offered an unexciting choice between a Labour party that is conservative in fact and a Tory party that is conservative in theory as well, on which side will the political pendulum most frequently dangle? The probability is surely that, except when there is some clear superiority in the calibre or experience of the leaders of the so-called right, the electors would more frequently choose Labour; there would always be a suspicion that some preference for privilege was attached to the professedly conservative side.

There are, of course, many other possible twists of the political wheel for which the Conservatives may feel they should prepare. But, in any event, the most profitable course for the young Tories must surely be to stand by their new, though cautiously fired, guns. If Labour breaks away from the instinctive conservatism which now wins it most of its trade union votes, it will not be a very dangerous party to contend with at the polls (in fact, it may not remain as one party at all); and in this case the young Tories should find that the progressive policy in which they now believe is a luxury that they can then afford. If Labour recognises that its real attraction to its mass of inactive supporters is now security rather than Socialism, it is likely to become an increasingly conservative party; and the only alternative which the Tories could put up to that would be to become an increasingly progressive one. For these reasons last week's publication, which is in direct succession from the "One Nation" pamphlet produced by the same group of backbenchers in 1950, should and may play as important a part in moulding future Conservative political opinion as the Fabian Essays did in moulding Socialist political opinion in a by-gone age. The real need, now that some Tories have recognised that change is their ally, is that a united party should mobilise it as their co-belligerent.

Brave Answer to Malan

A NEW constitutional crisis threatens to divide and disrupt the Union of South Africa. Once again Dr Malan has decided to do battle on the representation in parliament of the Coloured voters (which, in South Africa, does not mean Negroes). Within the next few days a joint sitting of both houses, as required by the constitution, will be asked to root out the last shred of democratic privilege enjoyed and exercised by a paltry few thousand citizens, mostly honest, hard-working, politically unambitious people who, in the arbitrary judgment of the petty official issuing the newly invented identity card, have a coloured skin. Yet the mere 48,000 coloured people who actually use their vote—a recent Select Committee estimated that 100,000 more are entitled to do so—in practice cannot sway the decision in any but a few constituencies; in any case many of them, because of their language and Afrikaans affiliations, would vote for the Nationalists.

It is not, therefore, on practical grounds that Dr Malan pursues his vendetta; it is a question of prejudice and of dogma. A common electoral roll for whites, coloureds and blacks is anathema to a party which preaches *apartheid*, the policy of separate political, social and economic facilities for each separate racial group. Moreover, since the fight was of the Nationalist cabinet's own choosing, anything but outright victory on this issue would sully the honour of the leaders in the eyes of the party's faithful. But everything points to another deadlock in parliament; the government will surely fail, though only by a few votes, to get the required two-thirds majority, notwithstanding the compromise proposed this week by a section of the Coloured community themselves. Why, then, does Dr Malan persist in this frustrating and damaging course? What is the future of this unhappy country?

For political purposes the issue of the Coloured voters has up to now served Dr Malan well. He has succeeded by his manœuvres in breaking apart the once united front opposed to him. Many of the members who sit on the opposition side—indeed, probably a majority of all white South Africans—agree with him when he takes steps to preserve the European's political and economic privileges. But many people object to the tactics the government has employed. And many more are disturbed when Dr Malan, thwarted by the entrenched clauses of the 1909 constitution and the steadfast independence of the courts, has threatened unconstitutional action. His tactic of driving wedges into the opposition has, up to the present, been made easy by the absence in the United Party of a constructive alternative native policy. Indeed, its present leaders might well blame Smuts for their predicament, for it was only the power of his personality that made the lack of a policy appear the inevitable path of wisdom.

Without Smuts, the United Party, split from end to end, has turned against itself. Soon after the crushing defeat in the elections of April last year two splinter parties, the Liberal Party and the Union Federal Party, came into existence, and have since been gathering lively, if not yet effective support. More recently, five United Party right-wingers hived off and now form, with two other fellow travellers, an independent group sitting in splendid isolation on the edge of their opposition benches, ready at the drop of a handkerchief to climb on to the Nationalist ox-wagon.

But Dr Malan's splitting operation may now be yielding diminishing returns. The United Party, shorn of its most reactionary elements, is at last beginning to grapple with the hard necessity of thinking out an alternative policy. At present it has gone no further than admitting, as if it were not always obvious, that economic integration of the African is an accomplished and irreversible fact. Until now, for fear of an untimely reaction among their fast dwindling supporters in the country districts, Mr Strauss and his lieutenants have not plucked up the courage to say that political integration—which means direct representation in parliament for Africans and Indians as well as Coloureds—must follow. Nevertheless this liberal conclusion is slowly but surely gaining support. Even if the United Party has to face further desertions, as a consequence it will in the long run be a stronger and more effective force.

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It might be said, therefore, that time runs in Dr Malan's favour, since he need only wait for more dead wood to fall off the freshly sprouting United Party branch. But this is to ignore one of the most important and least understood factors in the South African situation. Whatever the malicious and frequently uninformed critics in sections of the British press may say, there is a spirit of latent liberalism in the hearts of South Africans, whether of British or of Afrikaans descent. While it is true that an ill-defined but ever-present fear grips the white South African whenever he thinks of the native problem, thereby conditioning him emotionally to accepted *apartheid* doctrines, it mingles with a guilty conscience. Both sections of the white population have in fact a liberal tradition. The Afrikaner looks back on a never-ending "trek" to freedom from the shackles of domination; the old Boer republics were models of democratic control and the burgers never hesitated to dismiss any of their leaders at the first sign of authoritarianism. And all the great figures in South African political history—none more liberal than the late Jan Hofmeyr—were Afrikaners. The English South Africans have an equally liberal heritage. Naturally circumstances have dimmed the fire—it is hard to be a true-blue idealist when there are six Africans to every white man—but the flame is still alight.

Dr Malan and his henchmen understand the real character of the Afrikaner and, despite the appearance of unbreakable solidarity in the Nationalist ranks, they are filled with foreboding. They realise that the Afrikaner in his heart cherishes freedom, loathes authoritarianism, and respects above all the principled teachings of his Calvinistic creed. That is why, for the past two years, Dr Malan has been baulked by the constitution and the courts; it is the reason for the endless congresses of the Dutch Reformed Church, where learned theologians wrestle with their consciences and dissect the scriptures to see if they yield any moral justification for the policy of *apartheid*. And it explains Dr Malan's plaintive defence of the policies of his government in his now famous reply to the American missionary, Mr Piersma.

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It is, therefore, one of the most hopeful signs in an otherwise gloomy picture that at last the opposition parties have faced reality. At the national congress of the United Party in November a new policy based on the response to a questionnaire recently circulated to the constituencies will be thrashed out. In working towards a liberal policy the United Party is certain to lose a proportion of its supporters, though party allegiance in South Africa is often deeply rooted—a man is born and dies a "Smuts man"—and is not easily swayed by actual policies. In return for this loss, the United Party might regain some of the support that has been transferred, because of its lack of a firm native policy, to the two new smaller parties. But the greatest gain will be on the moral plane. For the white South African is not innately reactionary; his difficulty is that he has never been shown, except by a small and unimportant group of intellectuals, or by the Communists, the facts of a liberal and severely practical alternative.

What those facts are or could be has now to be decided by the United Party and presented in a form that reasonable white men can understand and discuss. It will be argued that there can be no real compromise between the white man's fear of African predominance and his conscientious desire to be fair to the Africans; but it is precisely the purpose of statesmanship to find such a compromise. That it should be found is vitally important not only for the Union and for Africa, but also for the whole future of a Commonwealth in which men of colour outnumber men of white skin by six to one.

The Derby in Danger

ACCORDING to the Royal Commission that gave Britain's gambling habits some years of fascinated but so far largely unrewarded attention, half the population is about to have a bet on the Derby. According to some gloomy prophets in the racing world there may not always be people willing to enter horses in the Derby, or any other major race, for them to bet on. The sport is kept in being today only because there is still a supply of sufficiently rich men who are ready to pay through the nose for the fun of owning racehorses, together with some others who hope to finance themselves in this pastime by bringing off occasional betting coups.

The threat to racing is not immediate, but the economics of ownership already deserve attention. One owner in next week's Derby will pick up a £17,059 first prize and see his horse become worth £200,000 as a stallion—a value that he can capitalise without losing a penny to Mr Butler. The owners of a few good horses can make huge sums ; the Aga Khan recently collected £325,000 in a single year from Tulyar. But racing is largely a matter of " winner take all," and simple arithmetic suggests that the average owner may now be losing more than £500 a year per horse.

To keep a horse in training for the best races costs well over £1,000 a year ; the training and keep of even the humblest animal will not leave much change out of £700 a year. Yet last year 4,505 horses competed for a total prize money (for second and third places, as well as first) of £1,479,817—an average of £328 a horse. Nor did all this stay with the owners. Tradition decrees that when an owner wins a race he should give presents to his trainer and his jockey ; the usual tip is 10 per cent apiece of the prize money. The average owner, therefore, cannot in practice expect prize money to cover more than a third of the cost of keeping his horses in training, let alone to contribute anything towards recovery of their initial purchase price. This initial capital outlay may eventually be recouped by sales for stud ; but this involves an element of almost blind chance. Most owners buy their horses as yearlings : that is, six to nine months before they will first see a racecourse and at a time when future growth is as difficult to foresee as with small humans.

Economic pressure is having an even clearer effect on the types of horses that new owners are willing to buy than on the numbers of horses that old owners are able to run. An owner not exclusively interested in winning the Derby can pick up some astonishing bargains ; last year one of the biggest betting coups since the war was landed with a horse bought for 35 guineas. But an owner wanting to win the best races must buy the best blood, and that comes very expensive : invariably four figures, sometimes five. And every racing season proves that a number of horses bred in the purple would be more useful pulling milk floats.

Again, reversing the human order of things, female racehorses are a rather less chancy proposition than males. They may not be able to earn so much on the racecourse, but if they are well bred they retain their capital value for breeding purposes. Their brothers, however well bred, are not often wanted as stallions if they have failed on the course. Many an aristocratic colt, bought for £5,000 or so as a yearling, has had to be sold for £500 two years later, possibly to turn up later in the 3.30 at Kuala Lumpur.

Another differentiation in the economics of racing has its significance for the minor export trade (it is largely a dollar trade) that is attracted to the British breeding industry. Foreign buyers have recently been coming over to Britain in gratifying numbers, but they are chiefly interested in the well-bred middle-distance type of horse—four-legged Bannisters, as it were. With racing so costly, British owners tend to be more interested in the sprinting type, which costs less, gives a much quicker return if good, and can be more quickly discarded if bad. It was the British breeders' wartime emphasis on the type that allowed the French to gain their postwar dominance in our best races. The balance has lately been corrected, but depends very much on a band of wealthy men who are still willing to pay out a lot of money for the chance of leading in the Derby winner. That band is necessarily dwindling.

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Such, then, is the threat to racing. Can anything be done to remove it ? There is no serious body of horsey opinion which believes that training or jockey bills can be cut. Trainers' expenses have risen by more than their charges ; many now depend for a livelihood on their ten per cent of prize money and often on betting gains. A few jockeys make the salaries of film stars ; but the basic riding fee of five guineas, plus two guineas for a winner, does not give an excessive income to the average rider, doomed to finish at the back of the field far more often than at the front.

Instead, the owners have two complaints to make against the racecourses : the inadequacy of the prize money available and, more bitterly, the size of the fees they have to pay to enter their horses in any race. The Aga Khan once disclosed that entry fees cost him £20,000 a year ; his many entries for this year's Derby —of which none will now actually be running—will cost him over £700. Of the £20,070 that will go to the owners of the first three horses in the Derby, the racecourse authorities will subscribe only £4,250. The rest will have been provided by the owners of the 400 original entries. So many owners will be subscribing so much because the entries for the Derby close eighteen months before the race is run, at a time when many a later goose still looks a bit of a swan. The ultimate refinement of this system of making owners gamble among themselves is called a Produce Race, for which horses are actually entered before they are born, in the names of their mothers. Even Eton insists on its entries being live.

The racecourses, for their part, claim that they cannot afford to put up more prize money or cut entry fees under present conditions. One reason for their poverty may be that there are too many courses ; perhaps some should be closed down and there should be more frequent meetings at those that remain. Even after such trimming of overheads, however, the courses could not really make racing economic unless they found other means of recouping themselves. One of their complaints is that entertainment tax is so high that they must charge 25s. for their best accommodation, compared with little more than 10s. in the United States. Another is that profits from the Tote —which are ploughed back to help racing—are subject to income tax ; they argue that this is contrary to Parliament's original intention when the Tote was set up. But these are long-standing, and by now almost subsidiary, grouses. The racing world's real hopes today are pinned to a much more fundamental and controversial proposal : the legalisation of off-the-course cash betting, under some form of central control that would allow a levy to be drawn from it to help finance racing.

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At present, betting through the Tote and through bookmakers on the course amounts to some £75 million a year ; it helps racing, by various means (such as licence fees and the ploughing back of Tote profits), to the tune of perhaps £1 million a year. Yet the volume of this on-the-course cash betting is only about half the amount wagered with bookmakers off the course, which was estimated by the Royal Commission at between £145 million and £170 million a year. A levy of one per cent on this would enable the racecourses to double present prize money, or else to take some effective steps to attract more people through their turnstiles ; there is certainly room for increasing the attractiveness of most courses, for their restaurant accommodation and so on falls far short of the standards set in France. But obviously there can be no talk of such a levy while much of this £145 to £170 million represents furtive " street-corner " wagers that are illegal in the present state of the law.

This widespread evasion of the law is not surprising. Off-the-course betting in England and Wales is legal only if it is transacted on credit, but cash betting on horses already exists for the bookmaker who cares to open an office in Scotland. There can be no respect for a law that allows the punter to send a postal order with his bet if he addresses it to Glasgow, but runs him in if he sends it to someone in London. The Royal Commission of 1951 recommended that this confusion should be ended by legalising cash betting with bookmakers in England and Wales and also—a much more controversial proposal—by legalising betting shops. Some racing men would prefer off-the-course cash betting to be made legal for the Tote only, but they also have various suggestions whereby racing might derive a levy from cash betting with bookmakers and in betting shops, subject to some official control.

It seems very unlikely that the Government will be prodded into taking action, at least in this Parliament. In particular, there would be widespread opposition to the Royal Commission's proposal of legalising betting shops, especially from the Churches and from the bookmakers ; the thought of a bookmaker picking up a Bishop in his Bentley on the way to a protest meeting is one to make any organised political party blanch. But Mr Mulley's recent private member's Bill will legalise cash betting for football pools. Perhaps it has set a precedent in the mind of some adventurous backbench MP, who may be moved to initiate a similar private member's Bill for racing and earn himself a statue at Tattenham Corner. For, whatever other opposition the emancipator of off-the-course betting might face, he would certainly be cheered from Epsom grandstand: the racing world is searching eagerly for some way to make it possible for this huge branch of the betting industry to contribute towards the sport on which it has grown so fat.

Wealth Through Minerals

Gold was found in California before it was found in Australia, and the finding it in the former led to its being found in the latter. More, too, seems found there every succeeding month. Far from the appetite being satiated by this success, it has only been whetted. It grows by what it feeds on. . . . The stimulus has extended to other pursuits. Other metals are required, and great quantities of copper have been found at the Cape of Good Hope. Mining operations have been extended in almost every part of the world. Far from the sources of wealth being exhausted, they are only beginning to open up ; and, far from having no other and similar opportunity of extending our commerce as in the last year, the probabilities are that many more similar opportunities will arise. There is more likelihood of our not having hands enough and means enough to improve all the successive opportunities thrown in our way—(as, in fact, we have not had seamen enough and ships enough to carry on all the increase of trade that has arisen, and are obliged to borrow largely of other people, with whom we accordingly share our advantages)—than that no more such opportunities should occur, and no other such an impulse should be given to trade. California and Australia have only awakened the latent desires of the bulk of mankind to find out new paths to wealth by industry, and steadily to follow them ; and nothing exposes the Czar to such universal and hearty execrations as the diversion from these pursuits caused by his untimely aggression. We do not regard the great increase of our trade in 1853 as likely to be followed by checks to further progress or comparative stagnation. On the contrary, it seems rather the commencement of a much greater increase and a more rapid progress than have ever yet been the lot of any old and long-peopled country.

The Economist

May 27, 1854

Notes of the Week

Mr Attlee Turns Mendicant

SOMEWHAT late in the argument over German rearmament, the Labour leaders have decided that they must throw away the stick they have been ineffectually waving and fall back on methods of persuasion. It is a curious commentary on present Labour psychology that only as a last resort do the leaders decide to stage a national campaign of exposition. Their first thought, on being faced with awkward opposition to official policy, was to reach for the rules book. Last week, they persuaded the National Executive to reaffirm that its members should accept the doctrine of collective responsibility and support all decisions reached by majority vote; but they knew that, so far as German rearmament was concerned, this was shutting the stable door when the horse was half-way down the road. It would have needed a very strong leadership to bring the horse back again; and this week the executive acknowledged that the party has not got a strong leadership by exempting German rearmament from last week's resolution. Mr Attlee felt that he had no alternative; he must turn mendicant.

This mendicancy is to take the form of a series of regional Labour conferences, which will be addressed by the leading supporters of the official policy in the executive and in Parliament. In addition, a pamphlet explaining the case for accepting German rearmament within EDC is to be issued as soon as possible. The leaders have been prodded into this unaccustomed activity by the fear that the opponents of German rearmament might make enough headway to defeat the executive at the annual party conference in October. In his less worthy moments Mr Attlee may hope that by then the French will have rejected EDC and so relieved the executive of all embarrassment. But the executive dare not gamble on the French; in case EDC is ratified or is at least still a possibility in October, a majority must be assured for the official policy. Despite the pile-up of some union votes on the wrong side—at least partly due to Communist inspiration—an anxious counting of heads still suggests that this majority should be attained. But it will be a very close thing.

Retreat to China

IT is fear of seeing more recruits won over to the Bevanite wing of his party that has prompted Mr Attlee to waive the doctrine of collective executive responsibility for support of German rearmament, to explain soothingly that some Labour members have a conscientious objection to any tenderness towards the people who were killing British boys between 1939 and 1945. It is the same fear that has led him this week into a second and even weaker-minded decision: to go out to China with Mr Bevan and six other members of the executive in August and September, at the invitation of a body called the Chinese People's Institute of Foreign Affairs, to shake hands with the people who were killing British soldiers in Korea between 1950 and 1953.

The real objection to this visit is not, of course, the emotional one; it is as silly to base relations with China on emotional jingoism as it is to use it as a basis for relations with Germany. The real objection is that the visit will be misinterpreted abroad, especially—and inevitably—in America. The Americans will think that this visit is a sign that Labour wants to align itself more closely with the Chinese Communists; few people can be expected to understand that Mr Attlee's principal purpose in making the journey is to prevent this from happening. Mr Bevan would have gone to China in any event; this week's decision means that he will have Mr Attlee in front of him, and that he will be carefully encircled by such staunch anti-Bevanites as Dr Summerskill and Mr Sam Watson. Mr Bevan will come back and say that the Chinese are really agrarian reformers. Mr Attlee will come back and say—after a few polite acknowledgments to his hosts—that they are a little more reprehensible than that; he will add that he and the majority of the delegation know what they are talking about just as much as Mr Bevan does, because they were in China too. His philosophy of leadership is now to run along reprovingly behind his most rebellious supporters, even to the other end of the world and even in the middle of the Geneva conference.

M. Bidault Watches the Clock

FRENCH hopes of a settlement in Geneva have risen, and with them the stock of France's foreign minister. On a flying visit to Paris on Wednesday, M. Bidault was assured of the cabinet's full support for his conduct of the negotiations, and was greeted by the press in less hostile terms than before. But he has little time—two weeks at the most—to take advantage of this mood. The National Assembly has once again asserted its claim to sit in almost permanent judgment on the affairs of Indo-China; it will resume its scrutiny next Tuesday, and it is only thanks to public holidays and party congresses that the government can expect a moment to breathe. Should M. Bidault fail to present any tangible results after Whitsun, M. Laniel's cabinet will face yet another crisis.

French politicians must be aware that they are on the eve of historic events. The parties are trying to determine their positions. The Socialists and the MRP (M. Bidault's party) are holding their congresses this week; the Communists are soon to open their assizes; and other deputies too are seeking to feel the pulse of the country and of their own parties' rank and file. Foreign policy can no longer be dismissed to the bottom of the agenda. France, which for so many years has managed to delay so many decisions, has now to shape and crystallize its policy in haste and under pressure from an impatient Assembly, a bewildered American ally and a triumphant General Giap.

The latest news from Indo-China gives M. Bidault little scope for diplomatic niceties. He has the unenviable task of producing a coherent policy on a basis of conflicting diplomatic and strategic interests. It is generally assumed in Paris that General Ely, the French chief of staff, who is just back from Indo-China, has recommended the shortening of defence lines, the concentration of French Union forces and the creation of mobile units. Strategically this is obvious good sense; but it would greatly weaken M. Bidault's position at Geneva at the very moment when he has to begin negotiating with the Viet Minh about a territorial regrouping of the forces of both sides. To give land away without compensation is maddening for a diplomat; but to hold on to exposed outposts is courting military disasters. The quicker a decision is reached in Geneva, the better for France.

M. Mollet to the Rescue

THE whips are on this week in the French Socialist party. For M. Guy Mollet is trying to mobilise badly needed reinforcements for the forces in parliament which favour the European Defence Community. At a time when it is not even certain whether its opponents can be brought to a pitched battle over ratification of the treaty, the secretary of the party is making a bid to impose discipline in the ranks and to compel the "rebels" to toe the line or quit. Backed by the battalions of the big federations, like those of the north and the Pas-de-Calais, M. Mollet is likely to win at the special congress that is being held this week to determine the party's attitude towards EDC. Will he dare to bully the recalcitrants into submission?

His difficulty lies in the fact that the opponents of the EDC treaty, although outnumbered on the executive, have a small majority in the Socialist parliamentary group and show no signs of abandoning their position. Indeed, only recently these 58 deputies (there are 106 Socialist MPs in an Assembly of 627 members) issued a violent pamphlet against the "clerical and reactionary Little Europe." Quoting the example set by their Belgian colleagues, they claim the right to vote freely. M. Mollet retorts that on such an issue the individual deputy must bow to the collective will of the party. Yet against so many "rebels" the threat of expulsion, recommended by one federation, is unlikely to carry much weight.

If M. Mollet succeeds in moving over 50 deputies from one camp to the other, this will greatly affect the balance of parliamentary forces in the battle of the EDC, though even then the margin would be a narrow one. But the Socialist rebels may well join with other opponents of the treaty in order to prevent even the staging of a ratification debate; they will try to prevent it from ever crossing the hurdle of "preconditions." Moreover the opponents of EDC may find a temporary ally in the government. For M. Laniel, under suspended sentence by the Chamber, cannot afford to antagonise its Gaullist members. As long as the issue in Indo-China dominates the Parliamentary scene there is little chance of a direct battle over EDC, and the Socialist trial of strength is merely an interesting pointer to future possibilities.

Free Vote for More Pay

HAVING asked the House of Commons to give it a lead on MPs' pay, the Government cannot now complain if it finds the lead rather unpalatable. Once the Labour party had ranged itself solidly and sensibly behind the idea of a straight salary increase of £500 a year, it was clear that it would win the day; and the Government did not help its own cause by advancing an alternative that was at best vague and at worst deceitful. The idea of an expense allowance has some logic behind it; extra money can be funnelled with precision into the fields of expenditure that are causing the trouble. But there was little precision about the form of blanket expense allowance proposed in a Tory backbench amendment and supported by Mr Butler; this looked suspiciously like a £500 salary increase under a less unpopular name. Indeed, Mr Butler in the earlier debate had conceded that it would not be very different from a salary increase in practice, but had opined that it might be more "defensible."

Although MPs were voting amid unaccustomed freedom from party restraints, the House divided mainly on party lines, with Labour unanimously in favour of the £500 rise and most Tories opposed to any increase or at the most preferring the alternative. The scales were decisively tilted by 33 Tories who voted with Labour, and by a greater number of Tory abstentions. The proposal for an expense allowance was defeated by 276 to 205; the £500 salary increase was then approved by 280 to 166. After so decisive a verdict the Government can hardly refuse to bring forward the necessary Supplementary Estimate, but there could then still be a final round of argument. Some Tories have already put down a motion, urging the postponement of the rise until the needs of those with "prior claims"—presumably pensioners—have first been met. But there is no reason to believe that a new vote will produce a different result; and, unless the House wishes to add to the already considerable and embarrassing publicity given to its financial affairs, it would be well advised to treat Monday's decision as final.

During the debate Mr Butler gave a welcome promise to bring in legislation, apparently early next session, to improve the lot of junior ministers. Theirs is the most urgent case of all. Mr Butler gave no details, but the logical course would be to let all ministers retain their full salaries as MPs; after all, they still have to do all the work. In the case of parliamentary secretaries this would, after the rise, give them £3,000 a year instead of £2,000.

Unexploited Bomb

SIR WINSTON CHURCHILL has wisely and magnanimously called off his followers from hounding Mr Attlee further about the 1948 agreement with President Truman on atomic matters. The controversy has never had much relevance to the problems of the day; whatever agreement might have existed over the atom bomb, the Americans—if they were really as explosive allies as some Labour backbenchers think they are—could claim that it did not cover hydrogen bombs as well.

The argument about the atomic agreements began in the unhappy debate on April 5th, at the height of the hysteria aroused by the publication of details and photographs of the first hydrogen bomb tests. Sir Winston was being viciously attacked from the Left for not exercising sufficient control over American policy. With full justification, but unfortunately with astonishing clumsiness, he sought to defend himself by publishing the agreement he reached with President Roosevelt at Quebec in 1943. This bound each country not to drop the atom bomb without the agreement of the other. Sir Winston pointed out that while Labour was in office the Quebec agreement disappeared, and with it the veto. Later in that debate Mr Eden offered to seek publication of the 1948 agreement if Mr Attlee approved. Mr Attlee has made no move, even though the offer has been repeated; and some backbench Tories have been working hard to embarrass him, with this week's (now cancelled) debate on the subject as the intended culmination.

The clue to Mr Attlee's reticence is that publication of the 1948 agreement would tell only one side of the story, and a side that would be unfair to the record of the Labour government. It is now no secret that the 1948 agreement contained no veto, but that at the time President Truman gave a personal pledge that the United States would continue to work in the spirit of Quebec. This is confirmed by Mr Truman's own reaction to the disclosures of April 5; he said he thought the Quebec terms were still in force. The truth is that under vastly different circumstances both Sir Winston and Mr Attlee managed to keep a hand on the bomb; the Tories should stop showing Bevanite tendencies by complaining that Mr Attlee failed to get his pledge set down in writing.

Ten Thoughtful Men

THE broad significance of "Change is Our Ally," the new pamphlet produced by the "One Nation" group of ten Tory backbenchers, is discussed in an article on an earlier page. The best point in the pamphlet is its clear recognition that the development of Britain's control-minded and partly-nationalised economy has been partly the Tories' own fault. It has been a logical consequence of the mistaken switch in economic policy that took place between the wars. Up to 1914, the intervention of the state in economic affairs had been intended to protect the public, or a section of it, against industry; after 1918—through schemes of rationalisation, statutory monopoly, and import quotas—that intervention was usually designed to protect industry, or some sections of it, against economic change. The ten backbenchers pat their party on the back for its measures of de-control since it came back to office in 1951 (with surprising emphasis on the new Town and Country Planning Act), but insist that "the work of the last two and a half years has been only a beginning."

Unfortunately, however, this reference to "a beginning" is also the end of the most clear-cut part of the pamphlet. The rest is rather like the curate's egg, though with more good parts than bad. The authors wisely pin their main hopes for Tory action against monopolies on to the investigation now being made by the Monopolies Commission into generalised arrangements for exclusive dealing and collective boycotts; they "consider that agreements to be defined in the light of that report should be declared unlawful unless registered with the Board of Trade." In agricultural policy they insist that "both subsidy and protection (except for protection against subsidised and otherwise unfair foreign competition) must be regarded as essentially transitional," and they express a wise preference for direct subsidies and increases in the rents of good farm land. Similarly, they are in favour of the "so-called liberalisation of trade," but state that such a policy "does not exclude self-defence against deliberate manipulations of price by exporting countries, nor the calculated protection of specific industries under specific conditions." There are almost as many loopholes as good intentions here.

There remains the problem of the nationalised industries, which the authors can propose to reform with a clear Conservative conscience. There is a wise plea for an economic price policy in the fuel industries, and a controversial statement that nationalised industries should not always be able to raise capital by issues of gilt-edged; the authors "believe that, if and when Treasury backing is considered necessary for the issue of a nationalised industry, it should be given separately and specifically on the authority of Parliament." Their main recipe for management of the nationalised industries, however, is that of decentralisation, a recipe that is sometimes spoiled by becoming a fetish; it might be wise for Tories to remember that some of the now senior people on whom decentralised powers would be devolved, especially in the coal industry, would be people recruited in the 1920s and 1930s—when the industries that have subsequently been nationalised were not always well placed to skim off the cream of whatever agricultural or engineering talent was available for hire.

Correcting the Record

IT has been painfully apparent in recent weeks that ther are differences of policy towards South East Asi between London and Washington—though the differenc are far smaller than anyone might suppose by reading t headlines of "quarrel" and "crisis." Much of the emoti generated has been due to allegations made in Washingt —notably by the columnists, Messrs Joseph and Stew Alsop—of a specific breach of faith by the Brit Government. It is said that when, as a result Mr Dulles's visit to London before the Geneva confere

opened, Mr Eden agreed to examine the possibility of a Nato-type of defence organisation for South East Asia, he agreed to do so at once, but that Sir Winston Churchill and the Cabinet overruled him and insisted on delay until after the Geneva Conference. As a subsidiary to this, it is alleged that the British "vetoed" an intention to send naval aircraft to the aid of Dien Bien Phu which the Americans were otherwise ready to carry out.

It is important to get the record straight. Other journalists in Washington disagree rather flatly with the Alsops. For example, the careful Washington correspondent of the *Manchester Guardian* reported on Thursday: "It can now be stated with authority that France's request . . . was rejected by the United States on its own judgment and responsibility," and the State Department is quoted as regarding the difference of opinion over what was decided in London as an "honest misunderstanding." Mr James Reston, of the *New York Times*, has written that

> the report that the British "vetoed" American intervention is just about as inaccurate as the old legend that they prevented Mr Stimson from intervening against the Japanese in 1931.

The explanation of these divergences of testimony from reporters with an enviable reputation for accuracy is probably the familiar Washington one of inter-departmental differences. The Alsops are known to be close to the Defence Department, and Admiral Radford wanted to let his carrier-borne aircraft loose at Dien Bien Phu. Mr Reston and the *Manchester Guardian* correspondent reflect the State Department view. The official attitude in London is that there is no foundation whatever for any accusation of a breach of good faith; the communiqué that was issued after Mr Dulles's visit was very carefully drafted by the officials of both sides and meant exactly what it said. Nor has it ever been believed in London that the Americans were ready to intervene at Dien Bien Phu even if the British had agreed.

Korea's Stalemate

TO judge by most comment, the world has very nearly forgotten that the powers originally met together at Geneva to solve the problem of Korea as well as that of Indo-China. Indeed, few foresaw at Berlin that, by the time the Geneva conference could assemble, the French military situation in Tonking would have got as bad as it has. Admittedly, little progress has been made on Korea, and Indo-China must remain the first priority until the fighting stops. But considering that for many months the attention of the world was focused on the Korean war, while no one except those directly concerned was willing to give Indo-China a second thought, it is strange that so little public concern should now be shown about the fate of Korea. This complacency could be shattered at any moment by a fresh flare-up of South Korean intransigence or a shift in Communist tactics. Neither can be ruled out and either might lead to a renewal of the Korean war, with the serious possibility that the fighting could not again be confined to the peninsula itself. On paper, President Syngman Rhee still stands committed to no more than ninety days of negotiations at Geneva; after that he reserves his freedom of action.

The main reason, on the other hand, for so widely ignoring the Korean issue at Geneva is that, although almost no progress has been made on it and little can at present be foreseen, few people seriously anticipate a basic change in the attitude of either side. Like the disputes in Kashmir and on the frontiers of Israel, the one in Korea may therefore drift on indefinitely without a formal settlement. The Canadians have already acted on the assumption that no more progress on Korea will be made at Geneva; since they are not involved in the Indo-China talks, they have sent most of their delegation home.

The Korean negotiations in Geneva have in fact got no further than the basic question of elections. Are they to be held in both North and South Korea? Who will supervise them? And what will happen about foreign troops? Not only is there no agreed plan among the non-Communist nations, but Chou En-lai and General Nam Il have so strongly opposed either the United Nations as a supervisory body or a so-called neutral nations commission with any effective power, that the prospects of a solution can hardly be rated any higher than they are in Germany—with the difference that instead of the welcome genius of Dr Adenauer the West has to deal on its own side with the intractability of Dr Syngman Rhee. Perhaps the most noteworthy development in the current Korean situation has been the gains by the opposition in the recent elections to Mr Rhee's parliament.

Geneva Through Russian Eyes

SOVIET commentators find Geneva an easier assignment than Berlin. Though scores of Soviet, Chinese and other Communist correspondents have gathered in Calvin's city, it is the western press that provides the Russians with their best ammunition. Wild outbursts in American, French and other newspapers have made their task of selection an easy one. With scissors and paste alone it is possible to present a picture of the United States disgusted with the British and bullying the French; of Britain alarmed by American recklessness; and of France driven purposelessly to its doom. Added to this is the image of India treading "the path of negotiation and reasonable settlement." The Soviet public thus gets a favourable impression of a conference where the West stands divided while the united Communist bloc has the backing of all the peoples of Asia.

Soviet comment is more guarded on the prospects of the conference. On the one hand, the reader is cheered every second day by an announcement that Molotov's or Chou En-lai's proposals have opened new vistas for a peaceful settlement. On the other, the United States is consistently depicted as trying, with some success, to sabotage the conference. Franco-American staff talks or efforts to build up a South East Asian bloc are described as desperate attempts by imperialists to prevent a peaceful solution. Thus the average Russian finds in his paper both an optimistic note and a pessimistic antidote.

The western press is also taken to task for consciously distorting the proceedings at Geneva. But the Russians themselves are not above suspicion on this score. While quoting large chunks of speeches by western representatives —on an average, Geneva accounts for about one quarter of

all the space in Moscow's slender newspapers—Soviet sub-editors often subtly remove the "undesirable" passages. Thus, for example, Mr Eden's main speech on the Korean question was reported at some length by Tass, the Soviet news agency, but the passages criticising the Communist proposals were either deleted or summarised out of shape. Yet, on the whole, the much publicised rifts in the western alliance have given Soviet journalists a rare opportunity for relatively straight reporting.

The Footplateman's Home

A CRUCIAL stage has been reached, as *The Economist* goes to press, in the dispute over railwaymen's "lodging turns." Footplatemen of the eastern and north-eastern regions are meeting at York to decide whether they should join the unofficial strike of the men of the western region. In both these regions the proportion of lodging turns to all turns has been lower than in the west (whereas in the London Midland and the Scottish regions it has been higher); but an effort is shortly due to be made to increase them. In the meantime the strike in the western region is having its inevitable effect on industry. Some factories in the west country have begun to run out of raw materials. Steel plants in South Wales cannot deliver their products, and coal is piling up so fast at the pits that they may have to close.

At its annual conference this week, the Associated Society of Locomotive Engineers and Firemen, the union to which most of the strikers belong, instructed its unwilling executive to negotiate for the total abolition of lodging turns. It seems likely that the strikers' leaders may advise a return to work on the understanding that such an approach is made. Yet any such approach will present a serious challenge to the Transport Commission.

The number of lodging turns worked now is minute compared with those worked before the war. In a week in February, 1939, 5.65 per cent of all turns worked on the old Great Western Railway were lodging turns. In the corresponding week of 1953 instances of lodging turns were only 0.31 per cent of all turns worked, and since then only 21 more have been added. On an average, men on these long-distance trains are away from home about one night in ten; and there is a roster so that if they have to be away two or three nights in one week there is an interval before they are away again. This is inconvenience, but it is not hardship. Nor is there any substance in complaints about the expense, for there is extra pay, according to mileage, for long journeys, as well as a lodging allowance; and the price of a bed at railway hostels, although most of these are well-equipped and comfortable, is only 1s.

The opposition to more lodging turns is not actively shared by the guards and waiters who are affected by them. It seems to be strongest among the younger footplatemen who have never worked them before. (The practice was suspended during the war so that men could be at home in air raids, and the recent small extension of the system has affected some classes of railway traffic that have been free since then.) However anxious the Transport Commission is to reach a settlement, it should see little scope for compromise: there should be no increase in the number of long-distance trains that are stopped midway, so that their crews can step down and travel home as passengers. As this wastes time, money and manpower—and as it is diametrically opposed to the principles of increased productivity on which the Christmas wage settlement was based—it must be reckoned too high a price to pay for the footplatemen's love of home.

Screening the News

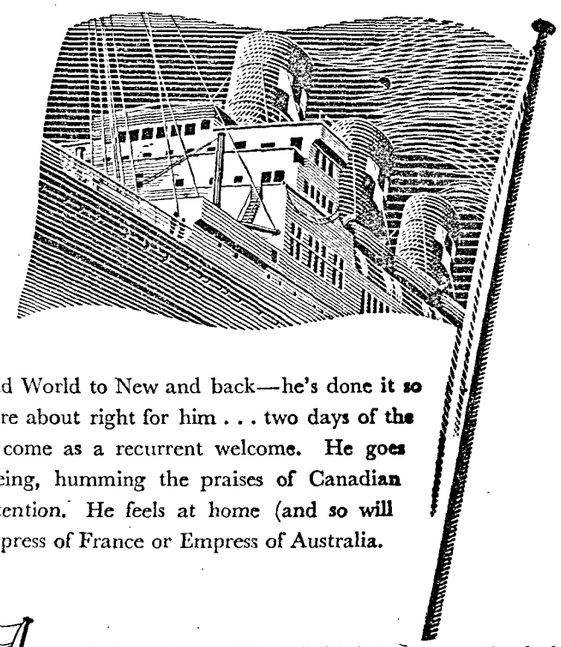
LAST week's television debate in the House of Commons saw a confrontation of two equally mistaken attitudes to the way news and controversial views should be presented on the screen. As the Bill stands, the Independent Television Authority's functions are limited to seeing that the news is presented "with due accuracy and impartiality." It can produce these programmes itself if it wants to, but it is equally entitled to leave the production to the contractors who will be responsible for most of the ordinary commercial programmes. The Labour party, on the theory that these Tory-minded businessmen would be continuously seeking to dig a dagger in its back, wanted to make it compulsory for the ITA itself to produce all news programmes, as well as all "items dealing with matters of political or industrial controversy or relating to current public policy."

In fact, as one Conservative backbencher pointed out, the real trouble with the Bill is that it is so restrictive that it is unlikely that any interesting news or original views will be presented at all. The continuous concern of each contractor will not be to dig a dagger in anybody's back; it will be to avoid producing anything that might lead anybody from either side to protest that his licence ought to be endorsed. Programmes that intervened in British politics as effectively as Mr Edward Murrow's famous attack on McCarthyism intervened in American politics will be virtually impossible under this Bill; they would be equally impossible under the system proposed in Labour's defeated amendment. And this is a serious limitation on freedom of controversy in a democracy, more serious than most uncritical admirers of the monolithic tradition that British broadcasting has inherited from the BBC have yet understood.

No Decision in Ireland

THE results of the Irish general election were very much as had been expected. On balance, Mr Costello's *Fine Gael* won five new seats (with some near misses), and Mr de Valera's *Fianna Fail* lost seven and with them the hope of retaining office. Labour gained four seats and will be in a strong position in the new *Dail*. The other groups remained much as they were. After two years of high taxation and increased costs of living, the Government was expected to lose in Dublin, and four of the seats it lost were in the capital. The importance of Dublin as a maker and un-maker of governments continues to grow. But

How to cross the Atlantic



The knowing man knows his way from Old World to New and back—he's done it so often. Four and a half days of Atlantic horizons are about right for him . . . two days of the riverside scenery of the lovely St. Lawrence come as a recurrent welcome. He goes ashore at Quebec or Montreal full of well-being, humming the praises of Canadian Pacific menus and general care and attention. He feels at home (and so will you) in the Empress of Scotland, Empress of France or Empress of Australia.

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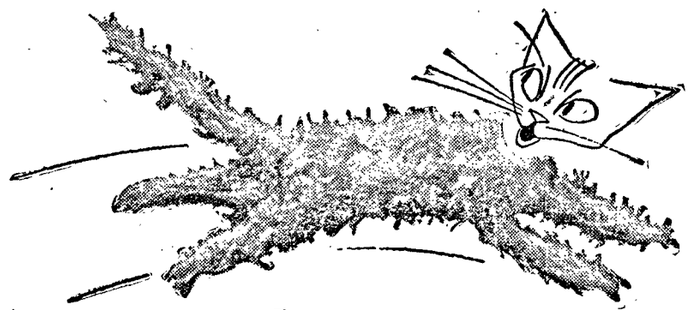

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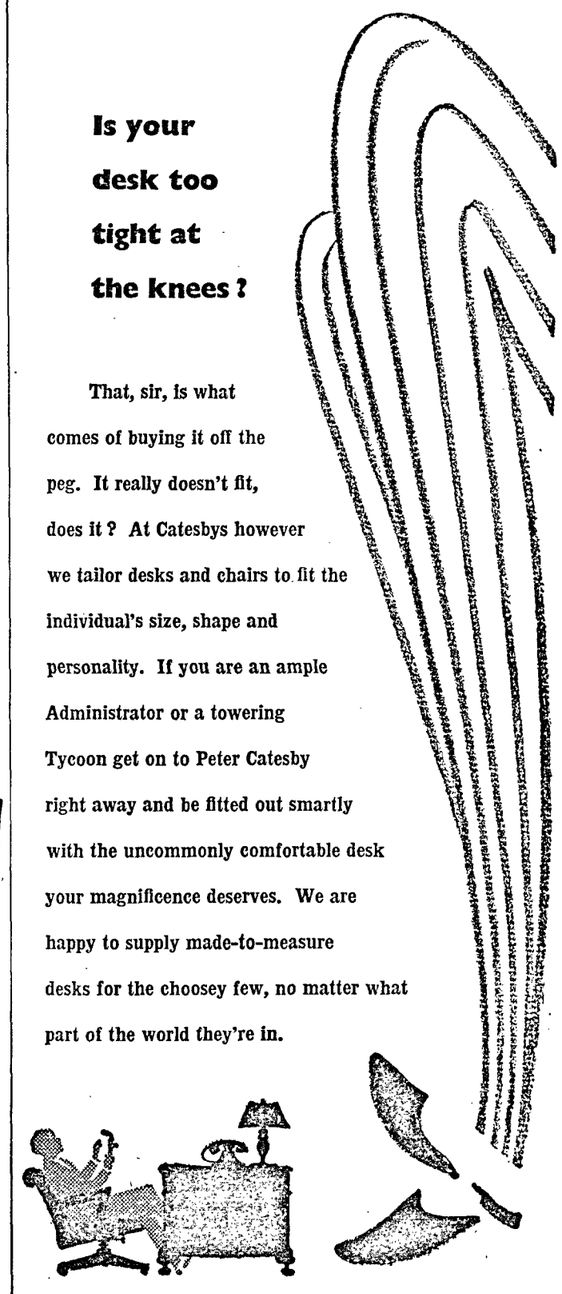

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it still restricts its choice to the two large parties; of the thirty seats in the area (which is the most industrialised in the Republic) Labour holds only four even now.

The election has not therefore produced a decisive result. The only clear judgment expressed by the electorate was its refusal to return those independent deputies who unexpectedly voted Mr de Valera into office after the last election in 1951. Of the four whose action was particularly condemned at the time, three have been defeated; the survivor is engaged in a postponed election. Nevertheless it is a long time since *Fianna Fail* lost, while *Fine Gael* won, so many seats. Mr Costello's party has also received a significant reinforcement of young deputies.

Mr de Valera has accepted defeat, and interest now attaches to the party meetings, which will be held before the new *Dail* assembles on June 2nd. Mr Costello will almost certainly become Prime Minister with the support of the smaller parties that oppose Mr de Valera; but it is not yet clear whether, as in 1948, these smaller parties will all join in the government. Mr MacBride's party appears to be willing to give general, if conditional, support, but shows

POSITION OF IRISH PARTIES

	After 1951 election	At dissolution	Now
Fianna Fail (de Valera)	68	71	64
Fine Gael (Costello)	40	44	49
Labour	15	14	18
Farmers	6	7	5
Clann na Poblachta (MacBride)	2	2	3
Independents	13	6	5

Note.—Three seats remain to be filled in Wicklow where polling was postponed through the death of a candidate. At the dissolution they were held as follows: Fianna Fail, 1; Fine Gael, 1; Labour, 1.

signs of wishing to remain outside in the hope (not obviously justified) that it will gain votes by avoiding direct responsibility. There are some in the Labour party, though not among its parliamentary leaders, who are known to have similar views. If these views prevail (which, at the moment, seems unlikely) no doubt *Fine Gael* will try to go it alone. Should this happen, it would, in the long run, assist the electors to think of *Fine Gael* as able to provide on its own an alternative government to *Fianna Fail*. But it would not remove the anomaly that the main difference between the two major parties still rests on the differing attitudes they adopted in the troubles of long ago.

Towards a Balkan Military Pact

SOMETHING of a storm in a teacup has arisen over the extension of the Balkan Pact into a full-scale military alliance. Last month, after Marshal Tito's visit to Ankara, his foreign minister announced that Jugoslavia and Turkey were prepared to take this step if Greece agreed. Last week, Field-Marshal Papagos, the Greek Prime Minister, stated that he had always fully supported the conclusion of a military alliance between the three Balkan pact

partners. This has provoked indignant reactions from the Italians who are convinced that Marshal Tito—who is to visit Athens early next month—is hurrying Greece and Turkey into a military alliance because he thinks this will improve his chances of getting a satisfactory settlement of the Trieste dispute.

There may well be some foundation for the Italians' indignation on this score; but if they go on to complain—as they are reported to be doing—that the proposed Balkan military pact may be directed against themselves and is therefore contrary to Greece and Turkey's obligations under the North Atlantic Treaty, then they are clearly barking up the wrong tree. Field-Marshal Papagos has categorically stated that the obligations of automatic military assistance to be accepted by the signatories of the Balkan pact would not be valid in the event of a clash between Jugoslavia and Italy. He has also compared the proposed alliance with the United States' agreement with Spain and Turkey's with Pakistan. The analogy is not a true one because neither of the latter agreements contains any obligation of automatic military assistance. But the fact remains that the Atlantic Council can have no valid legal objection to the proposed tripartite military agreement.

On the contrary, Nato is bound to welcome this alliance. Jugoslavia is geographically and strategically, if not politically, part of Nato's south-east flank, and it is to the advantage of all members of the organisation—and particularly of Italy—that there should be cut-and-dried arrangements for its defence. Only in this way can the measures of mutual aid which have already been worked out in private by the general staffs of Greece, Turkey and Jugoslavia have their maximum deterrent effect. What is unfortunate and regrettable is the way in which old quarrels and ulterior motives are being allowed to intrude upon what should be a straightforward matter of defence planning against a common danger.

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See-Saw in North Africa

JUST as six months ago in Tunisia, so now in Morocco the French government is hoping to undo the ill effect of an over arbitrary Resident-General by appointing a tried civil servant in his place. In Tunisia M. Voizard, a former administrator of the French zone of Austria, lately succeeded M. de Hautecloque, who once earned fame and opprobrium by arresting the members of the first all-Tunisian cabinet; in Morocco M. Francois Lacoste, a Quai d'Orsay official, is this week appointed successor to General Guillaume, who was instrumental in deposing the ex-Sultan last August.

When M. Voizard took up his post, he did so with no instructions other than to calm tempers so as to pave the way for reforms. At the outset, he succeeded so well with the first half of this assignment that he created an illusion in Paris—the illusion that a mere change of personnel can appease North African nationalism. The evidence points the other way. Certainly the departure of an unpopular individual can produce a momentary lessening of tension; but in both territories there is now so deep an antipathy to every measure that carries any hint of a French stake in sovereignty that the nationalists are in an all-or-nothing

mood. In Tunisia they do not wish to hold the proposed elections for a Tunisian Assembly in which Frenchmen will sit. In Morocco they regard as retrograde all recent decrees instituting Franco-Moroccan management at cabinet and municipal level, which they hold to have been signed by a puppet Sultan. Yardsticks of their discontent are the current bomb outrages in Morocco and the fuss which Tunisians are making over the transfer of their leader, M. Bourguiba, from detention on a Mediterranean islet to one off the coast of Brittany. (This removal from a warm to a cold climate is regarded in Paris as a mark of clemency.)

M. Voizard is in Paris seeking fresh instructions and, without them, his initial success will be vain and M. Lacoste's task an impossible one. Yet in framing them M. Laniel's cabinet comes up against two formidable difficulties. First, it is a coalition and not all its members are agreed that moderation is the right corrective to the present behaviour of the Tunisian and Moroccan nationalists. Secondly, two separate ministries are responsible for French North Africa—the Foreign Office for Morocco and Tunisia and the Ministry of the Interior for Algeria—and both are subject to the pull and counterpull of pressure groups in bewildering variety. Past failure to reconcile conflicting interests has led to a policy that sways from repression at one moment to hasty concessions at another, with intervening lulls during which officials on the spot have more than once taken matters into their own hands. At a moment when every North African nationalist is taking heart at the news from Indo-China, new men can do nothing lasting unless they get an unequivocal directive from Paris.

Ceylon's Rubber Again

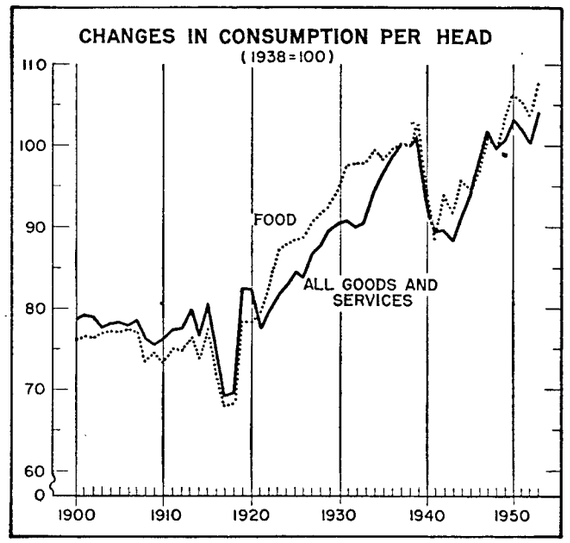
It has been officially denied in Colombo that the Americans had raised the question of Ceylon's trade pact with China in connection with a possible allocation of dollar aid. But it is interesting that the government, shortly after the controversy burst, announced the names of the delegation that will shortly go to Peking to discuss the annual renewal of the rubber-rice agreement.

There is far less optimism in Ceylon this year than hitherto about the terms of renewal. On the one hand, as was evident last year, the Chinese are likely to jib at the price for rubber, which at 32 pence per pound under the present agreement is nearly double the price on the free markets. Moreover, China's own requirements must be more than covered by the large quantities already shipped, and it must be unprofitable—to say the least—to transport it across the 2,000 miles of trans-Siberian railways in part payment to the Russians and East Europeans for capital goods and other supplies (rubber has for the first time actually been mentioned as a Chinese export in the recent trade agreement with Czechoslovakia). On the other hand rice is now one of the world's surplus commodities. Not only has Burma agreed to supply Ceylon with rice on advantageous terms, but India is now seeking markets for a surplus said to amount to 600,000 tons. In addition, Ceylon's own home production has been rising steadily, while China, never a rice exporter before the Ceylon agreement, has now returned to its former pattern with a contract to buy rice from Burma.

Communist propaganda in South-East Asia has always made the most of the Ceylon deal, especially because of the unfortunate disagreement between the then head of the American Mutual Security Agency and the Ceylon government. It would be unwise for America to put pressure on the Ceylonese to break what has to them been a profitable commercial arrangement. It would be wiser to let them discover for themselves the hard facts of trading with Communists.

Consumers of Old

The latest volume in a series on consumer expenditure shows how the British public spent its money in the first twenty years of this century.* In 1900, personal expenditure averaged £40 for every man, woman and child in the country; by the time the first world war broke out the figure had risen to £45. But prices went up nearly as much during these years and, as the accompanying chart shows, the actual quantity of goods and services obtained showed practically no increase in this time. The years before the first world war, therefore, contributed little to the improvement in living standards in this century; the same is true of the years since the last war. It was in the much maligned 1920s and 1930s that consumption climbed so steadily and so steeply.



The new figures confirm that food has taken about one-third of total spending in most peacetime years; food consumption has kept fairly steadily in step with total consumption. Perhaps the most striking feature of this new set of estimates is the decline in alcohol consumption, which, although it was accelerated between the wars, had already started in the early years of the century. For the last twenty years people have, on the average, been drinking less than one-half of what they did in 1900. This is partly due to the fact that the price of drink has risen twice as much as prices in general in the fifty years. But the cost of smoking has risen even more sharply, yet tobacco consumption per head is today about two and a half times what it was in 1900.

* Consumers' Expenditure in the United Kingdom, 1900-1919. By A. R. Prest. Assisted by A. A. Adams. *Cambridge University Press.* £2 2s. (Previous volume in this series discussed in *The Economist* of February 27, 1954.)

Britain Tours for Trade

The report, published this week, of the British industrial delegation which visited Burma in March is a model of prudent yet compelling writing. It provides an effective outline of Burma's ambitious programme of industrial rehabilitation and development, and of the genuine opportunities this offers to British manufacturers. The delegation, led by Lord Burghley, the former well-known athlete, included four other businessmen, and, in its own words, "before leaving London we hardly grasped the full significance of the task which the (Burmese) government had undertaken." In round terms the programme involves a capital investment of 7,500 million kyats (about £560 million) by the end of 1960; even if not fully achieved in practice, it implies the intention to develop power, railways, mines, ports, waterways, telecommunications and new industry on a scale never previously seen in Burma.

The prudence of the report lies in the discretion with which its authors have skated over some of the more important facts about their actual discussions with the Burmese and the views that they formed. They found, for instance, that the Burmese appeared genuinely keen to place a good proportion of their orders in Britain, that not nearly as many contracts had already been signed as had been expected, and that the limitations of available finance had been frankly calculated; although Burma has sterling balances of around £65 million, these will not buy the earth. At the same time, the delegation felt bound to point out the genuine perils of trying to seek too much self-sufficiency too quickly. There is, for instance, a danger that expensive equipment may in some cases be ruined through sheer lack of skilled attention; that Burma may overreach itself by trying to set up a steel rolling mill or start a shipbuilding industry; that if too many Burmese are substituted for British local agents the new agencies will be quite unable to provide the proper after-sales service; and above all that, if Burma lets its staple exports like rice and teak decline, then it will not be able to pay for the industrial imports it wants.

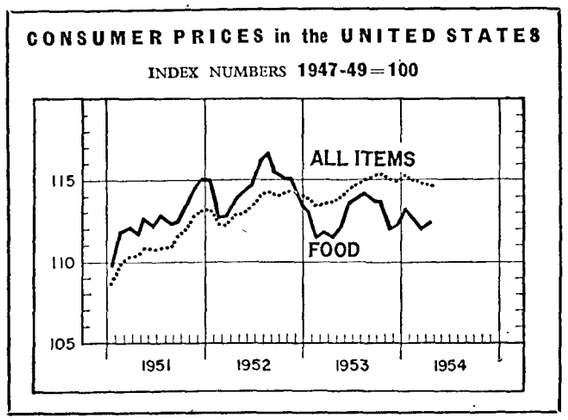
★

Another report published this week has been that of the much bigger delegation which went to the Middle East last November and December. Led by Sir Edward Benthall, the mission was invited to report upon all matters that "would help in developing goodwill and trade between the United Kingdom and the countries visited." The new significance of the Middle East as a market for British goods is that it now owns half the oil reserves of the world; Iraq, Kuwait and Saudi Arabia each earn between £50 million and £60 million a year from oil revenue, and they each have important development plans. But if the British are to compete effectively in this market, the two main needs are the same as those in Burma—to be competitive in terms of price and of delivery dates. The idea that quality alone will sell, or that the British have any monopoly on quality, is as dead as the dodo.

Strain on Uniscan

Of the various arrangements within the western community which reinforce the OEEC and Nato and strengthen the ties between their member countries, much is heard of the Coal and Steel Community, something is heard of Benelux, but practically nothing is ever heard, or said, about Uniscan. This is unfortunate, and particularly so because the close relationship between Britain and Scandinavia is one of the few international arrangements which virtually no one opposes. Although Uniscan has no regular international staff and amounts to little more than consultation between the British, Swedish, Norwegian, Danish and Icelandic governments, the fact that these periodic discussions of common economic problems are now becoming a habit is a step in the right direction. Where there is so plain a community of interest, more should be done. Uniscan can play a particularly useful role as a link with neutral Sweden. For all Scandinavians, closer co-operation with that large country with which they have the greatest community of interest is just plain sense.

The type of informal, yet close, co-operation which Uniscan represents is a form of relationship which is in the purest British tradition. But it only works if all the partners feel that all the problems in which they have a genuine interest are, in fact, being discussed. It cannot survive many episodes such as occurred at the last meeting, when the British, although exploring fully with their neighbours many aspects of the EPU impasse, apparently thought it unnecessary to mention that they proposed to offer their principal EPU creditors £35 million in partial settlement of outstanding debts. Had the Scandinavians been informed in London, rather than left to read of the offer in the newspapers immediately on returning to their capitals, the British might have enjoyed somewhat more Scandinavian support in the subsequent OEEC discussions.



Books & Publications

Spacious Heritage

THE EUROPEAN INHERITANCE.
Edited by Sir Ernest Barker, Sir George Clark and Professor P. Vaucher.
Oxford University Press. 1,424 pages. 5 guineas.

IN 1943 the Ministers of Education of eight Allied Governments then in London appointed a Books Committee to arrange for the supply of literature to their countries when liberated. "The European Inheritance" is one of the fruits of this project. "A work of History objective in character," it was planned for the use of sixth-formers and first-year undergraduates. The editors say that it is a history of European Man, and his influence on the *rest of mankind*, set down as justly and dispassionately as possible. The work is in three volumes, with seven chronological parts, from the earliest prehistory to AD 1950.

Whether or not Europe will be interested in this inheritance, British schools and *universities* ought to be. The work is not faultless: it suffers from a tendency, perhaps inevitable, to avoid drawing any conclusion that could possibly offend a political or religious *susceptibility*. Its judgments grow progressively more polite as it gets farther from the Roman Empire. No partisan is likely to be provoked by Professor Ganshof's "Middle Ages"; and occasionally an impatient reader might be tempted to exclaim "Coulton (or Belloc) thou should'st be living at this hour." But such impatience is, perhaps, unfair. Sixth-formers and undergraduates must learn to seek, sift and arrange evidence and base conclusions on it; and this will presumably be practised under tutors *able* to suggest which sections are likely to yield the most useful material and how it should be treated—though even the tutors may regret the absence of sectional bibliographies. There is a pleasing variety of well-chosen plates, documents and maps.

The "Prehistory" of Professor Gordon Childe, and the "Greece and Rome" of Dr Tarn; the "Early Modern Period" of Sir George Clark; and Mr Geoffrey Bruun's "Nineteenth Century" include narrative-writing that is just and dispassionate without being obscure or dull. But in parts of the medieval section the student may need the skill of an historical water-diviner to discover the *main* stream: much interesting matter is there, however, for those who can find and use it. Moreover, the indexing is efficient; and it is in most sections easy to pick up the threads of topics not treated continuously—for example when tracing economic progress or regression, which, incidentally, is discussed with unusual clarity in "Prehistory" and, as one would expect, with satisfying sureness of touch by Sir George Clark in the "Early Modern Period."

"The Nineteenth Century" and the period 1914-50 are, as they should be, truly complementary: the story of the years 1815-1915 not only leads up to the First World War, but helps to explain the events between the wars and their catastrophic sequel. The treatment of the fanatical ideologies of the nineteen-twenties is full and fair; and their spiritual ancestry is traced back into the nineteenth century or earlier, and related to contemporary trends in literature and art. But Professor Vaucher's views in "The Revolution and Napoleon" seem somewhat restricted by the natural frontiers of the French historical mentality: his men of '93 seem to be inspired by sedate if distant visions of the Third Republic, hard hats and umbrellas, rather than by Rousseau, pikes and caps of liberty; while his Napoleon, an enlightened (or Rousseauite) dictator who "went wrong," is left unconnected with any of the later dictatorships that his transient *successes* inspired.

Sir Ernest Barker's "Review and Epilogue" is history written philosophically in the grand (or should one say "Greats"?) manner; he is for the non-university reader a history and a moral tutor combined. This is superb historiography. It is more than a summary; it is a judgment—but not without hope, for Sir Ernest recalls the reader's attention to Professor C. H. Dodd's earlier section on Christianity and stresses the immortal hope, as well as the duty, that should inspire the heirs to the European Heritage to face any challenge.

Imperial Inflation

ROMAN IMPERIAL MONEY.
By Michael Grant.
Nelson. 334 pages. 50s.

ADAM SMITH'S remark about a great empire and little minds does not explain the decline and fall of the Western Roman empire. From disparate racial stocks it produced an extraordinary run of good to great minds, from the principate to soldiers and lawyers. Few of its leaders died in their beds; fewer, like Diocletian, had the sense to retire while the going was good. Its wide communications remain the trunk lines of Western Europe's highways; its provinces the chief ecclesiastical divisions of the Roman Church; and much of its law the basis of commercial and international systems to-day. Yet it was administered for four centuries without the printed word or any of the modern means of public and private communication. Modern numismatists have rightly seen in its beautiful coinage not only a means of exchange but also a means of publicity and propaganda, spreading by frequent strikings both the appeal to the magic of the Roman name and its great past, and the latest news or message from headquarters. In this handsome, illuminating and perceptive volume Professor Michael Grant provides both the general reader and the expert with a valuable compendium of observations upon the relations between these coinages and the events from Augustus to Constantine. His text is easy and absorbing to read, carefully documented, accompanied by stimulating footnotes, 22 pages of source-notes, a model index, glossary of Latin terms, chronology, and 41 lovely collotype plates beside numerous reproductions in the text. This is indeed scholarship for the plain educated man. Not for nothing is its author Professor of Humanity at Edinburgh.

It is hard to do justice to such a work in short compass. For economists, historians and students of society the lessons drawn from the coinage by the author have a discomfiting aptness today. The pressure upon economic resources of defence, costly public administration and what can be called "social capital works" as well as the rudimentary "welfare state services" was scarcely *interrupted* through the centuries after the death of Augustus. There were short terms of peace and prosperity. But the pressures were always there; and the remorseless tale of debasement, inflation and devaluation regularly unfolds, though the beauty of the coins remains unimpaired. Every convulsion in the Empire brings, at intervals, some new coin bearing its appeal to the Golden Age of Augustus or, later, to that of the Antonines. The old symbols are there, but the new situation tells its tale in the composition and value of the coin itself. The taxes went up and up, as that value came down and down. Citizens of the municipalities had to be compelled by law to undertake public offices, onerous because on them rested responsibility for making good deficiencies in tax-yields. Men consulted the oracles whether they should flee their homes and public duties, and a Greek term for such "flight" became a byword. The first utter collapse of the currency and exchange system came as early as the beginning of the second half of the third century, and not even Diocletian's reforms and his famous edict fixing prices for everything could thereafter stop the rot. Within twenty years of his retirement Constantine took the course of Empire eastward, and the West began to dissolve. Much of the economic *malaise* due to monetary disturbances—and in its turn causing

them—formed that matrix of social heartsearching within which the Christian church grew and ultimately prospered.

Only those who read this book will appreciate how much of all this has been clearly interpreted from current coin. The plates themselves are worth careful study: they are the national gallery of a culture and a civilisation. Here are Nero as the prototype of Napoleon, Augustus with Cæsarean profile, Britannia (of our pennies) at the time of Hadrian, Galba as a model for Mussolini, and exquisite vignettes of symbolic ships and sailors, ploughmen and soldiers, gods and mortals, temples and beasts. Here are the records of wars and usurpations, of challenges and responses, of protracted effort against a relentless tide. Here, too, are the origins, in inflation, of our own £ s. d. In his last chapters the author discusses the circumstances of the final debasement, and observes that the vast imperial effort always outran its resources. He seems to have been led by an invisible hand to promote an end that was never part of his intention: to provide required reading for modern politicians.

The Liberal Trinity

FREEDOM, LOYALTY, DISSENT.
By H. S. Commager.
Oxford University Press. 99 pages. 8s. 6d.

"I KNOW not how it is, sister, but the older I get the more I find that no one is right but me and thee, and sometimes I am troubled about thee." At a time when the United States seems as if it had been settled exclusively by descendants of Benjamin Franklin's famous Quaker sisters, it is good to hear the authentic accents of American liberalism ringing out with the eloquence and passion that Professor Commager commands. This is a heartening and timely book. Both American and British readers will benefit from a reaffirmation of the liberal doctrine of the Trinity—that Freedom, Loyalty and Dissent are not contradictory but complementary. British readers will, in addition, receive a useful reminder that not all of Senator McCarthy's critics live outside the borders of the United States.

Mr Commager's little book is built around the pragmatic argument that freedom is necessary, in the sense that American society simply cannot function without it. Pungently, with illustrations drawn from the American past and the diversities of the American present, it drives home the moral that experiment and criticism have been the great creative forces in American society, and that to reject them in the interests of security or loyalty is to barter mother's milk for hemlock. Of course this argument will cut no ice with those who have in fact rejected the American tradition it appeals to, who are prepared to trade progress for uniformity, and who in the name of anti-Communism would convert the USA into a facsimile of the USSR. But at least it prevents Fourth of July propaganda serving as a cloak for such designs. To see how necessary a job this is and how well Mr Commager does it, the reader need only look at his brilliant debunking of Guilt by Association.

The book's success in this demonstration tempts one to ask for more. Although Mr Commager is writing here as a self-confessed pleader, a counsel for the defence, he ought not to be content with getting his client off. He is not only a pleader, he is also a historian, and a historian ought to ask himself how his client came to be in the dock in the first place. Why is it that so soon after its great victories under the New Deal, and at this peak point of American power, American liberalism finds itself on trial for its life? Has it merely been framed? If so, from what American roots have these un-American prosecutors sprung? Or has some weakness of its own betrayed it into the hands of its enemies? Professor Commager unhesitatingly rejects the hypothesis that this weakness may have been the pragmatic tradition itself. But if not that, was there something else? Was there not a deep-seated confusion among American liberals themselves, not only in the forties, but also in the thirties, when the seeds of much bitter fruit were lightheartedly sown? Such questions do not weaken the validity of Professor Commager's current defence of the accused. But a proper answer to them might help to keep him out of court in the future.

Malayan Mixture

MALAYA: COMMUNIST OR FREE?
By Victor Purcell.
Gollancz. 288 pages. 15s.

THIS able and contentious book is a curious mixture. It includes, on the one hand, a great deal of hard factual information about Malaya, presented with great clarity by a man who spent over twenty years there. On the other, his interpretation of the facts, while often shrewd and refreshing, at times gives the impression of running off the rails in order to fit into his personal feud with General Sir Gerald Templer. This feud developed in 1952 when Mr Purcell revisited Malaya and was, to use his own word, "shocked" by the authoritarianism that he found there. One result of this shock, however, was that he wrote the present volume, and anyone who is interested enough in the subject to read it must not blame the author too much for his point of view. History alone can say whether he or General Templer is nearer being right.

Issued under the auspices of the Institute of Pacific Relations—which takes no responsibility for the opinions expressed by the author—this book is a political survey of modern Malaya. It starts, that is, with a brief historical background, and then sets out the development of events since Malaya's occupation by the Japanese and the resumption of British rule in 1945. This includes a useful round by round account of the emergency, an outline of the political and economic problems which it has brought in its train, and chapters on Communist policy and propaganda, inter-communal relations, education, Malayan nationalism and Asian consciousness, the trade unions, and the steps being taken towards self-government.

Nobody can accuse Mr Purcell of not knowing his subject. He himself left the Malayan Civil Service in 1946, after holding appointments as Protector of Chinese and Director-General of Information, but he has been back there since, first on behalf of the United Nations in 1947, and then again in 1950 and 1952. He is a Chinese scholar and also speaks Malay. Since 1949, he has been Lecturer in Far Eastern History at Cambridge. With the distinction of his evident authority, Mr Purcell is therefore entitled to respect for his view that Malaya has been "deprived of the evolutionary steps towards democratic government" for far too long. It is indeed fair comment that the lack of any pressure for political change before the war meant not only the petrification of a feudal Malay Society, in which the growing Chinese community had no political rights, but a smug British attitude that locally ignored the professed general aim of educating colonial territories towards self-government. "It needed," says Mr Purcell, "the catalyst of the Japanese invasion to cause the solution to precipitate."

The criticism, nevertheless, of what has developed into Mr Purcell's special plea for the Chinese is that to go too fast now does not make up for going too slow before. Since he finished his book, even his arch-enemy, the High Commissioner, has come out in favour of a small elected majority on the new Legislative Council. And while it is true enough that this may yet prove a belated and perhaps inadequate step, there is still insufficient evidence to suggest that Mr Purcell's alternatives "Communist or Free" are the only ones. For some years at least so-called freedom would be no more than a stepping-stone to Communism. The real alternative, so long as the emergency lasts, is for the government to combine a gradual but genuine political emancipation with the establishment of personal security. Few would agree with Mr Purcell that General Templer has failed to make a real inroad on this problem, even if he has done so by methods peculiarly his own.

Studies in Redistribution

INCOME REDISTRIBUTION AND SOCIAL POLICY.
Edited by Alan T. Peacock.
Jonathan Cape. 290 pages. 25s.

THIS is a scrappy book. The bulk of it consists of four studies of the redistribution of incomes through public finance in Denmark, France, Great Britain and the United States. These follow more or less closely T. Barna's treatment in his work "The Redistribution of Incomes through Public Finance in 1937." They are preceded by two

theoretical essays. The first by H. G. Johnson considers the effect of redistribution on economic activity. It is meticulous and well worked out; but, to use one of Mr Johnson's favourite words, it is purely taxonomic, that is, it classifies the possibilities without a hint on which may apply in the real world. The second, by D. Berry, is a competent eclectic discussion of the bearing of welfare economics on redistribution; but it is too allusive to make the matter clear to anyone not already enlightened. The connection of these two essays with the main subject of the book is little more than nominal. After the four main regional studies there is a very slight discussion of social policy in underdeveloped territories by T. B. Lim.

Of the four main studies the longest—it occupies a third of the book—and the best is that on the United States by A. H. Conrad. Though of great interest to the ardent student of redistribution, the demands made on the rapid or uninitiated reader are excessive. The style is flat, and there is no adequate summary; moreover, the subject seems to have made the author, or editor, dizzy, for the appendices and tables are redistributed throughout the text in a thoroughly regressive manner. The editor's contribution on Great Britain partly brings Barna up-to-date, though many of his allocations are still based on Mr Barna's researches and guesses. Unlike Mr Barna he limits himself to the redistributive effect of the social services, though this creates almost as many problems as it evades. The pioneering study on France by George Rottier and Jean Albert follows similar lines. It is clear, interesting and well written. But inevitably, from lack of statistics, the conclusions are even less firmly based than in the case of the United States and Great Britain. The study on Denmark by Messrs K. Lemberg, N. Ussing, and F. Zeuthen, another pioneering effort, is still more hazardous and impressionistic.

Redistribution is a rather unsatisfactory subject, abounding in conceptual, theoretical and statistical problems. The book would have been more satisfactory if at least the common difficulties had been dealt with in a separate essay, and comparisons made between the solutions and assumptions adopted by the various authors. The point of binding the separate studies together should have been to bring out similarities and differences in the facts, the problems and the treatment of them. This is left almost entirely to the reader.

Hero Worship

LORD NELSON
By Carola Oman.
Collins. (Brief Lives). 158 pages. 7s. 6d.

"I WILL be a hero, and confiding in Providence, I will brave every danger." Thus the seventeen-year-old officer on recovery from an attack of malaria, and thus he continues throughout his career—"Westminster Abbey or Glorious Victory."

No man ever pursued fame as relentlessly as Nelson, and to no man has it been granted in fuller measure. Miss Oman was the obvious choice for a biographer in this admirable series, because no living writer has immersed himself so deeply in the immense documentation of the subject. Her present volume is a scale model of the Nelson monument which she erected to her hero a few years ago. She adopts a *pointilliste* technique of a conglomeration of details to give a vivid picture of a lovable personality. The scale of her miniature leaves her no space to relate the figure to its dramatic background, but what is more unfortunate is that Nelson's character as the greatest of sea officers remains obscure. She shows (largely by implication) how he started a new conception of the art of leadership; but she does not bring out the brilliance of his tactics or the calculated risks which only a completely fearless and original commander could take. It is significant that many of her battle plans, which are somewhat deceptive, are taken from that hoary old piece of jingoism, "Sea Kings of Britain."

It is the man, not the officer, who engages Miss Oman's attention. No one can blame her for falling under the spell of such a strong and attractive personality, but it means that his less desirable qualities—his vanity, petulance and, on occasion, insubordination—are played down. As for his love life, one can only echo the parting shot of his wife (who gets short shrift at the hands of those who annually toast the Immortal Memory): "I am sick of hearing of dear Lady Hamilton."

Poetry from Theology

GEORGE HERBERT: His Religion and Art.
By Joseph H. Summers.
Chatto and Windus. 247 pages. 21s.

GEORGE HERBERT'S poetry, although it can never have lacked pious readers, was for long held in very little critical regard. Seldom discussed in the eighteenth century, it was revived in the nineteenth as pleasing minor verse, characterised by a quaintness that delightfully reflected the idiosyncrasy of the poet's mind and a decorum that reassuringly recalled his aristocratic breeding. Thus J. H. Shorthouse, although he believed Keble to be a finer poet, admitted Herbert of the company that "showed the English people what a fine gentleman who was also a Christian and a Churchman might be." In the present century the revived interest in Donne brought Herbert into more sophisticated notice; but for long the notion of his quaintness was unchallenged, and Professor Empson indeed with a brilliant persuasiveness showed him to be not so much quaint as rum. Then came a decisive change. Learning, in the person of Professor Rosemond Tuve, amusingly if rather elaborately bowed Mr Empson out. The uninformed reader today may find Herbert's poetry perplexing, and the ingenious critic may come to his assistance with a clever new species of rhetorical analysis that delves for ambiguities in every line. But for Herbert's first readers, steeped in the Bible, in the hieroglyphic view of the universe, in typology, in the lore of emblems, the poet would seldom seem to be leaving familiar and comprehensible ground.

Professor Summers, continuing this labour of scholarly rehabilitation, sets Herbert's poetry in a yet wider context of theology and devotion. Is sanctity of life a method of achieving salvation, or is it a gift of God which gives assurance that salvation is already achieved, or can it even be on occasion the response to Satan's most dangerous temptation, the temptation to believe that one can *deserve* God's grace? Has not God disposed the Children of Israel into twelve tribes in purposeful anticipation, so that they constitute a "type" of the twelve Disciples? The key to Herbert's poetry lies in our realising an intellectual climate in which such questions are at once supremely important and entirely familiar. A just awareness of this climate is an authentic and valuable gift of scholarship, and Mr Summers shows himself a perceptive critic. It is only in a few places that he may be felt to overstate his case. It is certainly true that the primary purpose of Herbert's poetry "was not what we understand by self-expression." But the injunction that we should "conceive of *The Temple* as the symbolic record, written by a poet, of a 'typical' Christian life within the Church" will strike rather coldly upon the ears of some who believe that they know and love the vicar of Bemerton.

Books Received

THE TRIPLE STREAM: *Four Centuries of English, French and German Literature, 1531-1930.*
By Antony Brett-James. *Bowes and Bowes.* 188 pages. 17s. 6d.

This handlist is designed to help the student of literature. It gives in parallel columns the names of the important literary works published in England, France and Germany year by year from 1531 to 1930. It also shows for each country the dates of the births and deaths of their prominent writers.

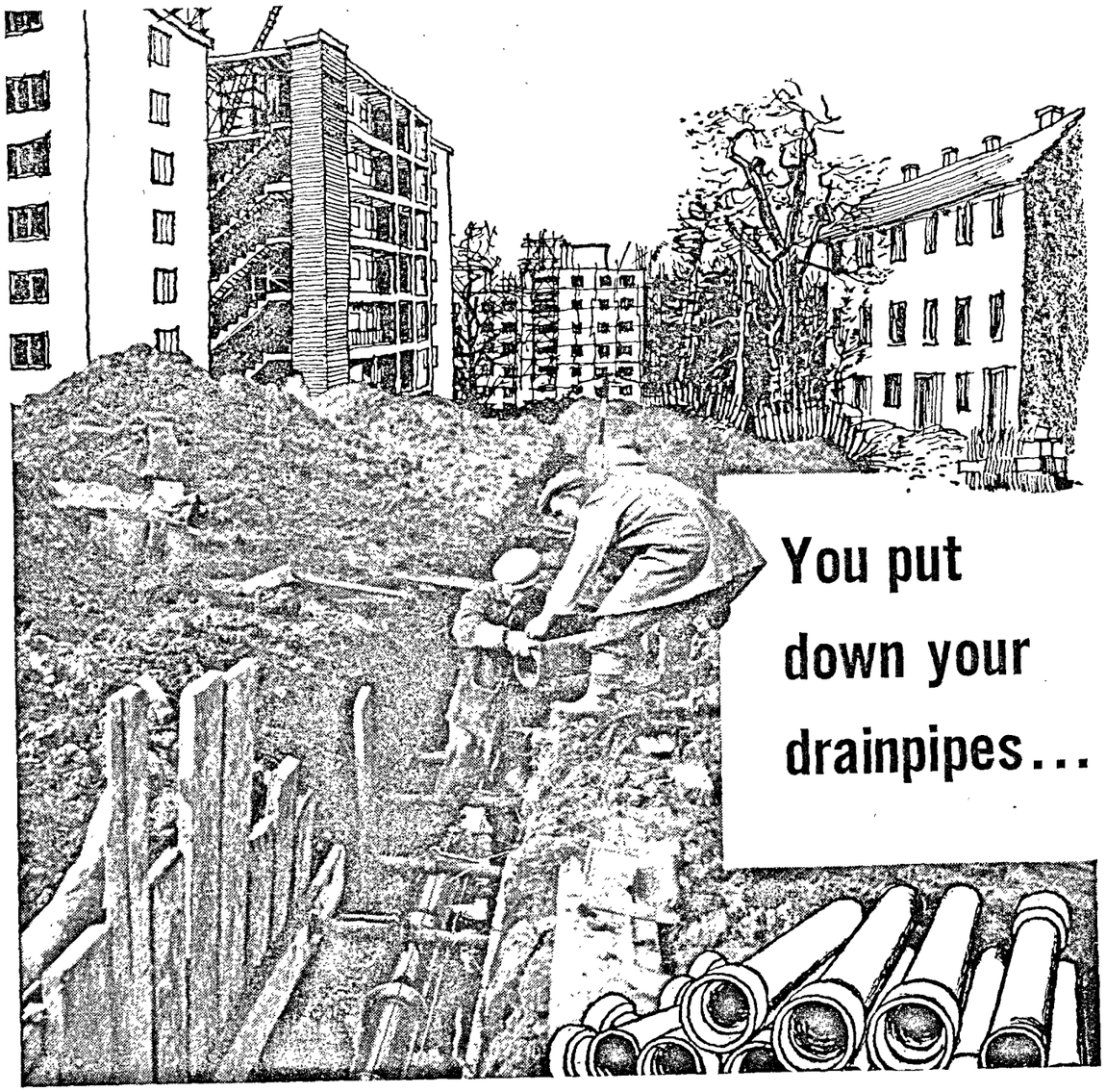
1954 BLACK MARKET YEAR BOOK.
By Franz Pick. *Pick's World Currency Report, New York.* 220 pages. $25.00.

FISHERIES YEAR BOOK AND DIRECTORY, 1953-54.
Edited by H. F. Tysser. *British-Continental Trade Press.* 441 pages. £1.

THE HOSPITALS YEAR BOOK, 1953-54.
Edited by J. F. Milne. *The Institute of Hospital Administrators.* 1,088 pages 5 guineas.

UNITED NATIONS STATISTICAL YEAR BOOK, 1953.
Her Majesty's Stationery Office. 578 pages. Clothbound 55s. Paperbound 45s.

STATISTICAL SUMMARY OF THE MINERAL INDUSTRY: *Production, Exports, and Imports, 1946-52.*
Colonial Geological Surveys. Mineral Resources Division. *Her Majesty's Stationery Office.* 347 pages. 27s. 6d.



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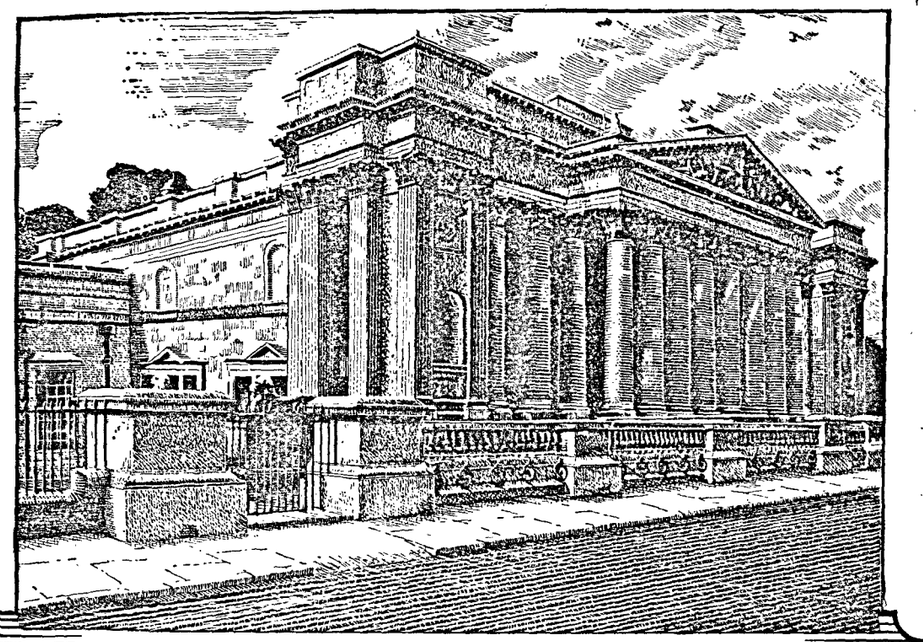

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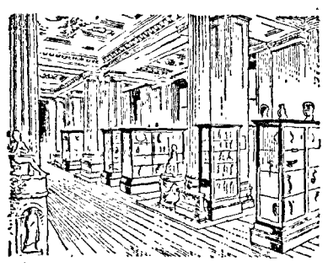

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American Survey

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Ploughing McCarthy's Furrow

Washington, D.C.

WHEN its regular counsel, Mr Roy Cohn, goes on the witness stand the Permanent Investigating Subcommittee of the Senate will at long last be hearing the second half of the controversy between its officials and those of the Army. Public interest, which had been flagging during the legal quibbles and the military details, is quickening at the prospect of Mr Cohn and Senator McCarthy being subjected to the same kind of ruthless cross-examination that the Army's witnesses have endured for twenty days. All parties concerned have now agreed that the monitored telephone conversations between Army officials and representatives of the committee, which the Army evidently thinks will provide most conclusive proof of its case, may go into the record. At the same time, by a vote on purely party lines, the committee has dismissed the charges against its staff director, Mr Carr, and against Mr Hensel, the Assistant Secretary of Defence. Most observers considered that Senator McCarthy made the greatest mistake of his career in bringing allegations against the personal integrity of Mr Hensel, who is reputed to be much tougher than the Senator's other opponents. But the Senator has now used President Eisenhower's insistence on preserving the confidential character of policy discussions within the higher ranks of the executive as an excuse to drop these allegations.

After a week's adjournment had failed to alter the President's stand on this point of principle, the committee returned to its invidious task last Monday, irretrievably committed to "ploughing the long furrow to the bitter end," in the metaphor of its temporary chairman, Senator Mundt. Mr Stevens, the Secretary of the Army, testified that the sole responsibility for bringing the Army's charges was his. The fact that another whole day was then spent in wrangling over whether Mr Stevens and his counsel, Mr Adams, were the sole "conspirators" against Senator McCarthy or whether the Attorney General and the members of the President's staff in the White House were privy to the "plot" showed how far the committee had fallen victim to its own fiction.

From the first day of the hearings Mr Mundt and Mr Ray Jenkins, the committee's special counsel, have humoured Senator McCarthy's preposterous contention that his dispute is with individuals and not with the Department of the Army, going so far as to refer to "the so-called Army charges." But this flies in the face of reality, because it is quite apparent that all of the actions by Mr Stevens that are now being questioned were taken in the course of his official duty, and as Secretary of the Army he officially represents a piece of that executive power which under the Constitution is entrusted to the President.

However, if the attempt to distinguish between Mr Stevens and the Secretary of the Army had not been made, the identity of the Army's adversary would have become apparent: the Permanent Investigating Subcommittee of the Senate, rather than its chairman, chief counsel and staff director, Messrs McCarthy, Cohn and Carr, as individuals. But the weakness of the committee's position in this dispute —a weakness that makes the fiction necessary—is that the members of the committee are also the judges. Only in so far as they contributed to the exceptional power available to Senator McCarthy and the committee's staff by failing over a long period to keep in touch with what was being done in the committee's name can the Republican members be said to approach the incidents under review with detachment. Even so the judges have had to be sworn in as witnesses in respect of one of the Senator's specific charges. The Democrats' claim to a splendid innocence in this internal Republican dispute is possible because they left the committee for several months in protest against the chairman's methods.

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Undoubtedly President Eisenhower and his Attorney General have been relying, as one of their main claims for popular approval in the November elections, on the argument that they have introduced a new and more efficient system of security among government servants. The President made a special plea for trust in his judgment on this subject when he sent his first message to Congress on taking office. He said then:

> Confident of your understanding and co-operation I know that the primary responsibility for keeping out the disloyal and the dangerous rests squarely upon the executive branch. When this branch so conducts itself as to require policing by another branch of the government it invites its own disorder and confusion. I am determined to meet this responsibility of the executive.

No such congressional co-operation was forthcoming from the Permanent Investigating Subcommittee under Senator McCarthy's chairmanship and the President's foreboding of "confusion and disorder" was amply fulfilled. An executive order with fresh definitions of "security risks" and new machinery for dealing with employees of the federal government about whom there was "derogatory information" came into effect at the end of last May. Only two months

later Senator McCarthy began a full-scale investigation of the security arrangements at the Army's radar laboratories at Fort Monmouth, where the problem is especially complicated because civilian scientists are working under a military command. The uneasy task given to Mr Stevens and Mr Adams was to interpret the President's insistence that the initiative and power of discretion in matters of internal security must rest solely with the executive in the light of his general injunction to show exceptional courtesy to committees of Congress. Once in October and again in January Mr Adams felt he had reached a working arrangement with the Senator but on both occasions the understanding broke down.

And on both occasions, as Mr Adams has been telling the investigating committee, he felt the determining force was Mr Cohn, the committee's young counsel, in a vindictive frame of mind because of the Army's failure to make suitable provision for the well-being of his friend, Private Schine, the committee's former consultant who has been conscripted. Mr Adams has cited Mr Cohn's violent threats and the advice given by Mr Carr, the committee's staff director, that if the Army would do something for Mr Schine the worst of its troubles would be over. In a memorandum released by the Senator, however, Mr Carr is shown complaining that Mr Adams was using the famous private as a "hostage" to "blackmail" the committee into giving up its investigation.

In his formal charges and still more in his cross-examination, Senator McCarthy has carried the inquiry far beyond these detailed disputes. He claims that Mr Adams's release of information to the press about Private Schine was simply the last of a long series of frantic attempts to "cover up" the group of senior officers and civilians in the Army Department who, from sinister motives or "incredible laxity," had failed to enforce the old loyalty and security arrangements under the previous Administration and who were still in a position to obstruct the enforcement of the new regulations.

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The logical conclusion of Senator McCarthy's position is inescapable: that the Republican Administration is just as inefficient as its Democratic predecessor was alleged by Republicans to be, that the President is not entitled to a fair trial for his new security system because the executive branch as such cannot be trusted to operate such a system, and that the sole valid criterion in this delicate field is the Senator's judgment. This extreme claim on behalf of the legislative branch might in other circumstances arouse a congressional cheer, but many Senators are becoming painfully aware that such a claim does them no good in the country when it is put forward by a committee chairman who is displaying his irresponsibility in the sight of all two or three times every day.

In these circumstances it is not surprising that the Republicans should be revising their estimate of the part to be played by Senator McCarthy in the November election campaign. Party leaders in several states have already refused to have him as a speaker. They will be fortified by an analysis made for the Public Affairs Institute by the electoral statistician, Dr Louis Bean. This shows that in the eleven states where the Senator intervened in 1952 on behalf of Republicans the Democratic candidates made a better showing than did their colleagues elsewhere.

Guns for Guatemala

THE United States, which is not prepared to defend colonialism even in Indo-China, last week found itself forced to defy colonialism on its own doorstep. What is widely regarded as direct evidence that, in the words of Senator Wiley, "the Communist conspiracy is intervening directly" in the western hemisphere was provided by the shipment of 2,000 tons of arms from behind the iron curtain to Guatemala. They are thought to be of Czech manufacture and were valued at $10 million and listed as optical and laboratory equipment; they were delivered in great secrecy at dead of night, under the supervision of the Defence Minister, at a Guatemalan port by a Swedish ship, chartered by a British firm, and routed via Dakar from Stettin in Poland. This shipment, declared Mr Dulles, put Guatemala, already the most heavily armed of all the Central American states, into a position to dominate the area and even perhaps, as he admitted in reply to a somewhat hypothetical question, to threaten the Panama Canal. Coming after recent interference in the affairs of neighbouring Honduras and Nicaragua and ever-growing intransigence when dealing with American firms, this latest Guatemalan development leaves little doubt that the Communists are trying to convert the foothold which they have won through their infiltration of that government into a stranglehold on the rest of Central America.

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The immediate reaction of the United States has been to step up deliveries of arms, at the request of Nicaragua and Honduras, under the mutual assistance pacts with those countries; the one with Honduras has just been signed. So far the two countries have received only $60,000 worth of military equipment apiece and nothing approaching the size of the Guatemalan purchase is contemplated; but an airlift for arms to Central America is now being operated from the United States. Consideration is being given to the invocation of the Rio Pact, and a first test may also be at hand for the anti-Communist resolution approved at Caracas last March. But the final decision as to whether the peace of the Americas may be endangered by Gautemala is carefully being left to the Latin American countries themselves, for already, in spite of their mounting uneasiness, the United States denunciation of the Guatemalan purchase has aroused the usual resentment against United States interference.

There may even be enough sympathy for Guatemala, as a result of this interference, to prevent any resolution of condemnation getting the necessary two-thirds majority in the Organisation of American States. This sympathy springs also from Guatemala's excuse, that the needs of its national defence forced it to buy its arms from behind the iron curtain, because the United States refused to sell weapons, or to allow its allies to sell them, to Guatemala in view of the "obvious uncertainty" of how they would be used. Furthermore, the garland of guns with which the present Guatemalan government has decorated the national pride has, from all reports, brought it a great access of popularity, especially in the Army where previously the strongest opposition to Communist infiltration was to be found.

Splitting the AEC

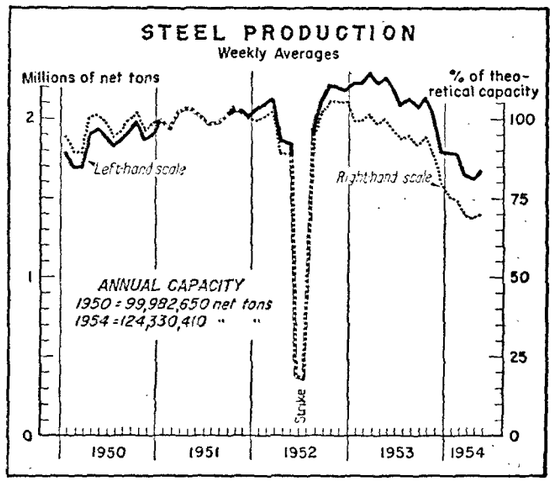
A QUESTION at the President's press conference last week brought into the open a division which has been gradually developing within the Atomic Energy Commission but which has been concealed from the general view by the habitual veil of nuclear security. President Eisenhower, in answering a question on the proposed increase of power for the commission's chairman, illuminated the cause of the division by going out of his way to praise Admiral Strauss, the present chairman. Mr Eisenhower places so much confidence in Admiral Strauss that he has become the President's confidential adviser on atomic matters; this is not part of his official duties as chairman and it has given him an advantage, which is personal, not statutory, over the other four commissioners. All five are supposed to participate equally in all decisions but, according to well-founded reports, his colleagues feel that Admiral Strauss is not consulting them as fully as he should on policy matters. These rivalries have been accentuated by the Admiral's zeal for secrecy which, it is said, has prevented him from being absolutely frank with the other commissioners and from telling the American people as much about nuclear developments as, in his colleagues' view, they should be told.

This split has unfortunately, in a commission that is supposed to be non-partisan, broken on political lines, with the three commissioners appointed by Mr Truman dividing against Admiral Strauss and the other Eisenhower appointee, Mr Campbell. And the situation has now come to a head for two reasons. First, the inquiry into the loyalty of Dr Robert Oppenheimer, the atomic expert, has been completed and Admiral Strauss must soon decide on the case, with or without asking the advice of the other commissioners; the main allegation against Dr Oppenheimer is that he delayed the development of the hydrogen bomb, a development on which Admiral Strauss finally insisted. Secondly, the amendments to the Atomic Energy Act, now being considered by Congress, include one designating the chairman as "principal officer" of the commission. Democrats argue that, if the commission can come so near to splitting wide open under a chairman of the undoubted ability and integrity of Admiral Strauss, then there would be a danger that it might disintegrate altogether if a less high-principled chairman were given more authority by law. On the other hand, it was Mr David Lilienthal, the first chairman of the commission, no Republican and no friend of the Admiral, who originally recommended changes in the composition of the commission which would have gone much further than the "one-man rule" provided for in the present Bill.

Steel Surprise

THE United Steelworkers of America, under the leadership of Mr David McDonald, have unexpectedly chosen this year of economic readjustment to place before the steel companies a programme of demands which is more extensive than any the industry has yet faced. In addition to higher hourly wage rates, the trade union—which is seeking to establish for 600,000 of its members new contracts to replace those which expire on June 30th—is demanding a guaranteed annual wage, greatly extended pension and insurance schemes, more paid holidays, longer vacations, and compulsory union membership for all employees.

While organised labour is not noted for restraint, it had been confidently expected that this year the steel workers would press their employers more gently. Neither of the traditional props to wage claims—a rising cost of living



and rising profits—applies today where the steel industry is concerned. On the contrary, with slackened demand from makers of durable consumer goods and with manufacturers in general reducing their inventories, the mills have this spring been operating at around 69 per cent of capacity in contrast to the position a year ago when they were working at full pressure. Over the last year—as the accompanying chart shows—the capacity of the industry has continued to increase while production has been falling. As a result, unemployment is considerable. The unions claim that 190,000 of their members are out of work and a further 257,000 are not working a full 40-hour week; figures put out by employers are well below these. However, the latest production figures give more ground for hope and steel companies, while expecting no great change in the market in the next few months, consider that the long decline is "flattening out." Of immediate interest is the possibility that the current wage demands will touch off a period of increased buying by manufacturers as a safeguard against a possible strike or price increases.

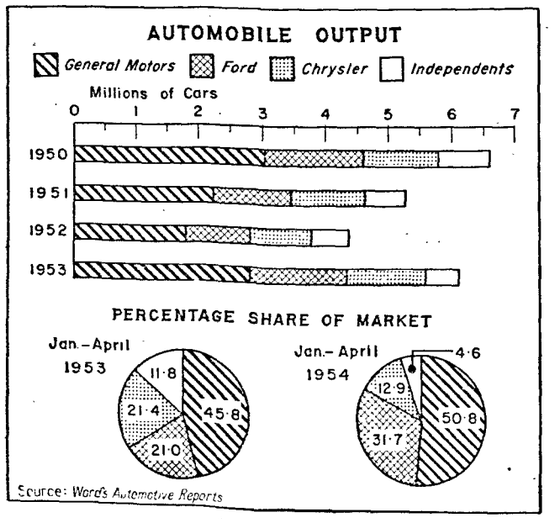
The pattern of this year's awards to the whole industry—and an indication of general industrial wage movements—hinges largely on the outcome of the present negotiations with the United States Steel Corporation. Mr McDonald is certainly anxious to get as much as he can for his members both to build up his own prestige—which has been growing steadily since he succeeded Mr Phillip Murray as head of the union eighteen months ago—and to score off his aggressive rival, Mr Walter Reuther, who is the present head of the Congress of Industrial Organisations. Nevertheless, despite its extravagant demands, the union can hardly expect in practice to repeat its success of last year, when it won an hourly increase of 8½ cents, and Mr McDonald has repeatedly declared that he is anxious to avoid a repetition of the 1952 strike.

Competitive Monopoly?

New York.

"WHERE it appears . . . that there may be danger of a serious shrinkage in the number of competitors engaged in a basic industry the Department [of Justice] believes that the causes are worth examination." This is the reason, according to the Attorney General, why his staff has begun a comprehensive anti-trust investigation of the automobile industry—an investigation which will embrace not only the operations of the automobile manufacturers themselves, but also those of the suppliers of parts, of the distributors of replacement parts and of dealers.

Paradoxically it is the intensity of competition between the automobile manufacturers, rather than the lack of it, that has encouraged this investigation. Last year, when over 6 million cars were made, the General Motors Corporation, the Goliath of the industry, made 46 per cent of the total; the Ford Motor Company, which began its production "blitz" in July, made another 25 per cent. This year, when even the most optimistic manufacturer expects no more than 5.5 million cars to be sold, General Motors is keeping its production schedules slightly above 1953 rates, while Ford's output so far has exceeded last year's by no less than 37 per cent. The heart of the struggle is for the prestige and advertising advantage of making the nation's best-selling car—a neck and neck contest between Ford's namesake model and General Motors' Chevrolet.



This fierce but apparently wholesome rivalry has had the most damaging effect on the sales and production of the Chrysler Corporation—the smallest of the "big three"—and on the four remaining independents: the American Motors Corporation (formed this year by the merger of the Hudson and Nash-Kelvinator companies); the Studebaker Corporation; the Packard Motor Company, Inc.; and the Kaiser Motors Corporation (formed last year by the merger of the Kaiser-Frazer and Willys-Overland companies). Chrysler's production has fallen by 44 per cent from last year and the independents, whose misfortunes are even greater, have cut their combined output by 64 per cent. The question now is whether this decline of the independents will continue until General Motors and Ford—and possibly Chrysler—monopolise the market. Ford is reported to have set its sights at 35 per cent of 1954 automobile sales and the president of General Motors expects his company to secure at least 48 per cent, leaving a mere 17 per cent for Chrysler and the independents combined; Chrysler alone had hoped earlier in the year to regain its traditional 25 per cent of the market.

These changes in the structure of the industry must, however, be considered in the light of the rapidly changing technology of automobile production. To survive at all in what has become for the first time since the war a buyers' market for automobiles, all makers must cut costs of production, and must do so in the face of the five cents an hour "annual improvement" provision in their wage contracts with the United Automobile Workers' union. A solution is being sought, perhaps more desperately than ever before in the industry, by applying the traditional remedies of more mechanisation, standardisation and integration. Mechanisation—promoted to the exalted status of "automation"—now consists essentially in the use of bigger and faster machine tools. The best-known examples of the trend towards more automatic operation are to be found in the new foundries, body-stamping plant and engine plants of the Ford Motor Company; but General Motors, Chrysler and Packard are now adopting similar methods. Integration of manufacturing facilities has taken two forms: mergers between the smaller automobile manufacturers, in order to standardise purchases and production, and to spread the heavy overhead cost of expensive machine tools over a larger output; and the trend toward the manufacture of more parts by the automobile companies themselves in place of purchases from outside suppliers. This integration, which is being accomplished partly by erecting new plants and partly by buying up former suppliers, permits not only greater standardisation and cheaper production of parts but also closer programming of the successive stages of production.

By these means, which imply a continued increase in the proportion of overhead to direct costs, the industry is succeeding in reducing its costs per unit of output. But the price of success, in terms of capital outlay on the new tools, is greater than at any time in the postwar period. This expense applies not only to the initial adoption of more automatic methods, but also the cost of retooling for the periodic introduction of new models. General Motors, for example, spent $350 million on special tools, dies, jigs and fixtures to bring its new 1954 models to the market; while only one of these had a completely new engine, three were restyled, and two "face-lifted." Chrysler's 1953 model changes were reported to have cost $200 million. So great is the capital outlay now required that even General Motors, which plans to spend $1 billion over the next two years, had to borrow $300 million from the market in December. Chrysler has borrowed $250 million in order to stay in the running, and has spent $73 million on the purchase of the Briggs Company's body works.

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It is in this environment that the prospects of the independents must be considered. The first quarter results of all companies with the exception of Ford and General Motors have been universally depressing, with all but Chrysler showing a net loss. Those who expect a swift demise of the independents point to the two mergers which have already taken place as evidence of financial weakness. In addition it is pointed out that the cost of "automation" and retooling becomes prohibitive unless it can be spread over a large volume of production, and that in at least two departments —the engine shop and the body stamping plant—the independents' volume is too small. The optimist, however, claims that mergers provide a solution to financial and production difficulties and confidently predicts that further mergers will give the independents the strength they need. Moreover the minimum scale of output necessary to secure the most efficient utilisation of "automation" is in dispute. The Packard Motor Company, which produced only 81,000 cars last year, is installing a highly automatic engine production line which, it claims, "should be fundamentally more efficient than lines of many of the larger companies." In the body stamping plant the chief problem of a small company has always been the high cost of dies which, though capable of producing up to a million pieces, may be needed for only 100,000 or less. Here the solution is thought to lie in introducing the much cheaper plastic dies, some of which are reported to have a life of 100,000 stampings.

In the struggle for market position, the small firm cannot afford, like Ford and General Motors, to maintain a substantial reserve capacity for the "big year" and may consequently lose position permanently when that year comes; with fewer models it is also more vulnerable during the periodic shut-down for model changes. In addition it is at a disadvantage in the important field of distribution where the big companies are able to bring more pressure to bear on dealers and to meet the latter's fluctuating demands more satisfactorily.

But one peculiarity of the American automobile market may, in the long run, tell decisively in the independents' favour. The intense competition between Ford and General Motors has not been, in the main, one of straight retail price-cutting. It is significant that the largest number of sales are made, not of the cheaper "stripped down" models, but of considerably more expensive versions, resplendent in automatic transmissions, power steering, power brakes, air conditioning units and other attractive accessories. The customer no longer wants "plain vanilla" and the key to the market is not price but prestige, as is shown by the ever-growing backlog of orders for the most expensive of the major models, General Motors' Cadillac. The appeal is above all one of style, and it is in this respect, in providing for the customer who wants a "different" car, that the independents, like their overseas counterparts, can play an important role in the American market. Traditionally the independents have been the innovators both in design and engineering, and by concentrating on style they should be able to sell enough cars at prices that will cover the cost of small scale production. Moreover, with the introduction of more plastic body parts and plastic dies, they may even be able to offer more frequent changes in style than their larger competitors.

Constitution in the Air

WITH the Supreme Court's historic declaration that separate schools for Negro children are unconstitutional and the deadlock between the President and Senator McCarthy over the separation of powers, the Washington air is full of constitutional controversy. The wind that is blowing some of the dust away from popular comprehension of this basic American document arose early this year with the prolonged debate on the Bricker amendment, which tried to put legislative limits on the President's treaty-making powers but was eventually turned down.

Last week, however, the Senate rejected a constitutional amendment that the President himself wanted. On the grounds that "a man old enough to fight is old enough to vote," he had requested that the voting age be lowered to 18. The amendment was favoured by only 34 Senators, not enough to give the measure the necessary two-thirds majority over its 24 opponents. Georgia is the only state that now permits voting at 18, instead of 21, but the opposition, which came mostly from the southern champions of states' rights, was led by Senator Russell of Georgia. He and others objected not so much to the principle of lowering the voting age as to the federal government "degrading the power of the states" by infringing on their constitutional right to determine voting qualifications.

The Senate at least did not waste much of its legislative time, now becoming very precious, either on hearing evidence on, or debating, this question and it wasted even less on a measure which it has actually approved, and which would safeguard the sanctity of the Supreme Court against any repetition of President Roosevelt's "court packing" plan. After less than three hours' discussion, the shortest constitutional debate on record, the Senate accepted this constitutional amendment limiting the size of the Supreme Court to its present membership of nine Justices, a number now fixed by ordinary legislation, not by constitutional mandate. It does not, however, seem likely that this proposal will in the near future obtain the approval of two-thirds of the members of the House of Representatives and three-fourths of the 48 State Legislatures, the numbers necessary for the ratification of a constitutional amendment.

A variety of other constitutional amendments that are being considered by the Senate Judiciary Committee include voting rights for the residents of the District of Columbia, the abolition of the poll tax, an increase in the term of members of the House of Representatives from two to four, the nomination of the President by direct primary elections, the limitation of the income tax to 25 per cent, and acknowledgment of "the authority and law of Jesus Christ" in the Constitution. But of the several thousand amendments introduced in the 165 years since the Constitution was first adopted, only 22 have survived the complicated process of ratification and it seems improbable that even this year's gale of enthusiasm for constitutional matters will bring many additions to the number.

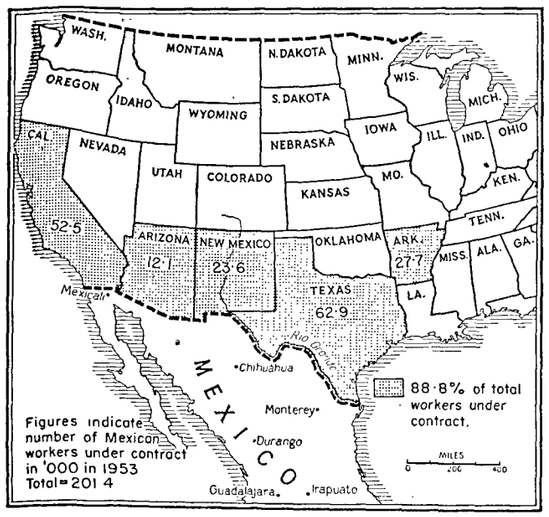
Cheap Labour from Mexico

FROM A CORRESPONDENT IN TEXAS

THE annual flood of Mexican agricultural workers into the Southwestern United States represents one of the largest seasonal migrations in the world. Some of these labourers cross the frontier under contract; others enter the country illegally and remain until discovered and returned to Mexico. In 1953, 201,380 came into the United States under contract and, according to the conservative estimates of the Department of Labour, a net number of 150,000 crossed illegally. Of the latter, a large proportion

were apprehended at the border and returned to Mexico ; on many occasions an individual or family will make several unsuccessful attempts, thus swelling the statistics of numbers returned to Mexico.

The migrant worker is known as a "bracero" (from the Spanish "brazo," or arm) and is one who works with his arms. The labourer who enters illegally is called a "wetback" because he traditionally swims the Rio Grande (which has lately been so dry that the name is losing its meaning). Of the total entering under contract in 1953 nearly 89 per cent worked in five states ; but the remaining 11 per cent spread themselves over a further 20 states, and were to be found as far afield as Michigan (2,568 of them) and Montana (2,258). More than one-half of these migrants went to the cotton fields, while large numbers went to the market gardens of the Lower Rio Grande Valley and California, to the beet fields of Colorado, to the hop fields of Washington and to the cherry orchards of Michigan.



The influx of Mexican labour into the western end of the American cotton belt today is an echo of the importation of Negro slave labour into the eastern and central portions more than a century ago. It is not, of course, slave labour which comes in from Mexico ; but the tendency to exploit cheap labour persists. The whole problem of braceros and wetbacks is a new symptom of an old malady which has played a dominant part in the economic and social development of the South. The problem centres round the fact that cotton has always been essentially a cheap-labour industry because, as an export crop, it has to compete with cotton grown in other, low-wage-paying countries. The complete mechanisation of cotton growing would, of course, introduce radical changes.

The present contract movement stems from a long history of straggling and usually illegal migration across the border to the farms and ranches of Texas, New Mexico, Arizona and California. It took definite legal shape with the increased demand for agricultural labour in the United States in the last war. Migration is now regulated by the two governments under Public Law 78. Negotiations with the Mexican government over the recent renewal of the Act nearly broke down and Congress threatened to recruit the labour at the border without the approval of the Mexican government.

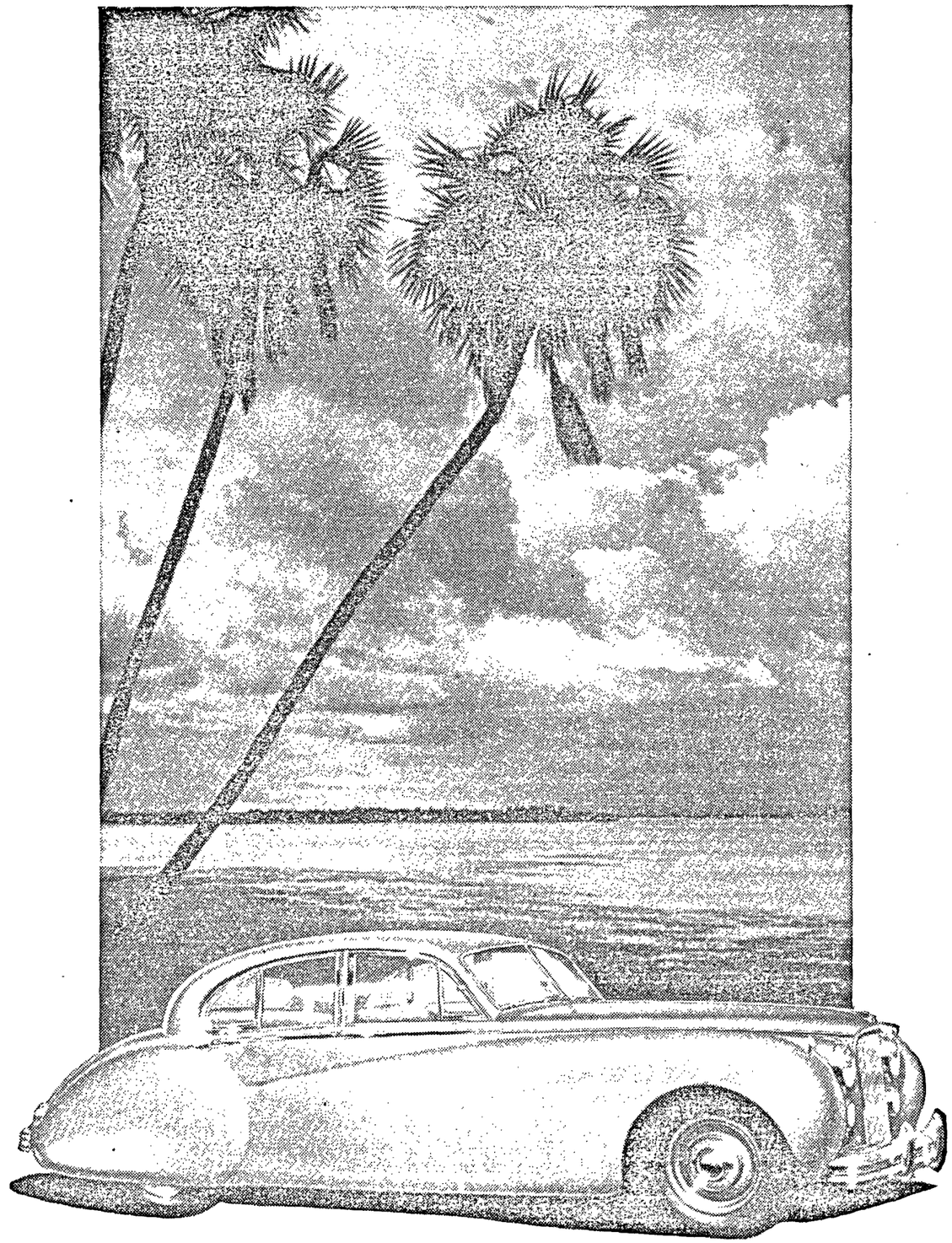
Under existing arrangements, the American employer wishing to hire Mexican nationals must present his case to his state employment agency, which considers whether there is adequate domestic labour before granting his request. Moreover, the employer guarantees to pay wages comparable to those received by domestic labour in his area, and to provide comparable working and living conditions. Immigration officials now assume responsibility for the return to Mexico of the "skips," the colloquial term for Mexicans who jump contract, hoping to remain in the United States without citizenship. The contract may run for from six weeks to six months, may be renewed for another six months and, for as many as 10 per cent of the total number of workers, may be again extended by six months with the approval of the Mexican government. Mexican labourers are assembled at recruiting stations throughout that country at such centres as Mexicali, Monterey, Chihuahua, Durango, Irapuato and Guadalajara. While most of the wetbacks come from Northern Mexico, a large proportion of the contract workers come from the central and southern regions of the country.

The Mexican migrant worker is an inflammable subject in American domestic politics as well as in relations between the two governments. Organised US labour is usually opposed to his employment on the two rather different grounds that he is exploited by his employers and that he depresses wage rates in the area. Over the last two or three years fair treatment has certainly been accorded those Mexicans who enter under contract. On the other hand there has been considerable exploitation of the wetback, but it is only fair to point out that, while he may be given low pay and poor working conditions compared with domestic labour, he still comes back for more because they compare very favourably with what he could get on the opposite bank of the Rio Grande. It is true, however, that the existence of this large body of seasonal workers does hold down domestic agricultural wages and hinders attempts to organise domestic farm workers.

At present both countries gain economically from the seasonal migration. Mexico has a large excess of agricultural labour and is well aware of the relief that this movement provides; it also brings millions of US dollars into the country. In the long run the United States will probably not need to supplement its agricultural labour force and Mexico may, through industrialisation, be able to utilise the labour of its citizens inside the country.

SHORTER NOTE

As had been expected President Eisenhower has abandoned for this session the heart of his foreign trade programme and has contented himself with a request to Congress for a one-year extension of the Reciprocal Trade Agreements Act. The official excuse that Congress has not sufficient time to consider the full measure rings somewhat hollow in view of the time that has elapsed since the Randall Commission made its report. In practice the President has been forced to abandon his position by the strong and growing protectionist elements in Congress, which oppose even the one-year extension of the Act and have introduced a bill (sponsored by Rep. Oakley Hunter) which would divest the President of even his present powers in this field.



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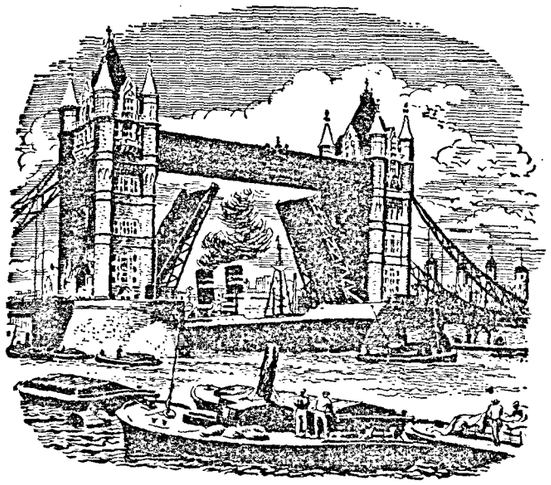

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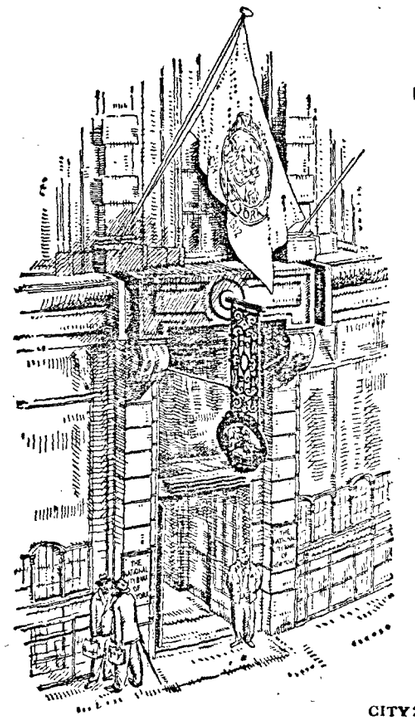

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The World Overseas

Seato and the Commonwealth

UNREASONABLE haste and false hopes are doing damage to the conception of collective security for South East Asia. When people talk of a South East Asian Treaty Organisation (Seato) as an Asian version of Nato they beg almost every question of importance that is raised by the proposal discussed some weeks ago between Mr Dulles and Mr Eden. They overlook the effect on the Commonwealth of creating a new regional organisation ; they forget the circumstances in which Nato was created and the time that it took ; they underrate the importance of the fact that there is no colour or racial problem to disrupt the relations between Nato members in the way that a Seato might be disrupted.

It is now forgotten that the highly successful integrated organisation of Nato, both for military and political purposes, was based in 1949 on the already existing organisation of Western Union. This had been created in the preceding two years by Britain, France and the Low Countries, working independently of the United States. It provided Nato with the fruits of two years of detailed planning and made possible the swift and relatively painless accession of the United States, Canada and other states to a North Atlantic Treaty Organisation Similar preparations have not been made in South East Asia, even though the British and the French on the one hand, and the Americans, Australians and New Zealanders on the other, have been in regular military and political consultation for some time. Seato has to start very nearly from scratch.

The parallel between what is proposed for South East Asia and what actually exists in Western Europe seems to have been pressed too far in recent weeks. Nato is and will probably remain unique. South East Asia, like Western Europe, consists of a number of territories adjacent to the Communist sphere ; but the parallel stops there. The distinguishing factors are three.

1. The territories of South East Asia are not all independent and few, if any, have the self-confidence needed to enter into an alliance with the United States without feeling embarrassed and behaving awkwardly.
2. Whereas the United States and Western Europe share a common culture and traditions, Asians, British and Americans do not.
3. The United States and Western Europe shared, and still share, a common overriding fear of Soviet domination. The peoples and statesmen of South East Asia do not yet believe that they should be worrying more about Communist aggression than anything else.
4. In the Nato area defence can be built around first-class land powers like France and Germany, with considerable forces on the spot. No such nucleus exists in South East Asia unless India provides it. Such a nucleus might be found in Japan ; but it has not yet been suggested that Japan should be a member of Seato.

These are difficulties that might, in time, be overcome ; but they must be recognised as obstacles to the kind of quick carpentering that some advocates of Seato have in mind. If they can be overcome, there remains the question of how the Commonwealth would be affected by the emergence of such an organisation.

At first sight Seato seems to offer much that the Commonwealth needs. British interests have long called for some international arrangement that would treat South East Asia as a whole, engage the United States in that area and, in particular, provide diplomatic and, if ever necessary, military support in Malaya. Until recently these aspirations came to nothing because the United States put Europe first, was not ready for larger commitments, and was in any case nervous of the charge of supporting colonialism. Nobody, moreover, wanted to tread on Indian toes. All that happened was the formation of the Anzus pact, which did nothing for Malaya and created (or recognised) a special relation between the United States and the Australasian dominions, from which Great Britain and the rest of the Commonwealth was excluded. The idea of a wider arrangement disappeared into a pigeon-hole until Mr Dulles's last visit to London, when it suddenly revived.

Such an arrangement would have to be constructed upon principles quite different from those upon which the Commonwealth reposes. Seato would take its place among those modern international organisations which are formal and precise, and which are run by a group of permanent committees. Further, it would be essentially a regional organisation with regional commitments. Such commitments are natural in a time of emergency, but they cut across the Commonwealth idea ; for the Commonwealth is neither formal nor compact, but informal and dispersed. Seato would be as tight as the Commonwealth is loose. Which sort of organisation is better suited to the times and so the more likely to flourish ?

Informality demands simplicity and simplicity demands a minimum of members. But the Commonwealth's members have increased and are increasing and the new members are not like the old ones. This makes for complication, and complication breeds formality and regulations. The Commonwealth now has founder members of (mostly) British race, new members of different race and associate members or budding partners of yet different race. Moreover this multiplication inevitably introduces greater possibilities of conflict. The Commonwealth has long operated

upon the unexpressed principle that its members had no serious conflicting interests and this still remains true among most of the older members such as Britain and Australia. But with other members it is different. For example, both Dr Malan and Mr Nehru say and do things which imperil the Commonwealth, although each has an interest in the security of the Indian Ocean. Dr Malan's is the more serious threat, for his policies run up against the Commonwealth's traditional self-government-to-dominion line of development. Mr Nehru's threat is less fundamental and arises out of circumstances, not out of dogma. His obsession with Asian nationalism becomes a source of conflict in the Commonwealth only when it threatens Commonwealth unity towards issues raised by the cold war.

Thus the thorniest issues of the day—communism, racism and nationalism—criss-cross within the Commonwealth. The future of the Commonwealth as at present conceived depends to no small extent on the exorcising of racism and the reconciling of European attitudes to communism with Asian views on nationalism. These problems could not be suppressed in Seato if it were created. Indeed, it would bring them into sharper prominence.

A European Saar?—I

THE van Naters plan for "Europeanising" the Saar is potentially the most valuable piece of work yet undertaken by the Council of Europe. The Council's Committee on General Affairs, whose rapporteur is Mr Van der Goes van Naters, began to draft the plan nearly two years ago when it first became obvious that a Franco-German settlement of the Saar problem was essential if there were to be a lasting rapprochement between the two nations and if the idea of European political federation were to go forward.

The Saar, a small and highly industrialised enclave wedged between Luxemburg, Germany and Lorraine, is part of the ancient Franco-German dispute over the Rhine frontier. Historically and ethnologically, Germany has the stronger claim to the area, but the Saar's most important economic ties are with Lorraine, which provides its steel works with 90-100 per cent of their iron ore. Essentially, the Saar is part of the great coal-steel triangle, embracing Belgium, Luxemburg, the Ruhr, and eastern France, which forms the basis of the European coal-steel community. It would be difficult to find a corner of the world more suited on economic grounds to some form of internationalisation. At the moment, the Saar is a member of the French customs, foreign exchange and monetary area, and its foreign relations are in practice controlled from Paris; but in all other matters it is virtually autonomous.

The crux of the problem is this. While France and Germany see eye-to-eye on the principle of "Europeanisation" for the Saar, until now neither has quite accepted the other's definition of the term. The dilemma is admirably summed up in a passage from the report that accompanies the van Naters plan. Quoting from another recent study, the report says:

> The basic reason for the failure of the plan for Europeanisation of the Saar as it was discussed (between M. Schuman and Dr Adenauer, July-October, 1952), is the fact that the very concept of Europeanisation concealed an equivocation and that, under cover of this, both sides sought to pursue essentially nationalist aims. In German eyes the Europeanisation proposed by France seemed only a device for separating the Saar definitely from Germany and a disguise for continued French economic hegemony.
>
> In French eyes, Germany seemed to accept Europeanisation only as a means: (1) to reserve the future, and, while waiting, seek to influence Saar opinion, and (2) to ensure forthwith German economic penetration in the Saar.

What the van Naters plan has done most successfully is to narrow the area of contention and to define the issues at stake, both for the negotiators and the general public. In its present form it includes first, recommendations for a European Statute of the Saar and second, a draft resolution dealing with the ban that the Saar government has imposed on the pro-German political parties. All of these recommendations carry special weight inasmuch as France and Germany have taken them as the basis for their current talks on the Saar.

National Susceptibilities

Broadly speaking, the clauses that make up the European Statute for the Saar, as proposed by the van Naters committee, fall into two categories—political and economic. Of these the political are the least open to controversy. In this sphere the main questions that confronted the constitution-makers were (1) How can the Saar be "Europeanised" politically before the European community comes into existence. (2) How is the issue of permanence to be treated. France, apprehensive lest the Germans once again upset the *status quo*, naturally seeks a guarantee that a European solution will be permanent. Germany, on the other hand, fears that to accept the solution as permanent would afford a dangerous precedent for similar dismemberment of the Oder-Neisse territories when a final peace-treaty is negotiated. Over and above these national suspicions and susceptibilities is the legal fact that the West German government cannot bind in advance a united Germany that may emerge in the future. (3) How and at what point are the Saarlanders themselves to be consulted.

To meet the first point the committee suggests that until the European Political Executive comes into being, "the interests of the Saar in external and defence questions shall be entrusted to a European Commissioner," who will be appointed by the committee of ministers of the Council of Europe (The High Authority of the coal-steel community will also be consulted) and will be responsible to it. In this connection the ministers will take decisions by a two-thirds vote, thus giving France and Germany an equal voice but no veto.

The European Commissioner is not to be a citizen of France, Germany or the Saar. He will be assisted by a deputy, also appointed by the ministers, and by a five-member advisory board made up of parliamentarians—not civil servants—from the member states of the Council of Europe. The board will include one German and one French citizen and probably also an American member.

Anxious Saarlanders have been assured that the Commissioner will have no power to intervene in their domestic affairs—all that will occur is the "transfer of the exercise of Saar external sovereignty from France to the European Commissioner." The inherent weakness of this solution is acknowledged by the Committee itself:

> Relations between the European Commissioner and the Saar government will develop . . . harmoniously . . . provided there is a will to co-operate on all sides. This in turn will hinge upon making the right choice for the post of European Commissioner; upon this the success or failure of the whole European solution will largely depend.

In order to ensure the greatest possible degree of permanence for the European Statute, the committee proposes that it be guaranteed by Britain and the United States as well as by the French and West German governments. The first three nations should also undertake to support this solution as final during negotiations for a peace treaty, and all four guarantor states should ratify the Statute. As the draughtsmen point out, they have devised the best written formula within their power, but the firmest guarantee "will be provided by the establishment of the European political community; in other words, the continuing political will of France and Germany to work together."

On the question of consulting the Saar itself, the committee makes this proposal. The Statute, together with any necessary amendments to the Saar constitution should be submitted to a free referendum, but only when the clauses have first been agreed by France and Germany and also by an international conference. The voting members of this conference will be the six nations who plan to create a European community, the Saar, the United Kingdom and the United States, and the High Authority of the coal-steel community. Most people expect that the Saarlanders themselves would return an overwhelming "yes" to the offer of Europeanisation; but even so, the committee felt that the Saarlanders should be allowed to vote on an issue that directly concerns their own future.

(To be concluded)

Uganda Outlook

FROM A SPECIAL CORRESPONDENT IN KAMPALA

THE authorities in Uganda are beginning to indulge very cautious hopes that the Baganda are having second thoughts about electing a new Kabaka. Though nobody quite sees how it can come about, there are some indications that the Baganda are tired of the deadlock, and are finding that the romance of "the king over the water" is beginning to pall.

The stature of Mr Kavuma, the Katikkiro, who is both Prime Minister and one of the three regents, has risen considerably in the last few months, since, without in any way departing from his loyalty to his Kabaka, he has ignored threats of assassination and steadily continued the task of administering Buganda. During the Queen's visit he frankly told Her Majesty in his speech of welcome that the Baganda were grieved that they could not welcome her with their Kabaka as they would have wished; and this, which produced some raised eyebrows among the distinguished assemblage of Europeans, showed that the Katikkiro is no man of straw: but he is no revolutionary either. In the vernacular press a significant campaign is being carried on against those who, it is alleged, wish to consider the possibility of electing a new Kabaka.

But it is difficult to see how any such move could gather strength enough to carry the Lukiko so long as the Kabaka stands firm on his rights in England, and the High Court case, which turns on the right of the administration to act in the Kabaka's name in the election or nomination of members to the Lukiko, is still undecided. It will come before the High Court this summer, and in logic it is bound to go to the Privy Council. For if the administration lost, it would have to appeal, and the Baganda leaders have intimated that they also will appeal, and this would, in fact, keep the Kabaka issue alive for another year or more. It will, however, probably cost the Buganda taxpayer £20,000, and some profess to think this may lose the Kabaka appreciable goodwill.

It cannot be said, however, that the way is yet clear even to make a start with Sir Keith Hancock's mission. Of the original ten members selected from a list of some forty or more runners up, balloted for by the Lukiko, the Governor, Sir Andrew Cohen, disallowed two—Dr Ralph Bunche, who is an American citizen and can know little of the issues, and Dr Kalibala, who is a Muganda, but has for long lived in the United States and is not noted for his qualities of conciliation and practical political sense. The Governor suggested, but did not order, that these two should be replaced by two Saza (divisional or county) chiefs; whereupon three of the original team—the three who had visited London to urge the Kabaka's return—resigned, thus leaving a gap of five in the original committee.

The Governor's Difficulties

The question now turns on whether five reserves from the Lukiko list shall be moved into the negotiating team, or whether, after receiving Sir Keith's highly conciliatory letter, the three who resigned will return to the team, leaving only two to be moved up—for it seems unlikely that the Governor's suggestions will be approved. The one idea of both Sir Andrew and Mr Lyttelton is to get the discussions started; and that, of course, is enough to make the politicians on the other side see endless reasons for suspicion and prevarication. But there certainly is a Baganda element which sees such manœuvres as positively damaging to the tribe.

Unfortunately, the administration seems at the moment to have little of the initiative. It is playing a waiting game, hoping that reason will prevail. Perhaps it will—and perhaps the local press will overreach itself. But in general Africans respond best to a lead, and rightly or wrongly, they look to the Governor for that. Sir Andrew's position is therefore a difficult one, and is not made any easier by the assertions of, for example, members of the unofficial community that over the whole affair, he and his staff have done "the right thing in the wrongest possible way." But few of these critics make it clear what *they* would have done when the Kabaka showed beyond doubt that he intended a head-on clash with not only the Governor but the Colonial Office and the British Parliament. Sir Andrew certainly did more to try to keep the Kabaka on the throne than any African will ever admit, or than most other observers in the Protectorate would consider desirable.

Meanwhile, the position in Buganda is difficult. The story that the Kabaka will come back is assiduously spread. This frightens those who might like to find a replacement. Threats and intimidation are the normal stock-in-trade of African politics and are being freely used to make everyone toe the Kabaka line. In effect this means that the Baganda intend to force their views on Britain. Any suggestion that this is unrealistic is scouted—and ends in references to the Sudan, the Gold Coast, India, *et al.* But the damage done by the endless uncertainty is considerable, and the only gainers from it are the extremists. Yet even they are not a strong group, and their only real weapons are the injured

pride of the Baganda (which should not be underestimated), a scurrilous press campaign, and a certain amount of guidance from abroad. If the sensible men on both sides could get together, the problems might not prove as difficult as is often feared.

One thing, however, should be stated. Whatever may emerge from the Hancock mission, it would be premature to assume that it will be a blueprint for a "constitutional monarchy" such as is supposed to be its real purpose in left circles in Britain. There is little sign that such a development is yet desired by the mass of the Baganda. This fact will make the integration of Buganda in a unitary or federal Uganda state no easy task; and that is why the Hancock mission is so important and can be so creative.

Insoluble Trieste

FROM OUR ROME CORRESPONDENT

As seen from here, the Trieste problem still looks a long way from being solved. In spite of the patient efforts of the British and Americans during the past few months, none of the information which has so far leaked out about their proposals sounds very promising. These represent the first stage of a long drawn out attempt at mediation between Italy and Jugoslavia, by establishing in private negotiation, first with one side and then with the other, the minimum terms on which they could conceivably agree to a settlement. So far the emphasis has been put on the Jugoslav position, and it is expected that, under Anglo-American auspices, the outcome of the discussions will be submitted to Rome as a basis for further negotiation.

The supposed outline of the present proposals, to be submitted possibly early next month, is basically a partition, Zone A to Italy, and Zone B to Jugoslavia. It is reported, however, that Marshal Tito is prepared to abandon his earlier claim for an outlet to the sea in Zone A together with a corridor linking it to Jugoslavia; on the other hand, he is now asking for a rectification of the zonal frontier in his favour, in such a way as to weaken the defence ring of hills round the port. Even more important he wants a new port to be constructed in Zone B at Capodistria with American help. There would also be provision for the protection of the Slovene majority in Zone A.

The Italian attitude, however, is clear. Italy missed the boat in 1948-9, when Marshal Tito was weak and isolated and when the Allies underwrote Italy's claim to the whole of the Free Territory; and therefore reluctantly accepted the offer of October 8th last—that is Zone A. But the Italian Parliament added a rider, which amounted to a face saving gesture, that Italy's claim to the return of Zone B still stood. Although since then, nationalist excitement over Trieste has subsided, no government, least of all a relatively weak one like the Scelba administration, could survive a solution less favourable than October 8th, even if it were presented as a provisional one; a final solution would have to be much more attractive.

This in fact is the officially stated position of the Italian government; it would accordingly reject the latest terms out of hand. The impasse is particularly regrettable since the Palazzo Chigi has been pursuing a line of studied moderation, which has been reflected in the official press, and since even the nationalist Right is anxious not to make trouble. The Italian restraint is all the more remarkable since it exposes the government to a flanking attack from the Communists, posing as extreme chauvinists, and since the Jugoslavs are still preventing inhabitants of Zone B from crossing the frontier to Trieste where many of them are employed except as refugees.

Moreover, it is widely believed that time is not working in favour of the Italians. In spite of the attempt in the interwar years to make up for the loss of Atlantic traffic by the creation of new industries in Trieste there is an obvious clash between nationalist feeling and economic interest. The Italian government tries to counter this pull by making heavy contributions to the Zone's finances—over £3 million to balance the city's budget. But Zone A is really kept afloat by Allied subsidies and the presence of the Allied garrison. Business men moreover are not obliged to submit to the delays imposed by Roman bureaucracy, and although the Italians have promised huge new investments once the city is handed back to them the feeling in favour of independence is growing.

But the original solution—the creation of a united Free Territory—is now out of the question. Marshal Tito has for all practical purposes annexed Zone B. Italy for its part must have at least the town and port of Trieste. Yet the new port at Capodistria, if approved, would mean the end of the traffic through Trieste. The only way out might be for the new port to be kept within reasonable limits and for its construction to be staggered over a number of years so as to give Italy time to digest the absorption of Zone A. There would also have to be guarantees by the Jugoslavs not to hamper traffic between Central Europe and Trieste. Unfortunately, the chances of agreement even on such a compromise are slight.

Myth of Cheap Japanese Labour

FROM OUR TOKYO CORRESPONDENT

ALL indications point to a bitter and violent labour showdown in Japan, which will involve unemployment and legislative attacks on the Labour Standards Law, imposed during the vanished Occupation. Slick references to "rationalisation," "modernisation" and "streamlining" mean in the long run, of course, fewer hands and lighter payrolls for industry if not for the individual. Because of obsolescent equipment, over-employment and inefficient methods, the myth of Japanese "cheap labour" is an unfortunate one for the West to cherish.

The per-caput wage rate, while considerably lower than the western rate, is not the entire pay-off; a better test is labour productivity and labour cost per unit of output, and judged by this Japan does not come out so well. The real cost of labour in Japan is now substantially higher than it was before the war, because—as employers angrily and increasingly complain—of the post-defeat rise in welfare payments, shorter working hours, overtime, compensation and similar democratic refinements. The difficulties of such basic industries as coal-mining and electric power, eloquently explain Japan's economic plight.

Labour productivity in Japanese coal-mining today is only 56 per cent of the prewar average. The Japanese miner's wage is only one-tenth the American miner's and one-third the British miner's wage. But Japan's man-per-month output of coal (according to the Labour Ministry's most recent figures) was about 10 tons, compared with 111 tons and 27

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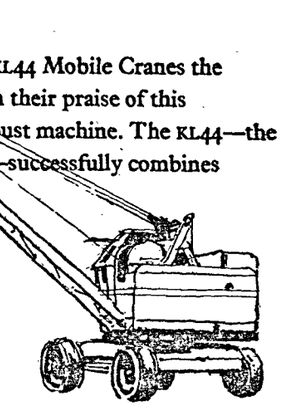

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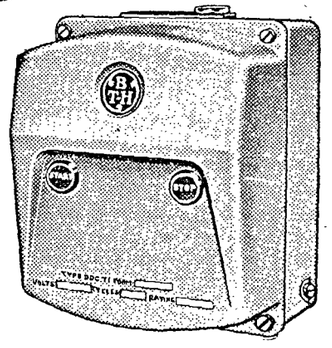

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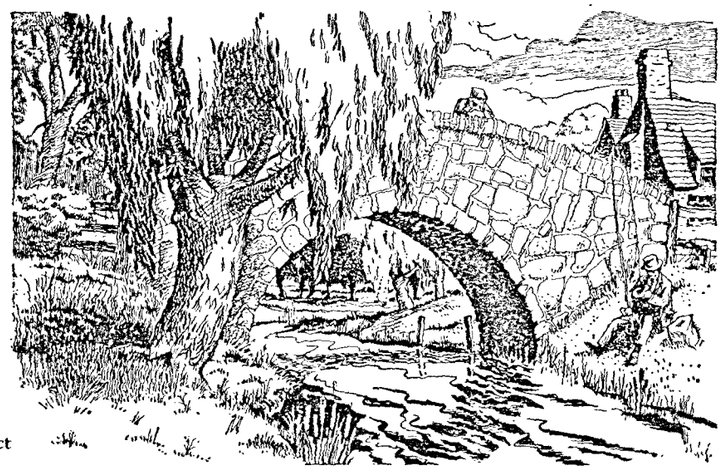

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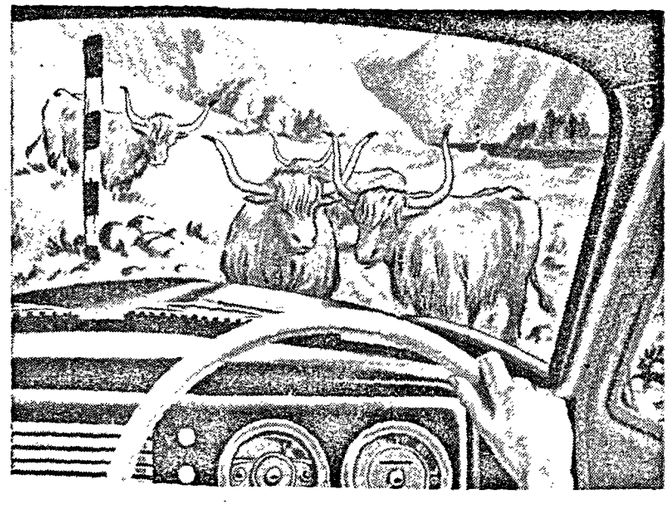

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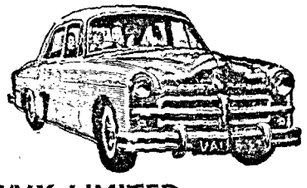

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tons for the United States and Britain, respectively. In the field of electric power, Japan's labour force averages 15 men per 1,000 kw. of generated power, or about four times the manpower needed for American electric power production. This means that Japanese power output per head is less than one-fourth the American figure ; thus, despite the far higher American individual pay-level, the labour cost for each kilowatt is only 1.14 yen in the United States and 1.18 yen in Japan.

Man-hour requirements for smelting one ton of pig iron in Japan are double British and seven times American requirements. In steel ingot production, the man-month output (1952) was more than 14 tons in the United States, seven tons in Britain and less than four tons in Japan. Low textile wages compensate for relative inefficiency (compared with the United States) in productivity. Average man-hour production of cotton piece goods for Japan's "Big Ten" cotton mills—again, according to the Labour Ministry—was 7.3 lb (in 21 gauge yarn), contrasted with 15.3 lb in the United States and 5.2 lb. in Britain. The labour cost per pound in Japan was, therefore, only 1.8 cents, in the United States 8.6 cents, in Britain 7.5 cents.

The problem of obsolescent equipment in Japan is considerable. In its last report to the World Bank, the Ministry of International Trade and Industry asserted that the percentage of plant facilities which had been in operation for more than 20 years was as follows:

	Percentage of obsolescent equipment	Percentage of this still in active operation
Caustic soda	60	33
Portland cement	80	80
Machine tools	35	24
Thermal electric power...	80	20
Hydro-electric power....	80	41
Open hearth steel.....	36	31

Ambitious rationalisation programmes are under way in the iron and steel, coal-mining and electric power industries, but they are now being re-examined in the light of the so-called "austerity" budget, which is based on a theoretical cut of up to seven per cent in costs, and it appears certain that progress will be slowed up as government aid contracts.

The showdown with the unions cannot indefinitely be postponed or evaded. The employers are demanding a freezing of wages and abandonment of the western "luxuries" granted to workers under the Occupation Labour Standards Law. In the coal-mining industry, for instance, the owners protest that mine staffs are uneconomically swollen because the daily working hours have been shortened from 10 to 8½ ; that because minors and women can no longer work underground, the ratio of underground to surface workers has altered "undesirably" from the prewar proportion of 7-to-3 to 6-to-4 ; and that overtime, compensation and annual leave provisions are "unrealistic."

As one Japanese coal-owner said in Osaka: "We Japanese cannot afford these labour generosities and indulgences which your wealthy and highly mechanised western industry so easily supports and encourages. After all, Japan lost the war and the people must expect some hardships as the price of defeat. That is only reasonable—and truly democratic." Other industries claim in the same way that the generosities of the Labour Standards Law have imposed the following reduction in working time per month per worker: Cement, 30 per cent ; paper, 40 per cent ; ammonium sulphate, 20 per cent ; rubber, 20 per cent. This is the chief reason, they contend, why the output per man-month remains so often below the prewar level.

The evidence suggests that the strangely quiescent Communist Party is awaiting the inevitable clash over these standards. If—rather, when—they are lowered, the West may have real cause to brood over Japanese cheap labour.

Money on the Wing

NO section of economic analysis is more shoddily served with statistics than the international flow of private capital. The United Nations Department of Economic Affairs has done a service by bringing together statistics covering the flow of capital from Britain, the United States, Canada, the Netherlands, Switzerland, and Belgium in the period 1946-52. Even though the basic statistics are sketchy and often conjectural, some interesting conclusions emerge. But in arriving at the total for one important component of the flow of private capital, namely the reinvestment abroad of profits made by foreign-owned business enterprises, the UN experts had to resort to pure guesswork.

A few clear trends stand out. The relative smallness of the postwar flow of private capital, averaging $1.5 billion a year, compares unfavourably with that of the 1920s. Another interesting tendency is the relative growth of the United States as a creditor on private account, compared with the decline of Britain and other European countries. This trend might, indeed, have gone further had it not been for American foreign economic assistance. In Europe, only Switzerland has sustained a creditor position.

Most of the foreign capital has been absorbed by the relatively developed regions of the world, such as Australia,

TREND OF OUTWARD CAPITAL MOVEMENTS, 1946–1952

Country	Unit	1946	1947	1948	1949	1950	1951	1952
USA.....	Million dollars	362	1,197	1,329	1,232	1,562	1,715	1,849
Britain...	Million pounds	—111	332	183	254	134	311	155
Switzerland	Million Swiss francs	—	55	50	54	212	50	247
France...	Billion French francs	—	0·2	0·4	52	69	96	106
Belgium..	Billion Belgian francs	—11·2	—10·8	—4·5	—0·8	5·0	1·4	2·1

(Minus sign indicates inward capital movement.)

South Africa, and parts of Latin America, and hardly any went to the really underdeveloped regions of Africa and South East Asia. It also appears that overseas territories continued to get most of their private capital requirements from their parent metropolitan countries, even though many of these former creditor countries found it increasingly hard to finance their foreign investment.

A high proportion of private funds leaving Britain and America went into petroleum investments in the Middle East and Latin America; but mining also continued to absorb a large amount. Manufacturing industries, according to the UN report, are now drawing a greater share of private international capital ; but most of it is directed to the developed countries such as Australia and very little to manufacturing in the true underdeveloped areas. Public

utilities, in the past a favourite object of private investment, are now almost neglected, mainly because of the policies of governments in the overseas countries.

A marked change has appeared in the type of foreign investment encountered in the capital markets since the war. Nowadays one of the biggest elements in foreign investment is the reinvestment abroad of undistributed profits of foreign branches. Both the floating of foreign government bonds and the issue of shares and debentures of foreign business enterprises on capital markets abroad have declined ; but the authors of the report believe that there is scope for reviving sales of foreign government bonds overseas. With the return of some of London's prewar glory as a capital market their optimism may well be justified.

Journal of Geneva—V

MAY 20th. A day of private meetings at the highest level.

May 21st. The fourth restricted session on Indo-China. Mr Molotov proposed that the conference should consider the following five points for an armistice in each of the three Associated States: (*a*) a cease-fire ; (*b*) grouping of forces on each side into certain zones ; (*c*) measures to prevent reinforcement after a cease-fire ; (*d*) methods to control these arrangements ; (*e*) the form of international guarantee for any settlement reached.

It was reported that the meeting was largely taken up with an inconclusive discussion of the French and Viet Minh armistice proposals. The Viet Minh continued to refuse to accept the French contention that Viet Minh forces must be withdrawn altogether from Laos and Cambodia, and that only in Vietnam should there be a regrouping of regular units on each side under international supervision.

May 22nd. A plenary session on Korea was held. Mr Chou En-lai said that a United Nations commission to observe elections in Korea could not be accepted because the UN was a belligerent ; he proposed instead a neutral nations commission composed of countries that did not take part in the Korean war.

General Nam Il, Foreign Minister of North Korea (whose proposals for Korea were summarised in *The Economist* of May 1st, page 386), maintained that the all-Korean national assembly would be elected on the basis of proportional representation, but he implied that the all-Korean commission set up to prepare and carry through the elections would not ; it would be appointed by the two existing legislative assemblies and would also include "representatives of the largest democratic social organisations" ; he denied that this meant only Communist organisations.

Mr Pyun, the South Korean Foreign Minister, put forward a 14-point unification plan which can be summarised as follows:

(*a*) Free elections under United Nations supervision in both North and South Korea within six months of the adoption of this proposal.

(*b*) Complete freedom of speech and movement for all candidates and their assistants and families, as well as for all UN personnel supervising the elections.

(*c*) The elections to be by secret ballot on the basis of universal adult suffrage.

(*d*) Representation in the new legislature to be in direct proportion to the population of the whole of Korea in accordance with a census to be taken under UN supervision.

(*e*) The all-Korea legislature to be convened in Seoul immediately after the elections.

(*f*) The new legislature is to decide the following questions: (*a*) whether the President of united Korea is to be newly elected or not ; (*b*) whether any amendments should be made to the existing constitution of South Korea, which shall otherwise remain effective ; (*c*) the disbandment of military units.

(*g*) The Chinese Communist troops are to complete their withdrawal from Korea one month before the election date.

(*h*) The phased withdrawal of UN troops may be begun before the elections, but must not be completed before effective control over the whole of Korea is achieved by the United Government of Korea and certified by the United Nations.

(*i*) The integrity and independence of a united Korea is to be guaranteed by the United Nations.

May 23rd. A day of informal contacts.

May 24th. The fifth restricted session on Indo-China. It was understood that M. Bidault proposed that two other points, covering the disarming of irregular forces and the immediate liberation of prisoners, should be added to the five points put forward by Mr Molotov on May 21st. Mr Molotov proposed that the conference should concern itself with the political aspects of a settlement. This was opposed by the western delegates, who stuck to their view that a cease-fire should be discussed first.

At a press conference, Mr Pyun, the South Korean Foreign Minister, strongly opposed the Communist proposal that the Korean elections should be supervised by a neutral commission ; he recalled the way in which the Czech and Polish delegates on the neutral armistice commission had used their veto. He also maintained that elections in the north could not be free unless the Chinese troops were withdrawn.

May 25th. The sixth restricted session on Indo-China. It is understood that Mr Eden put forward "package proposals" to be accepted *in toto*. It is believed that the first proposal was for cease-fire discussions and that if one was agreed in any of the three Associated States, it should be put into force whether or not a cease-fire was also agreed in the other states. The other proposals included a regrouping of troops on either side, the transfer of troops from one area to another and the disarmament of irregular forces.

May 26th. A day of private contacts during which it was learned that on the previous day Mr Pham Van Dong, the Viet Minh Foreign Minister, had put forward some important proposals. According to a Tass statement these suggest a form of partition for Vietnam, and appear to imply that the Communists are willing to consider separate treatment for Laos and Cambodia. They included:—

(1) A complete and simultaneous cease-fire throughout the whole of Indo-China, to be preceded by a complete cessation of reinforcements and deliveries into Indo-China.

(2) A withdrawal of the regular forces into zones ; the basic principles for these would be decided by the conference, and the technical details would be studied on the spot in each of the three states.

(3) In defining the areas to be occupied by each side, account should be taken of their size, population and economic and strategic value ; they should be economically and politically viable and should enjoy full sovereignty, including their own territorial waters.

(4) Mixed commissions of representatives of both sides would supervise the armistice arrangements under the general supervision of a neutral nations commission.

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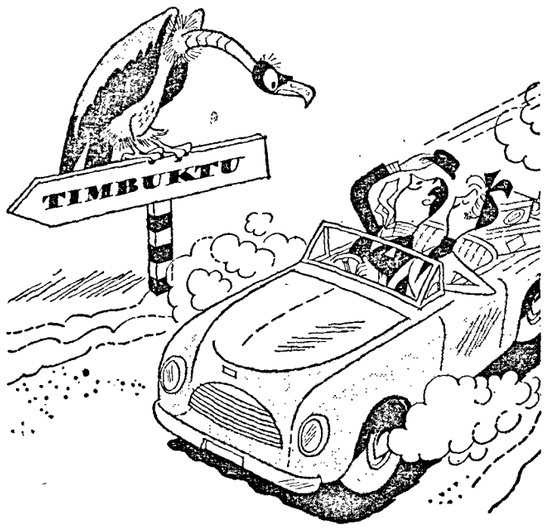

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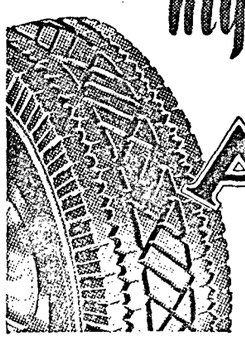

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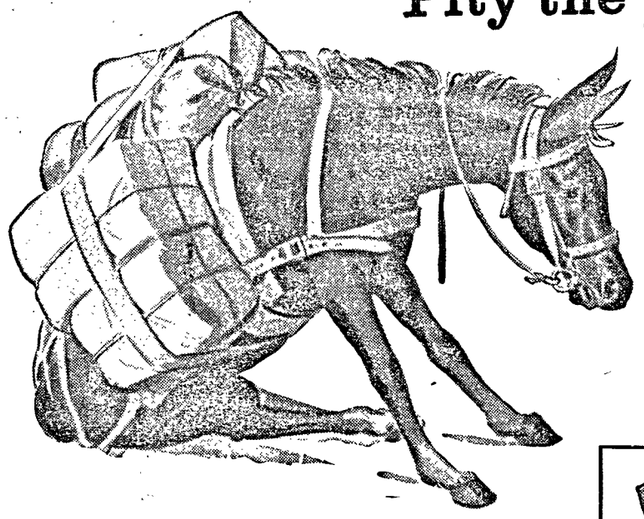

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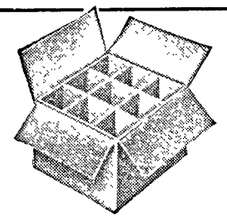

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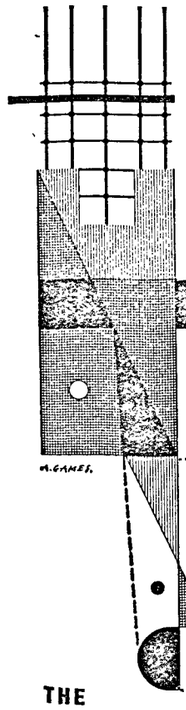

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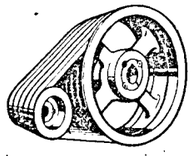

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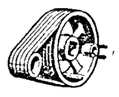

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THE BUSINESS WORLD

Tougher Going in Oil

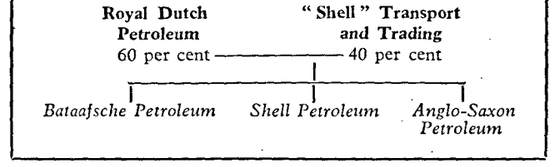
WHEN the oil industry records, as it had to record last year, that market conditions were becoming increasingly competitive, it speaks in a relative kind of way. "Trading conditions," said the Anglo-Iranian report last week, "have been far from easy." The admirable "Survey of Activities" of the Royal Dutch-Shell group of companies strikes much the same note:

> Increased supplies of oil products as compared with the growth in demand inevitably resulted in the year being one of increasing competition. The supply-demand relationship of all products in 1953 was more nearly balanced than at any time since the end of the war.

Neither group was guilty of the oilman's blackest sin, which is failure to advance; indeed Anglo-Iranian increased its sales of crude oil and refined products from something above 32 million tons to nearly 37 million tons. But this was a rebound from the setback inflicted by the troubles in Iran and something of a special case; and it had its reaction on the Royal Dutch-Shell group's sales which, no longer boosted by exceptional supplies to meet the loss of Iranian oil, showed last year a relatively modest expansion overall, and an actual fall in the offtake of Venezuelan crude which persisted until the last quarter of the year.

This is a distinct change compared with the striding 10 per cent advances that the industry made for so many years after the war. That was an abnormal period of catching up with demand. Does last year's rate of increase of 5 per cent or so set a more normal pace? And if so is there any likelihood of a certain letting-up in the rate of exploration and development of crude oil and its products before another five years have passed? The world certainly has an abundance of oil; and Sir Frederick Godber, in his statement to the members of "Shell" Transport and Trading, makes two statements that have not been heard from the industry for the best part of twenty years. There is, he declares, now in the world an excess of potential production and refinery capacity; and last year both were in excess of immediate needs, causing available supplies to exceed demand. But throughout the world, oil companies were engaged last year in capital expenditures that must have involved more than £1,000 million, and making all allowance for the urge to expansion that is its engaging characteristic, the industry is not so lost in dreamy figures that it contemplates sums of this order in a spirit of gaiety. Indeed,

The Royal Dutch-Shell Group consists of three main parent operating companies; their operations and investments in other companies provide practically the whole income of the two parent holding companies, which participate 3 : 2. Common policy is secured by identical managing directors for the three parent operating companies.



it has the healthy instinct of wanting a prompt and satisfactory return on the money it spends. Towards last year's new oil investment, Anglo-Iranian's contribution approached £75 million, and the Royal Dutch-Shell group's totalled £220 million.

Here, indeed, is the problem of bigness—and keeping big. Royal Dutch-Shell, despite the adverse changes that it had to marry with favourable factors last year, achieved the towering total of £1,700.7 million of group sales—£5 million a day apart from small change. It spent on operating costs, purchases of oil and royalties nearly a billion pounds, collected excise

duties for governments across the world at a rate of a million a day, and set aside nearly £150 million for depreciation and depletion. Its balance of profit, at this stage of the account, shows a mere fall of £7 million to £226.9 million, and it may be significant that taxes on profits have fallen by more than twice that sum to £83.1 million; a world-wide group can hardly be blamed for lightening its tax burdens if it can. In the end, the group's net income amounts to £130.4 million, against £125.6 million in 1952.

It is a large sum; but a lot has to be done with it. Last year's capital expenditure was £220 million, of which £148 million was found from depreciation and other capital write-offs; another £7 million had to be found for investments. Thus about £80 million had to come from last year's retained profits to carry the group's capital programme; and while a good deal of the balance of profit fed a healthy improvement in the group's cash holding, these resources "are by no means too liberal" for meeting accumulated tax

£mn	Royal Dutch-Shell Group		Anglo-Iranian	
	1952	1953	1952	1953
Total Sales	1,616·6	1,700·7	..	..
Operating Costs	943·9	977·2	..	..
Sales taxes	302·6	348·1	..	..
Depreciation, depletion, etc.	136·3	148·5	14·2	20·1
Balance of profit	233·8	226·9	47·1	43·8
Taxes on profits	99·4	83·1	19·9	19·3
Net Income	125·6	130·4	25·2	24·4
	"Shell" Transport £1 ordinary 5⅞, and rights to one in five scrip issue. Yield on 15 per cent tax free dividend, £4 13s. per cent.		Anglo-Iranian £1 ordinary at £12 10s. yield £3 8s. on 42½ per cent dividend.	

liabilities and future capital commitments. On this latter point, Sir Frederick Godber's observations deserve study:

> Heavy capital expenditure is inescapable if we are to maintain our business in strength and progress. The weight of capital requirements in the international oil business is now such that these have, in the conventional sense, outgrown the money markets of the world and in the main can only be met by the generation and retention of funds out of earnings. . . . Capital expenditures on the last three years have amounted in total to £572 million and in the coming years at any rate they will continue to be of these dimensions.

It is at this very point that the threat of increasing competition in the oil industry, and of a further rise in costs, makes its impact. So far as United Kingdom companies are concerned, they have to carry in addition the disadvantage of enjoying no tax allowances for depletion, such as American and Canadian companies are granted.

It has never been the oil industry's habit to take merely a twelve-month view. Oilfields take longer to prove and refineries to build. But one of its major investment operations has caught up with current demand. This is the building of new tanker fleets—not yet finished, for there are giants still on the stocks. The tanker freight market last year was in a state of depression, and there has been little recovery. Sir Frederick's conclusion is that the prospect in the tanker freight market for the remainder of this year does not encourage

PRODUCTION OF CRUDE OIL AND NATURAL GASOLINE
Millions of barrels*

	World		Royal Dutch-Shell Group production	
	1952	1953	*1952*	1953
North America				
USA	*2,513·4*	2,601·9	*120·4*	129·9
Canada	*62·3*	82·0	*0·1*	0·5
Mexico	*78·4*	73·1	...	...
Total	*2,654·1*	2,757·0	*120·5*	130·4
South America				
Venezuela	*662·1*	646·3	*203·2*	186·8
Colombia	*39·5*	40·3	*14·3*	15·8
Argentina	*24·8*	27·9	*3·2*	3·2
Trinidad	*21·5*	22·6	*5·3*	5·4
Total	*770·7*	760·1	*226·0*	211·2
Europe				
Austria	*21·1*	21·1	*0·5*	0·4
Western Germany	*12·5*	15·6	*0·7*	0·9
The Netherlands	*5·0*	5·7	*2·5*	2·9
Total	*43·3*	47·6	*3·7*	4·2
Middle East and Africa				
Kuwait	*273·4*	314·6	...	...
Saudi Arabia	*301·9*	308·3	...	...
Iraq	*141·1*	210·2	*32·6*	49·0
Qatar	*25·3*	31·1	*6·0*	7·1
Egypt	*16·5*	16·6	*12·6*	12·7
Bahrein	*11·0*	11·0	...	...
Iran	*7·8*	9·9	...	...
Total	*778·2*	903·2	*51·2*	69·1
Asia				
Indonesia	*62·6*	75·2	*33·6*	36·9
British Borneo	*38·3*	36·8	*38·3*	36·8
Total	*110·7*	123·0	*72·6*	74·4
Total	**4,357·0**	**4,590·9**	**474·0**	**489·3**
USSR and Eastern Europe	*382·5*	429·9	...	...
Received under long-term contracts	...	...	*124·9*	127·5
Grand Total	**4,739·5**	**5,020·8**	**598·9**	**616·8**

* A barrel equals 35 Imperial or 42 US gallons. According to the specific gravity of the crude oil, one metric ton varies from 6·5 to 7·5 barrels.

optimism, and that stability can only come from a revision of ideas about the economic life of old tankers, which became unduly long when freights were unduly high. More drastic scrapping must be the answer.

On closer analysis, it is evident that the extreme lowness of freight rates lay at the bottom of the industry's difficulties last year. Last summer, world prices of crude oil increased, and the increases, after a brief testing period, "stuck." But the actual level of prices of

petroleum products in many markets has been falling—in fuel oils particularly; evidently the freight component in costs has fallen to a greater extent than the rise in costs of crude oil production and processing. On the short-term outlook, there seems no reason to expect a radical improvement; the major groups known to the British investor are fighting for markets in a more determined way than at any time since the thirties. Russian oil—in small quantities—is coming back into Western markets, at a moment when the balance of supply and demand is very nicely adjusted. In the gasoline market, there is the worldwide battle of the additives and the cutting of lower-grade petrol prices in this country. High duties on gasoline and diesel fuel are distorting the relative demand for the two products in a manner that is inconvenient to an industry that has been concentrating great effort on the production of high-grade gasoline; the encouragement that the excise gives to the use of diesel power has upset the expected balance of refinery production in this country to such an extent that a considerable import of the "middle distillates" is required to meet the demand, at a sizeable cost in dollars.

But the thrust and expansion continues, and oil would not be oil if it did not. Anglo-Iranian is completing refineries at Aden and Kwinana in Western Australia; Shell is building one jointly with Burmah Oil at Bombay and has completed (that is never quite the word for a refinery) the first stage at Geelong, near Melbourne. Petroleum chemicals are a major industry in their own right; the Royal Dutch-Shell group is extending its new chemicals plant at Pernis in Holland to add insecticides to its present production of solvents and "Epikote" resins. New distillation units, cat. crackers, lubricating oil plants (Anglo-Iranian has one now coming into production at its Kent refinery), sulphur recovery plants, synthetic detergents plants—each of these would appear to be a major project in itself were it not for the fact that the horizons of the oil industry are so vast that such plants are lost in its universal bigness.

The oil investor has counted on growth from Shell, and on the resolving of Anglo-Iranian's troubles in Iran. Does the emergence of tougher conditions in oil change these views? It ought to make the Iranians more realistic and the consortium more determined in the negotiations for the resumption of operations in Iran. These are temporarily suspended so that the negotiators for the consortium can consult their principals, probably in London next week; both sides have so far been unbending, but on the present prospect for the oil industry the consortium certainly has the better reason. Discussions on compensation to Anglo-Iranian are also temporarily suspended, though there is no reason to suppose that the company's case has been ineffectively put, or brushed aside. There is the foundation for agreement on both matters, given good sense on both sides and a skilful playing of the consortium's strong hand. Therein lies the eventual justification, as many investors will hope, for paying up to £12 10s. for Anglo-Iranian.

As for "Shell" Transport and Trading, growth was disappointed by last year's merely maintained dividend, but appeased by the proposed one-in-five scrip issue on which—in the market's solid view—the existing rate of dividend should be maintained in a year's time. On that calculation the prospective return of over 5½ per cent does not overrate the attractions of the shares. But it might be dangerous to expect too much too quickly. For the longer-term investor, "Shell" chooses itself; but the shorter-term operator should keep in mind the warnings of the chairman's statement, with its emphasis on keener markets and astronomic capital requirements.

Putting Copper on its Feet

THE stage of transition from public to private trading in copper came to an end this week, when the Government broker, who has supplied prompt metal to the London market since it reopened last August, withdrew. To what extent has the market succeeded in fulfilling its traditional functions during this inevitably difficult period, and what are the prospects ahead? Has it provided:

(*a*) a source of supply for consumers and an outlet for producers;
(*b*) a representative price established in free dealings;
(*c*) a hedge against forward commitments or against stocks?

To the first question the answer is Yes. In all the metals in which the London Metal Exchange deals, a buyer is always able to buy and a seller to sell. But this answer needs qualification. Consumers have not obtained on the market the grade of copper—electrolytic or high conductivity fire refined wirebars—tenderable against the contract price. Producers and their selling agents have preferred instead to exercise their option to tender the lower grades, paying the appropriate discounts on the contract price. Hence a consumer who required the best material—for example electrolytic wirebars—had to arrange a swap with a producer's agent, and pay a small premium for what he wanted. If a swap could not be obtained, his broker could purchase from the Government broker, who also charged a premium.

Hence the short answer to the second question is that the standard price does not represent the actual price of electrolytic or high conductivity fire refined wirebars to consumers. Electrolytic cathodes are the material nearest to the contract price; the official discount for cathodes is £3 a ton, but sellers have been able to obtain the full contract price outside the market. The London

price is the best indicator of the trend of world copper prices. But the fact that electrolytic copper, which accounts for the bulk of demand, cannot be bought at the standard price is one of the main criticisms of the market among British consumers.

A revision of the copper contract to meet this and other criticisms is now being considered by the Metal Exchange committee. Widely different opinions about the possible solutions to this particular problem are held in the trade, and some dealers and merchants doubt whether any solution is yet possible. They argue, with some force, that as long as electrolytic copper is scarce, producers will continue to reserve it for the customers with whom they have direct long-term contracts. In any futures market, the grades tendered are those least in demand. In fairness, too much should not be made of this weakness of the contract. The system does work; premiums for the wanted grades hold steady; and consumers know the true price.

A more fundamental criticism is that in copper, as in most post-war markets, the basis is narrow and therefore highly sensitive to marginal changes in supply or demand. In the three years 1936 to 1938 the turnover in copper on the London market amounted to an average of nearly 550,000 tons a year. Consumption of copper in Britain was then running at about 270,000 tons a year and world consumption at about 2 million tons a year. In the nine months since the market reopened, turnover has been running at a rate of 225,000 tons a year—half the prewar level—although consumption of copper in Britain has risen by one-fifth, and in the world as a whole by one-third.

The narrowness of the market is the result partly of changes that look permanent and partly of factors that should prove temporary. The United States has changed from a net exporter of copper into a net importer, so that much less American copper now flows to London. The long years of control and of inflation—copper is six times its prewar price—have eroded the resources of the market and particularly those of the smaller firms. It has also thinned the ranks of speculators, who are in any case officially discouraged from "excessive" dealing. Hence dealings tend to be concentrated among a handful of big firms, and the market lacks the breadth that the smaller dealers and the speculators helped to impart to it before the war.

Of temporary significance is the fact that the market reopened when a sharp fall in copper prices was widely anticipated. Consumers bought from hand-to-mouth and consumption was falling in this country, in America and elsewhere. The Government broker was standing behind the market so that consumers had no urgent need to brush up rusty techniques of forward covering. The filling of pipelines to private industry has also taken longer than was expected and kept supplies light. Moreover, producers now sell more of their output direct to consumers than before the war, though they do so at the market price, and consumers hold relatively smaller stocks than before the war. Whether these two tendencies will diminish in time is problematical. After years of control consumers become accustomed to working on small stocks, with their supplies allocated direct from government; they are not eager, and some may be unable, to hold prewar stocks at postwar prices.

Another reason for the modest turnover is that the new contract is not sufficiently attractive to consumers. It was necessarily an experiment, and the Metal Exchange was understandably anxious to attract metal to the market. It now finds itself charged with showing undue consideration to producers. Apart from the option to deliver one of several grades (the need for which is admitted), the seller also has the option of delivering ex-ship London, ex-quay Liverpool, or from a United Kingdom smelter or an approved warehouse. The uncertainty of the delivery point discourages buyers, and as producers wish to avoid, whenever possible, the cost of storage, this contributes to the shortage of warehouse warrants—the paper chips—that are the real basis of a free market. In the last nine months the market's official stocks have averaged less than 2,000 tons a week. The inconvertibility of sterling has perhaps been exaggerated as a restrictive influence on the market, for sterling is already convertible through the market in the sense that dollar metal can be bought for sterling by non-residents. Exchange control restrictions in Continental countries are more to blame. But full convertibility ought to encourage non-dollar sources of copper to offer more metal in London.

It would be optimistic to expect that turnover on the London market will soon approach, let alone exceed, the prewar volume; but some increase is almost certain, particularly if forward copper again commands a premium. The market has not provided a satisfactory selling hedge for holders of stocks because three months' metal has until recently been at the large discount of £10 a ton. The holder of an excess stock could only justify hedging if he believed that prices would fall sharply, and even then it would be an expensive form of cover. But to the manufacturer who sold his goods forward without first obtaining his raw material, the hedge was satisfactory. The purchase of forward copper at £230 against a sale of copper products based on a cash price of £240 left a prospective profit which outweighed the cost of exchanging the tendered metal for the exact grade required. British manufacturers seem to have been strangely reluctant to make full use of the forward contract, and their policy of buying hand-to-mouth at the spot price has helped to perpetuate the discount on forward copper. German industrialists, on the other hand, appear to have taken full advantage of the discount.

In recent weeks the discount has narrowed to about £3 a ton, reflecting greater confidence in the prospect for copper prices—and an increased willingness to buy forward—and the easing of spot supplies. In copper, as in the other metals, if forward prices were to command a premium, most of the market's problems should be solved. Hedge sellers and buyers could both cover against the risk of fluctuations in price; and provided that the premium offset the cost of storage and finance, it would assist merchants to hold adequate stocks. There is, however, a limit to a market's ability to hold stock, and at present prices this limit is likely to be lower than before the war.

Despite its problems, the verdict on this transitional period in copper trading is that the Metal Exchange has been largely successful in re-establishing itself, as it has with the other metals—tin, lead and zinc. It could not hope to have become in ten brief months as effective as before the war; but it is a workable market, and the only international market. It could be more active and more broadly based if producers and consumers strove to make it so. Such a market would best serve the real interests of both sides of the industry. And the Bank of England, which has done so much to promote the commodity markets, might perhaps reflect whether it is now possible to go one stage further and allow the much maligned but economically valuable speculator to show if he can again play his part.

Business Notes

Investors Think Again

GILT-EDGED markets have moved downwards though with several interruptions; there were, as always, good reasons: trouble in the Far East, and the unresolved tangle at Geneva. The difference is that when the glittering prize of a reduction in Bank rate was still dangled before investors, they were able to take troubles in their stride. Now they are more inclined to turn and look nervously back. Country investors who still have profits on gilt-edged bought before the Bank rate reduction sell. Institutional investors who still have ample funds to invest are not so eager that they cannot wait a few days.

Another significant change has developed in the fortnight since the Bank rate change—a distinct crowding of investment buying into the medium and fairly long-dated gilt-edged stocks at the expense of the dateless stocks. It has been on the dateless stocks, Consols 2½ per cent, War Loan 3½ per cent and "Daltons" that the falls have been proportionately heavy. Among the medium dates there has been little decline. This suggests that the big institutions, who make the running in the gilt-edged market, have taken the first steps towards putting up their guard. By no means does it imply that the "bull market" on the Stock Exchange is necessarily over, but it does suggest that some investors—probably some of the more influential—have begun to ponder that very question.

Stock	Net Prices			Percentage Rise or Fall on Week
	May 19	May 21	May 26	
Undated:				
Consols 2½%	67 1/16	66 25/32	65 7/8	−1·77
War 3½%	87 27/32	87 11/16	87 1/32	−0·93
Daltons 2½%	66 25/32	66 1/4	65 23/32	−1·59
Medium and Long Dated:				
Gas 3% 90/95	87 17/32	87 11/16	87 13/32	−0·14
Transport 3% 78/88	87 3/32	87 3/16	87 1/32	−0·07
Electric 3% 74/77	90 7/16	90 31/32	90 13/32	+0·17
Savings 3% 65/75	90 19/32	90 3/4	90 15/32	−0·14
Savings 3% 55/65	98 11/32	98 1/2	98 17/32	+0·19

Edith Comes Out

"EDITH," the Estate Duties Investment Trust, has had a large number of callers in its year as a débutante in the capital market. Edith was formed, under the auspices of the Industrial and Commercial Finance Corporation and with the backing of insurance companies and investment trusts, to take an interest in private companies when continuity of ownership and management was threatened by the swing of the death duties axe. In the year to March 31st, it received 135 applications and did business with 22 of them; about ten of these cases came through ICFC. It

The behaviour of the industrial share market has been more decisive than that of the gilt-edged section. There was a distinct pause, and some setbacks followed by quick recoveries. Investors have as yet shown no inclination to "sell in May and go away." Shares still react favourably and sharply to good figures as the spate of scrip issues in the past week has shown. Gradually during the first half of this week the *Financial Times* index of fixed interest securities lost a little ground, but it recovered on Thursday to reach 114.89 compared with the recent peak of 115.09 on Friday of last week. Thursday's recovery brought the index of industrial equities to 151.7, a new peak and a net rise of 1.3 in the week.

called up £500,000 of its authorised share capital of £1 million and invested £386,837 in unquoted securities and £42,942 in quoted stocks. Since the end of the financial year it has done business in another five cases, called up another £250,000 of its capital, and has brought its investment portfolio up to £558,925 with commitments to invest £233,172 more. The investments cover a diversity of trades, with the emphasis on textile and engineering concerns. Moreover, Edith has placed another £302,000 of its customers' shares with its own shareholders, taking itself only a part of the shares offered. In all, it has handled about £1 million—a spritely beginning for a company described by its chairman, Lord Piercy, as a "modest girl."

Edith is modest in a different sense; by its very nature it is interested only in minority shareholdings. Its limit is a 50 per cent holding in a customer's equity and it will consider holdings as small as 10 per cent. The average holding is about 20 per cent. Usually it has not invested more than about £65,000 in any one company and on one occasion it invested only £9,000. Where it has been asked to invest more than £65,000—once it dealt with a £200,000 offer—it has passed shares on to the institutions which are its own shareholders. These institutions have been more willing to invest in the unquoted securities of private companies because they know that Edith can keep a friendly, watchful eye on the business.

Although Edith has taken up a few participating preference shares, it has usually used the device of the non-voting preferred ordinary share, assuring itself of a reasonable yield on its investment while leaving control of the family business undisturbed; these shares are convertible into straightforward equities if the company seeks a stock exchange quotation. Most of the investments taken up by Edith have been in companies arranging to meet future death duty liabilities and not where the duty has already been assessed. But, as yet, Edith has not been able to arrange an investment in a "controlled" company, coming under the provisions of Section 55 of the 1940 Finance Act. Once, however, the present Finance Bill is passed it may be able to make such an investment, for its valuation of shares will be recognised as the estate duty value under the proposed amendment that the value to be applied can be that arrived at in a sale between a willing buyer and seller within three years of the death of the "controlling" shareholder. Thus, the concessions on death duties may add to, rather than subtract from, Edith's business.

Omo Detergens

No group of products has been more aggressively advertised since the war than the household washing powders, soap and synthetic detergents. Branded margarine may challenge them this summer in column-inches and in what advertising agents call "above the line" appropriations. But "below the line"—that is, in the realm of coupons and free packets and two packets for the price of one—the washing powders seem likely to remain unrivalled. In launching its latest detergent, "Omo," throughout the nation, Unilever proposes to begin by giving a free packet to every household in the country—which means about 15 million packets, and at retail prices might cost over a million pounds.

Omo is blue—though washing, one may be sure, as white as white—and may perhaps fairly be called a reply to the blue detergent powder Daz, made by Thomas Hedley Ltd., of Newcastle. This subsidiary of the Cincinnati firm Proctor and Gamble numbers Tide and Oxydol among its products; it is recorded as having spent about £1,150,000 on press advertising alone last year, and in the last quarter its household washing products accounted for some 45 per cent of all expenditure on the press advertising of such goods. Hedley's is generally credited with the largest share of the synthetic detergent field, and believed to outpace Unilever in this field as its parent company has outpaced Lever Brothers in the United States. It is a private company; but this year, for the first time, it made public its annual statement of accounts which reveals the rewards of this commercial prowess.

The statement showed an operating profit of £2,438,000 for the year ended June 30, 1953, which may be compared with figures of £385,000 for 1951-52 and of £1,704,000 for 1950-51. The sharply reduced figure for 1951-52 was partly due to abnormally high costs of raw materials; but it resulted mainly from "a deliberate decision to spend heavily on the company's development"—from which some benefits were reaped in 1952-53. The balance sheet does indeed suggest that Hedley's has been spending substantially on new plant; but the "development" mentioned above may include the very heavy costs of initial sales promotion to launch its new products on a mass market. One unexpected change of generalship in the detergent war occurred late last week: Mr Robert Craig Wood, managing director of Hedley's, who commanded it in its successful campaigns against Unilever, left the company, having declined the offer of "an equivalent post" in the parent company in Cincinnati.

Raw Cotton Agreement?

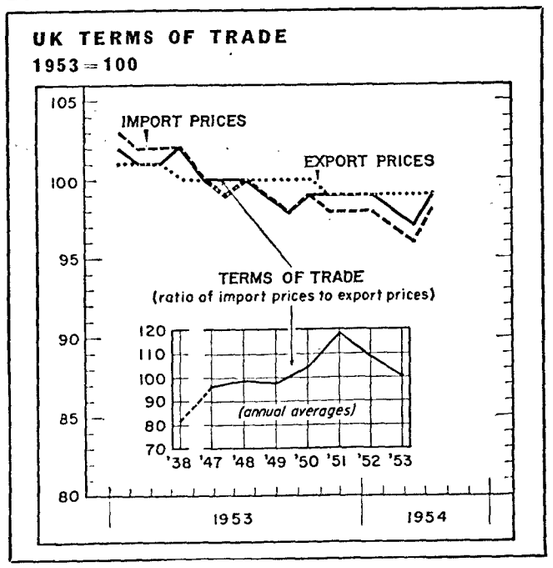
The International Cotton Advisory Committee will again take up the thorny subject of an international marketing agreement for raw cotton when it meets in Sao Paulo on June 7th. Last November, after examining the standing committee's report on various schemes, the ICAC decided that this was not the time to consider negotiating an agreement. But it appointed three independent experts to suggest what type of agreement would be technically the most practicable. It is understood that the expert's report, which will be before the meeting, favours a quota-cum-buffer stock scheme. Such an agreement would evidently become effective only when conditions of surplus or scarcity had moved prices outside an agreed range. When a surplus arose, exporting countries would be guaranteed a share of the available market; and when cotton became scarce, importing countries would be guaranteed a share of available supplies. The technical problems of this or any other type of agreement are formidable, partly because cotton is produced in many grades and qualities. But even if those problems could be solved, it remains doubtful whether an agreement would be in the best interests of producers and

cotton textile manufacturers. Stability can be bought at too high a price.

Raw cotton is in direct competition with other fibres. Under an agreement, prices would tend to be less responsive to this competition, and consumption might suffer. Restriction of production, which would be necessary if the buffer stocks were not to grow to alarming size, would tend to have the same effect—by discouraging the development of more efficient sources of supply—just as it can be argued that the American support operations have already diminished the competitive power of cotton. When the market price of United States cotton falls to the support level the surplus is absorbed into the government buffer stock. This checks the fall not only in prices of US cotton, but also of outside growths and long-staple cotton too. Admittedly the existence of this stock checks the rise in price when demand increases. The acreage controls placed on the 1954 cotton crop in America will restrict output in the new low-cost cotton growing states such as California, as well as in the high-cost states. It may therefore be just as well that a number of countries are opposed to a cotton agreement at present. The United States, for example, is hoping to expand, not restrict, its exports. Britain, having just returned to a free market in raw cotton, does not favour interference with that market. And the European cotton textile industries announced their opposition to an agreement at their conference at Buxton last week.

Money Rates Settling Down

Bill rates in Lombard Street now seem to be settling down at around the new level established immediately after the reduction of Bank rate, when the market's tender basis for Treasury bills was adjusted from a little under 2⅛ per cent to 1$\frac{23}{32}$ per cent. Ten days ago the market was developing a softer undertone, but the threatened weakening of rates did not materialise. At last week's Treasury bill offering the discount houses tendered at the same price as before and "outside" institutions—some of whom had previously paid more than was necessary—evidently came into line or abstained from tendering, with the result that the average rate of discount for the whole allotment rose slightly, from £1 14s. 1.75d. to £1 14s. 3.24d. per cent.



This steadying of the rate was directly attributable to a tightening of short loan supplies in the preceding few days, partly in consequence of the needs of "outside" lenders to find the funds to pay for the substantial volume of bills allotted to them on May 14th. On one occasion, as noted here last week, the pressure forced discount houses to seek marginal supplies for the balancing of their daily book by borrowing from the Bank of England at the "penal" terms—3 per cent for a week. Whether the authorities would have deliberately contrived this stringency if circumstances had not played into their hands cannot be surely guessed; but the steadying effects upon market rates must have been welcomed.

In this past week, the tender rate in New York for American Treasury bills has dropped further, to only 0.718 per cent—almost exactly 1 per cent below the London rate and its lowest point since July, 1947. Moreover, the cost of selling dollars forward in order to cover the exchange risk on a switch of funds to London has fallen further, so that the scope for arbitrage has widened. In the circumcumstances, it is perhaps significant that credit conditions in the short loan market in London have remained difficult, although not so difficult as to drive the discount market into the Bank again. Meanwhile, the renewed flurry of buying pressure on sterling—caused by a brief revival of rumours about the sterling rate—has subsided. The middle sterling-dollar rate, which had again come within a "turn" of the limit of $2.82, has slipped back to 2.81\frac{13}{16}$.

Coryton Refinery Completed

The Queen Mother sailed down the Thames on Thursday to open the Vacuum Oil Company's new refinery at Coryton, the fourth major refinery to be completed in this country since the war. Vacuum's flying horse has been fretting under starter's orders since branded petrols came back on to the British market fifteen months ago. Until the refinery was completed and the catalytic cracking unit came on stream, Vacuum has been importing high octane motor spirit for blending into premium petrols in order to keep the new trade-mark in the public eye. With the ending of these expedients, the flying horse takes his proper place beside the other fauna, flora and crustacea of the oil industry.

Although it has cost £15 million to build, and took three and a half years in the building, Coryton is only a medium-sized refinery; its capacity is roughly a million tons of crude oil a year, compared with the 6 million ton throughput of a giant like the Esso Petroleum Company's refinery at Fawley, the biggest in Europe. This is, perhaps, because it was originally planned as a refinery for producing lubricating oils. The Vacuum Oil Company has always specialised in lubricants, and indeed sold nothing else in this country until Coryton began to come on stream.

The company is of mixed Anglo-American parentage. It was originally the British subsidiary of the American Socony-Vacuum company; in 1950 this company went into partnership with Powell Duffryn Ltd., which already owned an oil storage business on the Coryton site, and the refinery project there was put in hand. Its main purpose was to provide a non-dollar source of lubricating feed-stock with proportionately less emphasis on other oil products. Only later was it decided to add a catalytic cracking unit to the refinery and go into the production and marketing of high octane premium petrols. There is plenty of room for expansion if Vacuum fights its way successfully into the national petrol market. But expansion will involve a lot of money. Since 1948 the capital investment in the company has risen from £2 million to £22 million—a good proportion contributed from Powell Duffryn's compensation for the coal-mines it used to own.

Chess Masters at EPU

DISCUSSIONS have begun in Paris this week on the terms for funding and repaying Britain's EPU debts to the creditor countries concerned. These are bilateral negotiations conducted simultaneously with Germany, the Netherlands, Switzerland and Belgium. The British negotiators are giving an exhibition recalling that of a chess master playing simultaneous games from board to board. There is here the difference, however, that although the games are bilateral, some attempt has to be made to mould the results into a similar pattern. The discussions concern one half of the £180 million overdraft that Britain had outstanding with EPU when agreement was reached in Paris to withdraw long outstanding credits and debits from the Union and settle them by direct arrangements between creditors and debtors. Of the £90 million to be funded, by far the greater part—over £40 million—is due to Germany. Britain has already agreed to make a downpayment in gold equal to one quarter of the amount to be funded, i.e., £22½ million. The balance of £67½ million will be repayable over a period of not less than three and not more than seven years. Discussions are still proceeding to fix the precise term of the repayment period. Another point at issue is whether or not any interest payment should be made on this funded debt. The British spokesmen asked for a waiver of interest on the ground that the greater part of this money is owing to Germany and that Germany has been excused all interest payment on the inter-governmental postwar debt owing to Britain, in accordance with the 1953 external debt settlement. This argument does not, however, apply to the amount owing by Britain to the other creditors; for this reason, it may be that a modest concession will have to be made.

Ships or Dividends

IT was almost a foregone conclusion that sooner or later the shareholders of Peninsular and Oriental Steam Navigation Company would ask for more and find themselves at variance with their chairman. Sir William Crawford Currie and his fellow directors run a dividend policy which commands the respect, but not necessarily the assent, of its victims. He believes that the historical cost type of depreciation is nonsense, and that any system which does not replace ship with ship, taking up the inflation of costs in its stride, has not done its work. At the same time, as he made clear at the meeting last Wednesday, his faith in the ultimate future of shipping is undimmed. Therefore he continues to build ships notwithstanding the present high costs and modest prospective earnings. He builds them largely with the shareholders' highly taxed funds, and the amount which the deferred shareholders receive, even with last year's 22 per cent dividend, is a small fraction of the Group's earnings.

But at Wednesday's meeting the dissenting shareholders showed that they, too, could produce strong arguments. The opposition claimed that the net assets of the group had been raised by this ultra-conservative policy to over £200 million (say £25 per deferred stock unit standing in the market at 76s. 3d.) and that shareholders were getting only a return of around 1 per cent on the true capital employed. Fortunately a serious breach was avoided through the chairman's wise gesture in agreeing to receive the dissentient shareholders, including, it is expected, Sir Harold Gillett, the accountant, though not as an official deputation.

Whether such a meeting can bridge the gap between Sir William's conservative principles and shareholders' more liberal hopes is an open question. But it can be argued that even now P and O's cautious chairman is not wholly true to his own tenets. He strives to set aside each year out of taxed and untaxed money enough to maintain the replacement value of the fleets. Since the war he has never quite succeeded; last year even if he had paid no deferred dividend he would not, on his own showing, have ploughed back enough. Yet he paid 22 per cent. Nil is the figure which on his own strictest logic he should have paid.

Implementing Monopoly Reports

THE Minister of Supply's statement in Parliament last week that if the Cable Makers' Association and the Covered Conductors' Association will promise to alter some of their trading practices by the end of this year "it will not be necessary to make an order under Section 10 of the Monopolies Act" suggests that discussions with the industry over nearly two years have so far been fruitless. This power to make orders prohibiting practices held to be restrictive has only been used once—in respect of dental goods—since the Monopolies Commission was set up. Naturally, it has been a potent weapon in reserve for any minister seeking to persuade an industry to abandon such practices voluntarily; but so far its power has generally been used in private.

The Monopolies Commission signed a report in April, 1952, declaring that conditions of monopoly existed in the supply of insulated electric wires and cables, and it was published in July of that year. The Ministry then opened discussions with the industry about the Commission's recommendations that a number of collective trading arrangements, including the fixing of common prices for cables and conductors, the division of the market by percentage quotas, and exclusive dealing arrangements with wholesalers and other buyers, should be brought to an end. The Ministry is now seeking "voluntary" acceptance of these recommendations, with two exceptions; one that might require the publication of prices negotiated with the British Electricity Authority, and a second concerning prices charged for telephone cable to buyers other than the General Post Office. So far, the two trade associations concerned have made no public statement.

There is one other industry with which the Government is now discussing action on a Monopolies Commission report—calico printing. The master calico printers expressed their attachment to their present price and quota system during the inquiry, and their bitter opposition to the Commission's criticism of these when its report was published. One of the trades unions concerned, which frigidly informed the Commission, through the medium of the TUC, that they had no evidence to give, has now echoed the employers. At its annual council meeting a fortnight ago, Mr Ernest Gardner, the union's president, criticised the recommendations that the pricing system should be ended; and he declared "We have no intention of quietly going back to the days of cut-throat competition." Mr. W. L. Heywood, general secretary of the union, later explained that this was the considered view of the union. He may have done so with some slight embarrassment. For Mr Heywood is himself a member of the Monopolies Commission, though he did not sign the report on calico printing.

"Pru" Down the Middle

THE insurance companies can be forgiven for a certain sensitivity to attacks on their investment policies. One band of critics argues that they do not provide as much risk capital for British industry as they could; another attacks them on the ground that their shareholdings give the insurance companies an undesirable measure of influence over the policy of industry. Last week, Mr E. J. W. Borrajo, the deputy chairman of the Prudential Assurance Company, devoted part of his address to answering these self-cancelling attacks.

After adding about £8 million last year to its holdings, the "Pru" has an equity portfolio of about £83 million, with an equity interest in nearly 1,100 British companies. But the average shareholding is less than 2½ per cent of the market capitalisation of each company. The average holding in the giants of industry, though it represents a large cash investment, is even smaller. In only 14 companies has the "Pru" an equity holding of more than 25 per cent and eight of these are investment and finance companies, which themselves have widely spread portfolios. Only two companies are controlled by the "Pru"; the first is the wholly owned subsidiary, Prudential Nominees Ltd., and the other is North Central Wagon and Finance Company, Ltd., in which the "Pru" has a 57.7 per cent interest, suggesting an interesting relationship between insurance money and hire purchase finance. The figures themselves answer the critics. Mr Borrajo could have added that the insurance companies are the most passive of shareholders, exercising their votes only in extremity to protect the class rights of the shares they hold.

Does the opposite criticism bear examination? Mr Borrajo thinks not; he points out:

> Our company is at all times ready and willing to play its part in providing finance for undertakings which are expanding on sound and progressive lines. Such investments properly selected are in the interests of our policyholders and at the same time advantageous to the national economy. It has been our experience that there have not been sufficient investments of this character available to absorb the funds at our disposal and this may well be an indication that too little is being done towards the re-equipment and modernisation of British industry.

As Stock Exchange people well know and as the statements made at the general meetings of the Sun Insurance Office and Provincial Insurance Company confirm, the funds for investment are still flowing strongly into the insurance offices, and out again into the security markets. Most of the offices would share Mr Borrajo's pleasure if there were an increase in the supply of high-class equities; it is certainly not their fault that their existing scale of buying is draining the market dry.

Argentinians to Think Again?

THE official communique issued at the end of the London discussions between British and Argentine ministers was more revealing in its omissions than in its content. Between its lines it was easy to see that the "educative" purposes of these talks were not wholly achieved. The main intent had been to explain to the Argentine ministers "the change to multilateral policies which the United Kingdom had made in the past few years." The explanations were fully given, and it is stated that there was "full appreciation on both sides." But how little the real implications of the lesson went home can be deduced from the statement that British exports to Argentina "should be assured of a continuing market on equal terms with those of other countries, in so far as Argentine sterling earnings permit." Argentina's continued hankering after bilateralism, and failure to comprehend the precepts of multilateralism, could not be more clearly implied. The Argentine ministers can, however, now be in no doubt about the setting in which they must frame their 1954-55 programme of exports to the United Kingdom. Their meat, cereals, linseed oil and other traditional produce will find a ready market here provided they are of the right quality and the right price—provided, in other words, they can be sold in free markets in which the buyers will be swayed by no considerations, economic or political, extraneous to the bargain on hand.

Both sides expressed the desire "to raise trade to the highest level possible and to frame any future agreement on this basis." The details of that agreement will be considered in the near future, when the Argentine officials who accompanied the two ministers return from the visit to Germany on which they embarked after leaving London. The mood in which they return may depend on the response they have received in Bonn to the bilateral invitations they will certainly have made to German ministers and officials. The communique issued after the London talks made no reference to the payments arrangements that will apply to

Argentine-sterling trade after June 30th. Argentina is now in the list of transferable account countries, but it has the special privilege that any sterling it may accumulate over and above £20 million is convertible into gold or dollars. There is no reason why that privilege should be continued. Argentina's sterling balances are in any case well below this ceiling. The talks in London also included discussions on the possibility of the resumption of financial remittances from Argentina. The fact that no comment on these discussions is made in the communiqué suggests that the strong representations that must have been made by the British representatives have so far fallen on deaf ears.

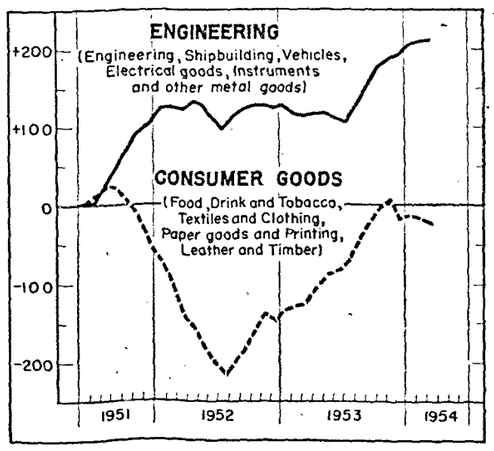
New Peaks in Cocoa

THIS month the price of cocoa has bounded to fresh peaks with what must seem to manufacturers a painful and monotonous regularity. The latest peak in London has not been held, but the present price of about 535s. a cwt for Accra cocoa for nearby shipment is still 50s. higher than at the beginning of the month. July futures are 57s. higher at about 532s. a cwt, and December futures are 45s. higher at about 467s. Prices have almost doubled since the season began on October 1st. The earlier advance in prices has clearly failed to discount the world shortage of cocoa. The period of acute shortage has now arrived. The marketing boards in British West Africa, the source of about one-third of the world's cocoa, sold their last supplies from the 1953/54 main crops this month, and only about 10,000 tons of the mid crops will be available until supplies from the 1954/54 main crops begin to arrive in London in December. The first estimates of the new West African crop will not be known until September, and after their experience this season, private dealers are understandably reluctant to sell these crops forward. The intermediate crop in Brazil, the second largest producing country, should be well above average at about 1.2 million bags (of 60 kilos), but this may provide little, if any, check to prices. The prospects for this crop have been known for some time, and the bulk of it is already sold forward.

World production in the 1953/54 crop year is estimated by Gill and Duffus to have fallen by 60,000 tons to 720,000 tons, whereas world consumption of cocoa beans in 1953 is estimated at the record figure of some 810,000 tons. Although some savings have been made, particularly in America, by increasing the use of substitutes and economising in chocolate coatings, world consumption is still high, and stocks have been reduced to minimum levels. Failing a substantial increase in the main West African and Brazilian crops, consumption will have to be checked by higher prices of cocoa products. Prices of products are still well below replacement costs of raw cocoa, and the use of substitutes, at least in the short term, is limited. The price at which supply and demand will be equated is conjectural, but it may prove to be somewhat less than 500s. a cwt. Although an increase in plantings in British West Africa cannot relieve the existing shortage, it is to be hoped that the governments will pay the farmers more for their crops next season. This would at least help to expand future production, and might help to moderate the search for substitutes. There is now a clear danger that the prospective long-term growth in world demand may be halted.

CHANGES IN EMPLOYMENT in GREAT BRITAIN

INCREASES OR DECREASES SINCE JUNE 1951 [THOUSANDS]



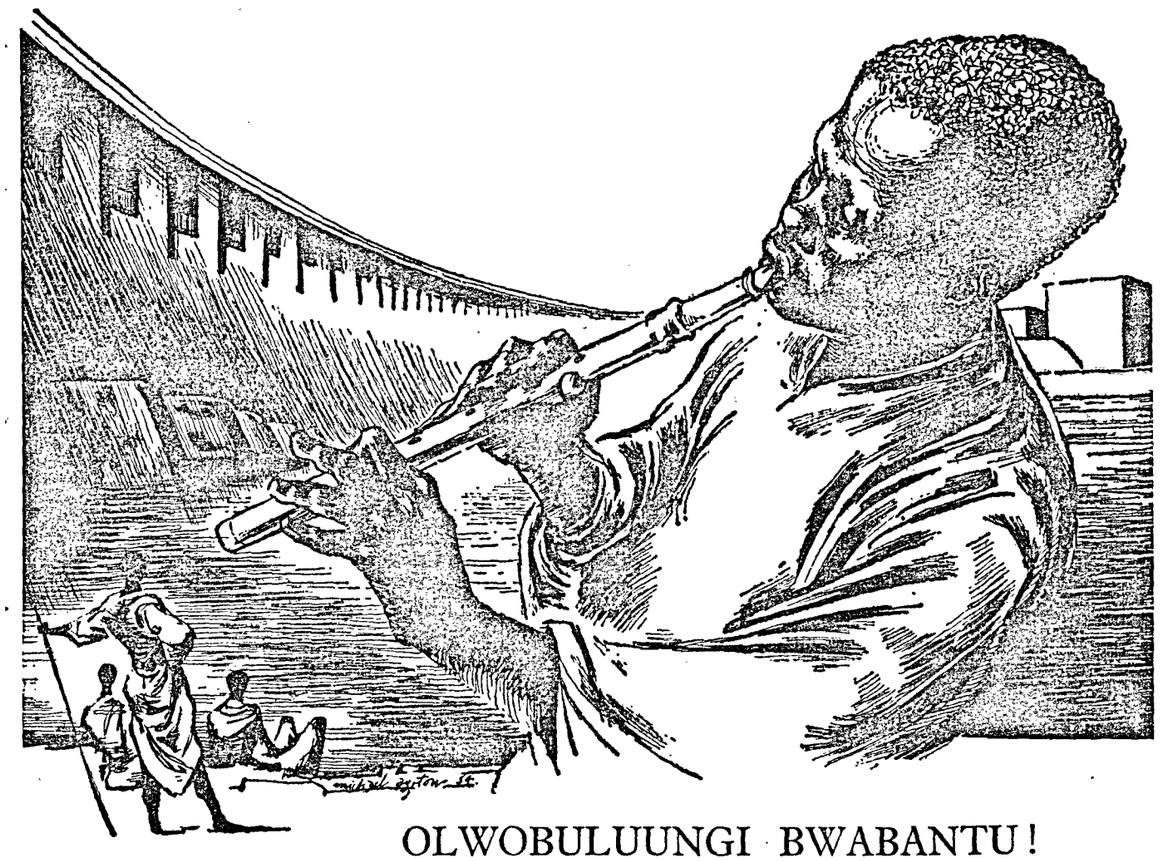
Butyl Rubber from Fawley?

THIS week the Esso Petroleum Company was still unwilling to confirm a report that it intends to make butyl synthetic rubber at its Fawley refinery ; such a project, it said coyly, was "a serious possibility," but no decision had yet been taken. Esso, the American parent group, might produce this general-purpose synthetic rubber at Fawley, in France, or in Germany ; it has just opened a new refinery at Hamburg. Fawley is certainly the most significant source of butylene in this country for this synthetic rubber, but there are other profitable uses for this petroleum gas, including aviation spirit.

There are, moreover, politics in the decision. The rubber industry would be glad to have a British source of general-purpose synthetic rubber, as well as the more specialised types that are to be produced by ICI, Monsanto, and Dunlop, but the Colonial Office, looking to the interests of the natural rubber producers, is strongly opposed. Elsewhere in Europe, particularly in France, there is no such division of government interests ; indeed, the group might secure specific government assistance for production of butyl rubber there.

Hudson's Bay and Oil

THE Governor and Company of Adventurers of England Trading into Hudson's Bay may be the oldest English company, but it is growing alongside the Canadian economy, which is vigorous and young. Therefore, it shows a youth-



OLWOBULUUNGI BWABANTU!

FOR OVER FOUR YEARS Mukasa has watched the great dam being built at Owen Falls, to make more electricity for Uganda.

Mukasa has seen much good come from electric power.

In this new hydro-electric scheme he sees a brighter future for his people. "Electricity," says Mukasa, is *olwobuluungi bwabantu*—"for the benefit of Man".

Her Majesty the Queen, homeward bound on her world tour, recently opened the Owen Falls dam. The six 16,770-kVA waterwheel alternators, which make the electricity, are being supplied by one of the nine famous British companies that together make up A.E.I.

A.E.I. (Associated Electrical Industries) make everything electrical from a turbine to a torch bulb.

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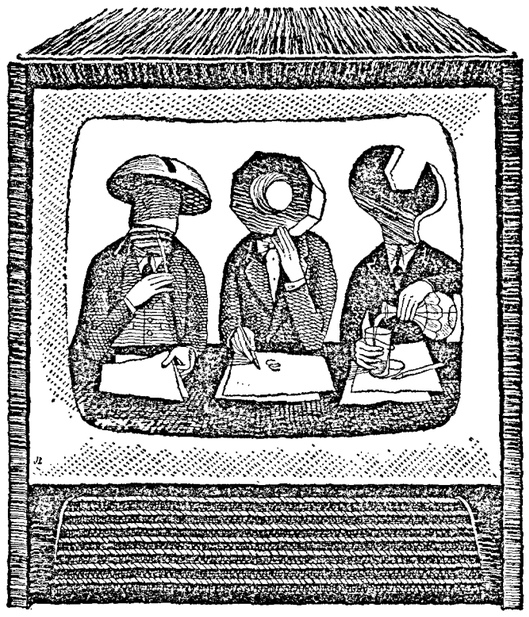
Sunvic Controls Ltd.



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CATHODE RAY TUBES in many of the latest television receivers are made with walls of steel. Very special steel. To this steel the glass screen on which the TV picture appears can actually be joined in perfect fusion.

And the advantages of these steel-welded tubes? They are easier to produce and therefore cheaper. They are stronger, safer to use, lighter in weight and easier to handle. All thanks to steel.

Many special steels have been developed in recent years. Steel is now not only the toughest and cheapest of metals; continuous research has made it one of the most versatile.

In six years since 1947 production of alloy and high speed steels has risen from 623,000 tons to 1,066,000 tons; an increase of over 70%.

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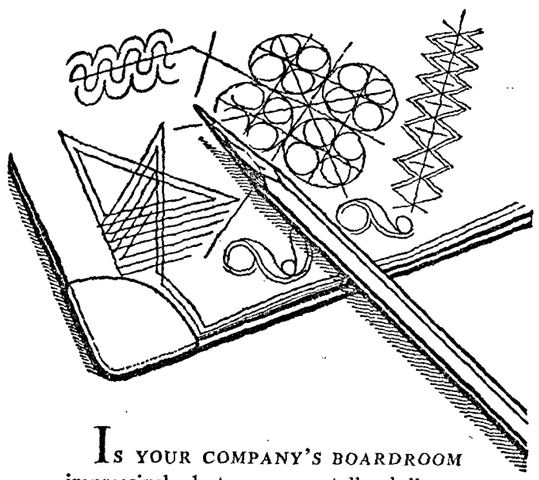
Are you bored in the boardroom?



IS YOUR COMPANY'S BOARDROOM impressively but monumentally dull—a room still sacred to the memory of an august founder? Or is it a pleasant place in which to meet—a background for clear thinking, and brisk discussion?

This surely is what it should be—a room which reflects the Company's present day character and outlook.

Our design studio has many such boardrooms to its credit, as well as furnishing schemes for whole office blocks, hotels and ships. But you will find us just as helpful if you are looking for a desk to suit an executive.

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ful resilience tinged with good fortune. At the annual meeting last Friday, the Governor, Mr W. J. Keswick, announced that one of the two wells being drilled south of Sturgeon Lake, 250 miles north-west of Edmonton, has just struck 35 per cent gravity oil. The well is in a Crown reservation of 100,000 acres, in which Hudson's Bay Oil and Gas Company has a one-third interest. It lies three and a half miles from the original Amerdad find, and in Mr Keswick's view may eventually prove an important addition to the assets of Hudson's Bay Oil and Gas Company. Speculators must hold their breath, for the results of the second of these two wells is due within a week or two.

This is the latest addition to the Hudson's Bay Company's important interests in Canada's oil and natural gas resources. Hudson's Bay Oil and Gas Company holds rights over 11,350,000 acres including 4,460,000 acres of Hudson's Bay company lands. It has an output at this stage of no more than 5,000 barrels a day though it has invested $\$11\frac{3}{4}$ million. Hudson's Bay itself has a one-quarter interest in the oil and gas company—an investment of £$1\frac{1}{4}$ million, the senior partner being Continental Oil Company of Delaware. Rightly Mr Keswick warns Hudson's Bay shareholders that these interests in Canadian oil will mature only gradually and that in the meantime expenditure on oil continues to exceed oil income in the ratio of two to one. But he reaffirms his faith in ultimate success.

Were it not for oil and natural gas Hudson's Bay shareholders might feel that their immediate prospects, though sound, were more than fully discounted. Some Canadian shareholders last year evidently took that view. The proportion of Canadian held shares fell from 17 per cent to 11.31 per cent while the British resident proportion rose from 67 to 75.54. Mr Keswick's statement puts a premium on oil prospects again and the rise of over 7s. to 123s. this week leaves the yield on the £1 ordinary shares around 2.8 per cent.

Tax Gatherer and the Public

AT an appropriate moment, while the Finance Bill is under discussion, the Institute of Directors has scored a tactical victory over the tax collecting machine. An excessively zealous questionnaire into directors' expenses has brought an expression of regret from the Financial Secretary to the Treasury. The questionnaire, ranging over the field of directors' expenses, travel, and firms' cars, included this question: "(12) Entertainment: (a) Type of people entertained, (b) Nature of entertainment, (c) Reason for entertainment." Despite the obvious chagrin of Mr Emrys Hughes and Mr Douglas Jay, the disappearance of this type of inquisition will be widely welcomed by many who have no sympathy for tax evasion.

The retail distributors, too, have criticisms, one against the Finance Bill and the other against the local authorities. There will be much sympathy with their feeling that the Estate Duty concession which reduces the duties on industrial premises, as on agricultural land, by 45 per cent should be extended to retail premises. As at present drafted the concession applies to department stores only in respect of machinery and plant, which may well mean only on the lift installation and the boiler. Retailers reluctantly admit that they expect stores to be deprived of the investment allowances since that allowance is designed to stimulate industrial investment and exports. They see no reason why the limitation should be extended to the estate duty provisions, designed to prevent breaking of family owned businesses, for family businesses still flourish in the retail trades. A series of amendments has been tabled by a group of Conservative members led by Mr Ralph Assheton seeking to sweep away the restriction in the broadest terms. They wish to strike out the word industrial and to include premises "owned or let for the purpose of selling the products of the business."

The Retail Distributors' Association is also at grips with the local tax collectors in Liverpool and Sheffield. Although the Local Government Act of 1948 transferred the job of rating valuation from the local authorities to the Department of Inland Revenue two local authorities have decided to proceed with comprehensive revaluations. Liverpool was part way through its revaluation when the 1948 Act came into force. It decided to complete the job in the centre of the City and as a result brought into effect new and substantially higher assessments in the business area of the City. Stores there had to face increased assessments which under the 1948 Act would have come into force in 1956 at earliest. The Courts upheld Liverpool and now Sheffield has followed suit with a revaluation in the centre of its City limited to shops, offices and banks. Rates are levied on the increased assessments as from April, 1953, which would not have taken effect until 1956. The Minister of Housing and Local Government (Mr Macmillan) in reply to a question has said that he deprecated any such action on the part of the local authorities in advance of revaluation, but that he had no powers except to advise.

Award for Thomas W. Ward

THE first British "Oscar" for a company report, represented by a pair of silver wall sconces, has been given to Thomas W. Ward. Six months ago *The Accountant* decided to make one or more awards a year to public companies "in relation to the form and contents of their report and accounts." After nearly 500 reports had been sifted the panel of judges, headed by Mr Montagu Gedge, QC, decided to give the award to Thomas W. Ward for its report for the year to June 30, 1953.

The judges, though they set store by the full disclosure of information, have not disclosed the detailed standards that they themselves applied. But they must have had two tests in mind: how well the intricate accounting details required by the 1948 Act were displayed for the benefit of the expert, and how smoothly the report succeeded in giving the innocent shareholder a clear and fair picture of the company's activities. These are subjective tests and judgments made by reference to them would not invariably agree. Thomas W. Ward has attained a remarkably high standard; it has backed up a tidy set of balance sheet and profit and loss accounts with statistical tables including more information than the law requires. Its industrial activities were fully covered in a lengthy statement by the chairman, issued with the accounts. It published turnover figures; it drew

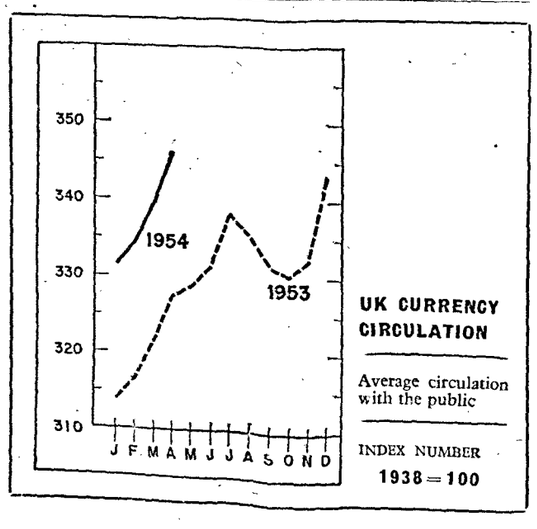
attention to important accounting ratios in its statistical summaries ; and it issued a gross trading account, showing the breakdown of the parent company's sales.

Such practices are now increasingly common in the better British company accounts and the judges cannot have had an easy decision. One of the factors that may have tilted the balance is that Thomas W. Ward, with a business which covers far more than shipbreaking and embraces a host of subsidiary companies both at home and overseas, had a difficult task in licking the multitude of accounting digits into shape. Its shareholders have been treated with the courtesy and candour which is their due as owners of the business. Congratulations are due to *The Accountant* for initiating a competition which helps to strengthen the links between companies and their owners and to Thomas W. Ward for showing how well this can be done.

Ford's Farming System

THE Ford Motor Company has opened a new farm mechanisation training centre at Boreham in Essex, as part of a wider scheme to build up a "Ford farming system" in competition to the rival "Ferguson system." There is a growing tendency to design a range of implements to suit a specific tractor, which may create difficulties for the farmer who does not want to standardise on one range but usually ensures that the purchase of a manufacturer's tractor will sooner or later be followed by the purchase of associated implements. The boldest experiment of this kind has been built round the light Ferguson tractor, where the implements designed for the Ferguson tractor and no other have been sold to farmers as the "Ferguson system." Ford, selling a medium tractor, has throughout kept one eye on the farmer who buys machinery piecemeal and expects his tractor to pull the lot; although the company also makes basic machinery like ploughs and cultivators, it has been careful not to overstress the dependence of Ford tractors on Ford implements. The implement manufacturers who have designed machinery to suit the Fordson tractors have likewise been anxious to avoid the impression that their equipment would work on no other.

The training centre provides one way in which the company can develop the idea of a Ford system of farm mechanisation without overstressing the interdependence of the tractors and their approved range of implements. The Boreham centre will take 20 students at a time, and instruct them in the rudiments of mechanised farming—based on Ford tractors and Ford approved implements. The effects of the indoctrination will be most valuable when the students come from overseas. Ferguson already run a centre of this kind, and Ford has also given training, although on a less elaborate scale than will now be possible. Farm machinery has become a major business, with British farmers alone spending £300 million a year on tractors and implements. Ford, producing more than 200 tractors a day, has a strong stake in the market, and in spite of the difference in power, the Fordson's most serious rival remains the Ferguson tractor, being turned out at the rate of 250 a day.



The Value of Weight

A METAL that is roughly one and a half times as heavy as the same quantity of lead would not at first sight be expected to find its main applications within the aircraft industry. But the "Heavy Alloy" of which the General Electric Company has just begun full scale production at Wembley is used extensively in aircraft primarily because of this property. It goes into the "mass balances" contained within the control surfaces that make possible quick response to the controls of the aircraft, into certain instruments, and into the braking systems of the undercarriage—all points at which the maximum density is required to fit weight into limited physical dimensions.

The "heavy alloy" is largely composed of tungsten, and its specific gravity is not far below gold and platinum, and far greater than that of lead. It was first developed in the GEC research laboratories as a protective material superior to lead in absorbing the gamma radiation emitted by radium or radio-active cobalt in medical use. It is used, for example, in heavy "collars" for treating cancer of the larynx. The value of its great mass for small size brought it into the field of instrumentation, aircraft control, and other applications where balance is of surpassing importance, such as high speed photography. It is produced by sintering a mixture of tungsten, nickel, and other powders at white heat, a process that reduces its volume by nearly a fifth, and raises its specific gravity from about that of lead to half as much again. The company is developing a new series of alloys that have even higher densities without any loss in tensile strength.

69 Crystal Balls

THE professional economists who are annually invited by the Royal Statistical Society to record their forecasts of economic trends were this year given until after the budget to reply, and asked if they cared to go into rather more detail. Of the 108 economists in the academic and

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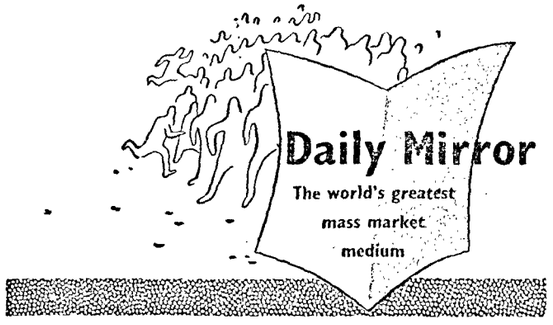

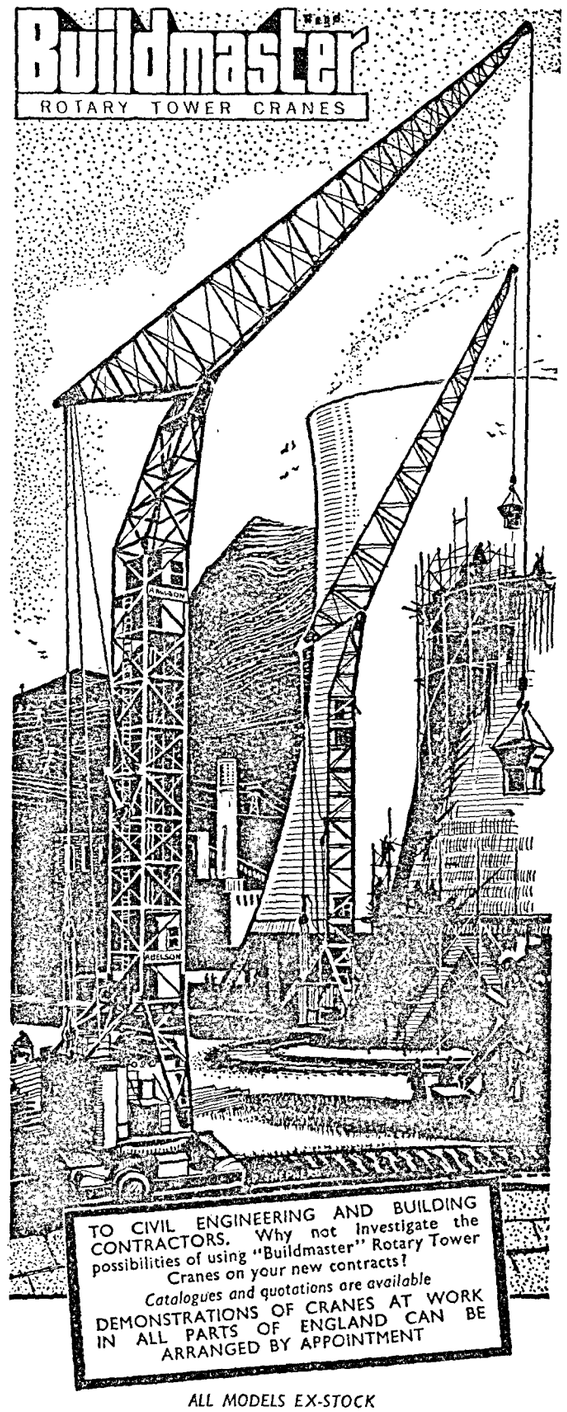

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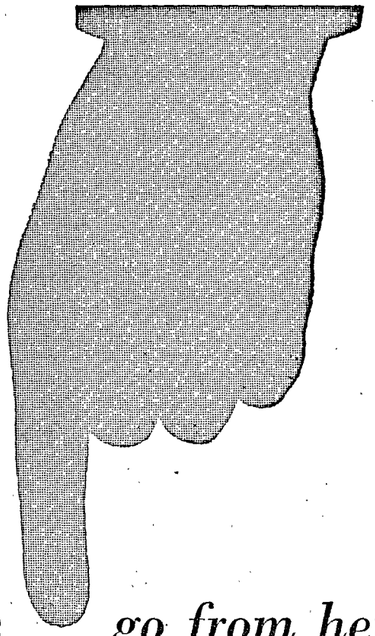
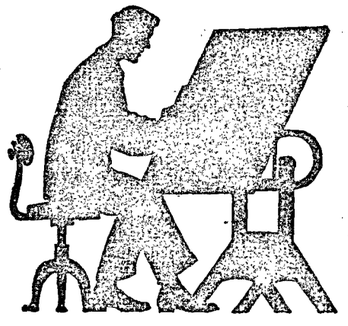


Where do we go from here?



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business world who were circularised, 69 completed forecasts of the course of industrial output, exports, unemployment, consumers' expenditure, and retail prices, as in earlier years; and 28 of them also essayed a forecast of the "Changes in Real Demand and Supplies" estimates that appear each year in the Economic Survey, which necessitated guessing how the additional resources available in the economy will be used.

These detailed forecasts are perhaps the only ones that might have been affected significantly by Mr Butler's "no-change" budget, with its attempted stimulus to investment. In the opinion of these 28 economists, it may be worth noting, only about 30 per cent of the additional resources they believe should be available will go into fixed investment this year; in real terms, about three-quarters as much as went into investment from the extra resources available in 1953. Of the 41 economists who chanced their arms upon the development of the terms of trade this year, 20 thought there would be little change from the level of the last quarter of 1953; six believed that the terms would continue to move in Britain's favour, and 15 that they would move against Britain. On last year's guesses, incidentally, the economic forecasters as a group were fairly near the mark on exports, unemployment, and retail prices; they were too pessimistic by half on industrial production, and guessing before the last year's budget, they markedly underestimated the rise in personal consumption.

	Actual 1953	Forecasts for 1954	
		Average	Range
Index of industrial production...	120·0	124·0	118—132
Index of volume of exports.....	98·1	99·4	95—104
Unemployment as percentage of number of insured employees..	1·6	1·6	1·3—2·0
Personal expenditure on consumers' goods and services (percentage change over previous year)	+3·9*	+2·5	−2·0—+9·0
Interim index of retail prices.....	140·0	142·1	138—145

* This is the change in personal expenditure on consumers' goods in 1953 compared with 1952 (at 1948 prices).

Banging the Savings Drum

THE National Savings Movement is to revive the device of the annual savings campaign—complete with drummed and beflagged processions, civic receptions, competitive local targets and "weeks." At the National Savings Assembly at Llandudno last week Lord Mackintosh passed the word down to the battalions of organisers and savings workers to get busy for the great occasion and to use all their ingenuity to make a big splash. The public campaign, timed for October to March next, will be opened by the Duke of Edinburgh at a Rally of the Movement in the Festival Hall. Its target will not be expressed in volume of savings but in number of savers, and the aim will be to recruit 2 million "new savers"—people who secure a new holder's card for certificates, buy defence bonds for the first time, or open a new savings deposit account.

At first glance, this return to the noisy propaganda methods of the past may seem a little surprising, for the Savings Movement, like other repositories of personal savings, has been looking a good deal healthier lately. National savings showed a net credit of £24 million in 1953-54, whereas in 1952-53 they had been in net debit to the extent of £27 million; and in the first seven weeks of the current fiscal year they also improved upon the previous year's performance. Lord Mackintosh attributes this change of trend primarily to the "renewed stability of the pound"—that is, the relative stability of prices during the past year—to the fact that the wartime arrears of consumer demand have now been overtaken, and to the waning of the disturbance caused by the tax probe into savings accounts.

The conditions for personal saving last year were certainly the most propitious since the war, but it cannot be assumed that they will not deteriorate. Any reversal of the recent strongly favourable trend of the terms of trade would endanger the stability of domestic prices and the margin for saving that wage-earners seem to have found last year (when wages rose faster than prices). The National Savings Movement shows good psychological judgment in seizing this moment for a new drive, especially as the improvement has given new zest to its workers. But it is to be hoped that the campaign will not rest too much on the target-seeking frenzy of earlier years. Big sums of "savings" collected in a few campaign weeks are of no real value if the ensuing weeks are lean ones. It is the genuine habit of saving that matters. It is well, therefore, that the emphasis is to be on new savers rather than new money.

Plant for Russia

DURING the six months to May 15th, British exporters applied for licences to sell more than £32 million worth of machine tools, electrical equipment and metals to Russia and China; nearly £4 million were allowed, though this total covered certain goods for which licences are not required. This announcement, in a written Parliamentary answer last week, was not particularly informative. It did not show the value of applications separately for Russia and China—which many businessmen, and the existing strategic controls, approach differently. At face value, too, it may over-emphasise the contrast between the licences applied for and the number granted. Both the time taken to handle applications and the possibility that some exporters may apply in respect of goods for which they do not hold entirely firm orders may also blur this comparison.

With the review now going on in Paris of the existing strategic controls on exports to countries behind the Iron Curtain, and the hints that some relaxations on specific products such as machine tools may be made in advance of the general review, industrialists are understandably anxious not to miss the large orders that can be obtained, comparatively simply if not easily, from Russia and the satellites. A state purchasing organisation, after a week's discussions, may produce a bulk order of a size that would take many separate negotiations with private buyers. A group of British textile machinery companies last week announced orders for machinery worth £7 million for delivery over two years, and

various machine-tools companies have secured orders that will take a significant proportion of their output if they pass the controls. An order for three fish factory ships worth £4 million, however, has been turned down by the control authorities here; these vessels, the Admiralty held, could be converted into submarine depot ships.

SHORTER NOTES

The use of closed circuit television, which enables the top officials in the central office of a corporation to address their local staffs privately, is rapidly replacing the old business gatherings and conventions that have played so large a part in the social life and expense accounts of American businessmen. The prospects are that there will be fewer business conferences involving the time and expense of salesmen and dealers travelling great distances to a central meeting place, and more reliance upon the newer, and cheaper, method of holding conferences by means of private television transmissions; already more meetings of this sort were held this year than in all of 1953. The company using the private TV circuit for sales talks gains by the assurance of secrecy from snooping competitors; the local salesman loses by the elimination of the travel expense account.

★

Turner and Newall, the asbestos manufacturers, has declared an interim dividend of 5 per cent on an ordinary capital of £10,944,718; a year ago the interim divide was 2½ per cent and it was followed by a final dividend o. 15 per cent. The interim payment is being increased "so as to represent a higher proportion of the annual distribution to ordinary holders" and it does not imply that the full year's payments will be any higher than those made in 1952-53. The directors add that the volume of business handled by the overseas subsidiaries continues to contract and this contraction has been only partly offset by improved trading conditions at home.

Company Notes

ROLLS-ROYCE. The £1 ordinary stock units of Rolls-Royce were moving up long before the preliminary announcement was issued; after its publication they jumped ahead by 4s. 6d. to 85s.—a fitting response to unexpectedly good results. The ordinary dividend has been raised from 15 to 17½ per cent, confounding the pessimists who thought that the company would do no more than maintain the 15 per cent rate for a full year on the capital as increased in 1952 by a "rights" issue. The directors have also decided upon a 50 per cent scrip issue of shares,

	Years to Dec. 31, 1952	1953
Consolidated earnings :—	£	£
Trading profit	1,925,295	3,099,869
Royalties	295,461	475,302
Total income	2,236,356	3,500,771
Taxation	1,637,000	2,875,000
Net profit	*599,356*	*715,771*
Ordinary dividends	300,500	385,000
Ordinary dividends (per cent)	15	17½
General reserve	109,073	100,000
Added to undistributed profits	189,783	230,771

£1 ordinary stock at 85s. yields £4 2s. per cent.

which in these days is usually interpreted as a hint of more liberal distributions.

Behind the dividend lies a remarkable advance in trading profits—from £1,925,295 to £3,099,869, which must spring largely from the company's aero engine division. Moreover, the announcement that the board is contemplating the issue of more capital in the shape of a debenture stock suggests that the end of the present expansionist phase is not yet in sight from the windows of the boardroom. And, even if trading profits remain throughout this year at their 1953 level, equity shareholders will receive considerable benefits from the demise of EPL. That tax took £660,000, compared with £250,000, from profits last year. Investors have not been slow in discounting these factors; at the current price of 85s. the £1 ordinary stock units offer a yield of 4½ per cent.

★

J. & P. COATS and LANCASHIRE COTTON. Has J. & P. Coats, the cotton thread manufacturers, finally broken with its tradition of financial conservatism? As briefly reported in *The Economist* last week the company has announced an ordinary dividend of 15 per cent, compared with 12½ per cent paid regularly since 1946. The company is also to capitalise £14,750,000 from reserves to make a 100 per cent free scrip issue of ordinary shares. The net gain of 3s. 3d. to 61s. 9d. in the price of the £1 ordinary stock units suggests that the balance of opinion was that a change of heart had taken place in the boardroom. That point, however, should not be given excessive weight, for the stock market these days welcomes almost indiscriminately every scrip bonus by marking up the shares. On the same day, for instance, the ordinary shares of Lancashire Cotton put on 2s. 9d. to 59s. 3d. when the company announced a 100 per cent scrip issue. Investors chose to ignore the directors' warning that this proposal carried with it no implication as to future rates of dividend—in 1952-53 the rate was 20 per cent, including a 5 per cent Coronation bonus dividend—and that dividends "will continue to be decided in the light of circumstances prevailing at the time."

Investors did not ponder long over the implications of the two scrip issues, but they must have been a little perplexed by some of the details of the preliminary statement issued by J. & P. Coats. This statement shows that profits in 1953 totalled £4½ million, after charging a loss on exchange of £4.2 million; in the previous year profits were returned at £4.6 million, after nearly £5.7 million had been written off stocks. The previous year's stock loss was due to Egyptian cotton; the 1953 exchange loss arose in the South American subsidiaries and was foshadowed by the chairman a year ag. The rise in the charge for foreign taxation from £687,195 to £2,173,584 is quite unexpected and so far unexplained. The provision for British taxes has risen much more gently, from £842,769 to £1,746,652. Shareholders will have to wait for the full report for the explanation. No Oscar for immaculate accounting is yet due to the taciturn Scots who manage J. & P. Coats. The yield of 4.9 per cent, as offered currently by the J. & P. Coats equity, seems to carry the implication that shareholders expect a genuine change from the ultra conservative policies of the past.

★

HOUSE OF FRASER. The preliminary statement of the House of Fraser, the Scottish group of drapery stores which jostled vigorously forward last year when it bought out Binns of Sunderland and Newcastle, is a confusing document. The directors propose that £564,464 should be capitalised from reserves to make a 100 per cent free scrip issue of 5s. ordinary shares. These shares rank for the final dividend of 30 per cent declared for the year to January 31st last. In October an interim dividend of 20 per cent was paid on a capital of £564,464 and in 1952-53 the full year's dividend was 80 per cent on a capital of £268,793. In effect, the ordinary dividend has thus been raised from 19 to 40 per cent on the basis of an equity capital of £1,128,928. The maze of share bonuses is completed by the announcement that a further scrip issue, on the basis of one new share for every 50 shares then held, will be made in October; these shares do not rank for the latest dividend. Investors, however, can safely ignore this tiny issue in making their yield calculations.

The 5s. ordinary stock units of the House of Fraser have been well in the fore of the boom in department store equities and with an active speculative stock such as this it was not surprising that the sudden increase in the dividend led to a rise of only 3s. This gain was almost completely lost in the next day of dealing when the stock units were quoted at 80s. 6d., offering a yield of 4.8 per cent, which is low enough for a group whose rise has been meteoric and may go ther, but whose staying power has still be tested.

The profit figures are almost as confusing as the dividend and share bonus details. The "trading profit of constituent stores for the year ended January 31, 1954" totalled £1,554,061, compared with a profit of £960,114 in 1952-53. This phrase seems to be a not very explicit way of saying that profits in 1953-54 included those earned by Binns Ltd., while those in 1952-53 did not. There is, in fact, no yardstick to measure how far profits have actually risen. But after deducting pre-acquisition profits of £181,206 and other expenses, the group's gross profit was £1,226,775, compared with £605,209. Taxation has risen from £335,112 to £703,012, leaving a net profit "attributable to members" of £477,649, compared with £260,153. It is to be hoped that e full report will show the figures, both with and without the Binns earnings.

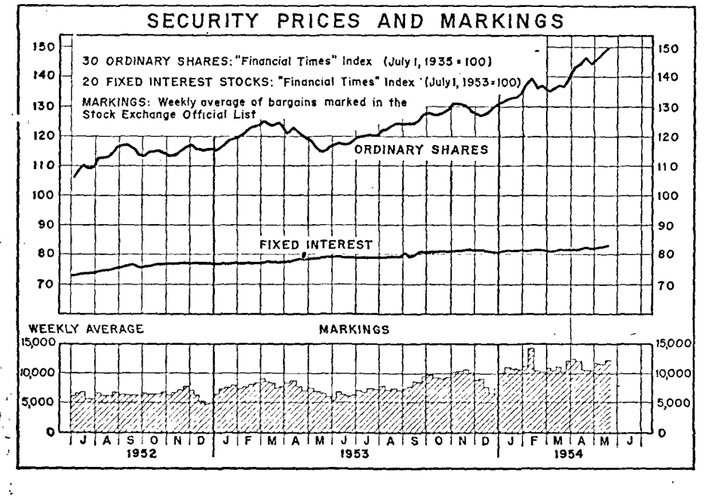
★

EVER READY. Yet another company to follow the fashion of increasing the ordinary dividend and announcing at the same time a scrip issue is Ever Ready. Years of inflation have created disparities between issued ordinary capital and the capital actually employed. The company's issued ordinary capital is £1,010,402, while its revenue reserves total £1,779,384. From these reserves the directors propose to capitalise £505,201 to make a 50 per cent free scrip issue. At the same time the ordinary dividend has been raised from 35 to 40 per cent, thus restoring the cut made in 1950. A further proprosal turning the 7 per cent cumulative participating preference stock units into 10 per cent cumulative non-participating preference stock units hardly affects the rights of the equity shareholder. There is only £200,000 of the preference capital in issue, and for years the preference stock has received an additional 3 per cent dividend, representing their maximum participating right.

	Years to Feb. 28, 1953	1954
Consolidated earnings :—	£	£
Trading profit	940,742	1,181,866
Total income	995,127	1,237,669
Depreciation	84,633	88,193
Taxation	499,362	670,185
Net profit	*348,263*	*406,807*
Ordinary dividends	190,714	222,289
Ordinary dividends (per cent)	35	40
Revenue reserve	130,000	160,000
Added to group carry forward	2,799	*Dr.482*
Cons. balance sheet :—		
Fixed assets, *less* depreciation	2,079,806	2,169,068
Net current assets	1,186,959	1,227,103
Stocks	1,340,931	1,285,545
Cash and T.R.C.'s	629,446	981,053
Reserves	1,619,866	1,779,384
Ordinary capital	1,010,402	1,010,402

5s. ordinary stock at 35s. yields £5 14s. per cent.

Two facts seem to lie behind the decision to raise the dividend. First, the group's liquid resources have been reinforced, following a reduction in stocks and debtors. Secondly, trading profits have risen from £940,742 to £1,181,866. The increase both in sales and profits owes much to last year's reduction in the selling prices of batteries; the chairman believes that sales will be well maintained this year. He gives shareholders the customary warning that a scrip issue does not necessarily imply an increase in dividends, but there is a source from which dividends could be increased if the directors are so minded. Last year the group had to provide £142,000, over a quarter of the net profit of £406,807, for EPL.



LONDON STOCK EXCHANGE

Next Account begins: June 9th.
Next Contango Day: June 9th.
Next Settlement Day: June 15th.

THE main feature of the markets this week was the decline in gilt-edged prices after the week-end. The heaviest losses were made by the undated stocks, with old Consols losing ⅞ on Monday and another ½ of a point on Tuesday; proportionately, the medium and longer dated issues did not fall so heavily. Gilt-edged prices, however, began to edge up again later in the week, but the gains which were reported were quite slight. The weakness in the gilt-edged market unsettled industrial equities, but these stocks, too, turned a little firmer on Wednesday.

The foreign market was generally dull until Wednesday, when Japanese stocks were marked up on reports that particulars of the bonds had been filed in New York as a prelude to dealings in the sterling issues on Wall Street. Anglo-Argentine Tramway debentures were marked down as investors were disappointed with the outcome of the trade talks.

Net losses in the industrial market were slight and on Wednesday engineering, aircraft and store shares led a rally in prices. The biggest movements in prices took place in those stocks that were affected by particular announcements. Hudson's Bay, for instance, put on 5s. to 120s. on Monday on further consideration of the chairman's remarks about the company's oil interests. On the same day, Hawthorne Leslie gained 5s. 9d. to 39s. on the proposed share bonus and Meux's Brewery gained 2s. to 45s. 6d. on renewed suggestions of a "take-over." On Wednesday, Siemens lost 3s. to 40s. following the reduction in profits. Leading the rally in engineering shares Vickers gained 9d. to 62s. 6d. on the prospect of a large American order for Viscount aircraft, while Hawker Siddeley made a good gain on buying in anticipation of the interim dividend. In the oil market the outstanding movement was in Anglo-Iranian, which continued to climb up so that in early dealings on Thursday it was quoted at 12½. After a period of dullness, OFS issues in the Kaffir market staged a brisk rally on Wednesday.

FINANCIAL TIMES INDICES

1954	Security Indices Ord.*	Fixed Int.†	Yields 2½% Cons.	Ord.
			%	%
May 19...	149·7	114·98	3·71	5·04
„ 20...	150·4	115·04	3·71	5·02
„ 21...	150·9	115·07	3·72	5·04
„ 24...	150·8	114·98	3·75	5·04
„ 25...	150·1	114·86	3·78	5·06
„ 26...	151·0	114·88	3·77	5·06
				Total bargains
1954, High	151·0 (May 26)	115·07 (May 21)	1954 May 19	12,205
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 20	11,789
			„ 21	11,818
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 24	13,644
			„ 25	11,633
„ Low	113·9 (May 20)	105·68 (Jan. 5)	„ 26	10,810

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to May 26 High	Prices, 1954 Jan. 1 to May 26 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 19, 1954	Price, May 26, 1954	Net Yield, May 26, 1954 (§) £ s. d.	Gross Yield, May 26, 1954 £ s. d.
100 11/32	99 7/8	Exchequer 2½% 1955	100 9/32	100 9/32	0 9 1	1 17 1
103 15/16	101 1/4	Exchequer 3% 1960	103 11/32	103 11/32	1 0 9	2 8 4
102 1/16	99 13/16	Exchequer 3% '62-63	101 3/8*	101 3/8*	1 9 0	2 15 7
100 1/16	99 3/8	Serial Funding 1¾% 1954	100	100	0 17 9	1 14 8
101	99 23/32	Serial Funding 2¼% 1957	100 23/32	100 15/32	0 19 0	1 19 4
101 1/8	100 1/8	Serial Funding 3% 1955	101 1/32	101 1/32	0 12 0	1 19 5
101 3/8	100	War Bonds 2½% '54-56	101 1/16	101 3/32	0 15 3	2 0 6
101 3/16	100 15/16	Funding 2¾% '52-57	101 1/4	101 1/4	1 2 3	2 6 5
101 13/16	100 1/2	Nat. Def. 3% '54-58	101 1/4	101 1/4	1 4 4	2 13 7
102 3/4	101 1/4	War Loan 3% '55-59	102 1/8	102 1/8	1 4 10	2 12 2
99 7/16	95 13/16	Savings Bonds 3% '55-65	99 1/4	99 3/8	1 15 2	3 3 2
99 15/16	97 3/8	Funding 2½% '56-61	99 1/4	99 15/32	1 8 2	2 11 1
95	92 1/16	Funding 3% '59-69	94 13/16	94 15/32	2 1 3	3 9 4
96 7/8	93 13/16	Funding 3% '66-68	96 1/16	96 1/16	1 19 0	3 7 5
102 11/16	100 15/16	Funding 4% '60-90	102 1/16	102 1/8	1 17 2	3 13 3
94 1/2	90 3/8	Savings Bonds 3% '60-70	93 13/16	93 7/8	2 2 9	3 11 4
93	90 1/2	Savings Bonds 2½% '64-67	92 11/16	92 15/16	2 0 2	3 3 9
103 1/4	101 3/8	Victory 4% '20-76	103 1/4	103	1 19 4	3 15 7
92 1/8	87 7/8	Savings Bonds 3% '65-75	91 3/8	91 3/8	2 3 10	3 13 0
97 3/8	93 1/2	Consols 4% aft. Feb. '57	96 3/4	96 3/4	2 5 11	4 4 0
89 15/16	84 3/4	Conv. 3½% aft. April '61	88 3/8	87 1/2	2 4 0	4 0 2
100 3/8	99 1/16	Conv. 3½% 1969	100 1/16	100 1/16	1 18 4	3 10 5
68 1/2	63 3/8	Treas. 2½% aft. April '75	67 1/4	66 1/4	2 1 9	3 16 1
79 3/4	74 1/8	Treas. 3% aft. April '66	78 1/4	77 3/4	2 2 7	3 17 7
96 3/4	92 11/16	Treas. 3½% '71-20	95 3/4*	95 11/16*	2 2 9	3 15 0
96 1/2	92 1/16	Treas. 3½% '79-81	96 1/4	96 3/8	2 2 5	3 15 5
88	83	Redemption 3% '86-96	87 1/2	87 1/2	2 2 4	3 12 3
89 1/16	84 3/8	War L'n 3½% aft. Dec. '52	87 7/8*	87*	2 2 4	4 0 5
69 3/32	63 3/8	Consols 2½%	67 1/8	66 1/4	2 1 8	3 15 11
92 1/16	88 1/16	Br. Elec. 3% '68-73	92 1/8	92 1/4	2 3 7	3 12 3
91 1/16	87 1/8	Br. Elec. 3% '74-77	91	91 1/8	2 3 2	3 12 2
105 1/4	103 1/16	Br. Elec. 4½% '74-79	105 1/4	105 1/8	2 0 10	3 18 5
96 1/16	93 1/16	Br. Elec. 3½% '76-79	96 1/4	96 1/8	2 2 4	3 14 8
88 1/2	83 1/8	Br. Trans. 3% '78-88	88 1/4	86 3/4*	2 4 0	3 13 5
92 1/16	88 1/16	Br. Trans. 3% '68-73	92 1/16	92 1/8	2 3 8	3 12 4
103 1/4	100 1/2	Br. Trans. 4% '72-77	101 1/4*	101 1/4*	2 2 1	3 17 2
88 1/4	84 1/4	Br. Gas 3% '90-95	87 1/8	87 1/8	2 2 2	3 11 9
99 1/2	96 1/8	Br. Gas 3½% '69-71	99 1/8	99 1/4	2 0 1	3 12 4
103 1/2	99 1/8	Br. Gas 4% '69-72	103 1/4	103 3/8	1 19 10	3 16 3

(e) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan.1 to May 26 High	Prices, 1954 Jan.1 to May 26 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, May 19, 1954	Price, May 26, 1954	Yield, May 26, 1954 £ s. d.
92	84 1/2	94 1/2	90 1/4	Aust. 3½% '65-69	93 1/4	93 1/2	3 16 9
...	...	97 3/8	97 1/4	Ceylon 4% '73-75	97 1/2	97 1/2	4 4 0
98 11/16	98 3/32	102 1/2	98 1/2	N. Zealand 4% '76-78	101	101	3 18 8
73 1/2	66 1/2	77 3/8	71 1/2	L.C.C. 3% aft. 1920	77	76	3 18 11
95 1/2	90 1/2	97 1/2	95	Liverpool 3% '54-64	97	97	3 7 2
81 1/2	73 1/4	83 1/2	80 1/2	M.Wtr. 'B' 3% '34/2003	83 1/2	83 1/2	3 14 9
104 1/2	101 1/4	104 1/2	101 1/2	Agric. Mort. 5% '59-89	103 1/2	103 1/2	4 4 2
74 1/2	49 3/4	95 3/8	71 1/2	German 7%	83 1/4	82 1/4	...
102 1/2	65	142	102	German 5½%	126	124 1/2	...
139 1/2	119	159 1/4	132 1/2	Japan 5% 1907	150	150	...
176	136	186 1/2	168 1/2	Japan 5½% Conv. 1930	177 1/2	178 1/2	...

Prices, 1954 Jan. 1 to May 26 High	Prices, 1954 Jan. 1 to May 26 Low	Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, May 19, 1954	Price, May 26, 1954	Yield, May 26, 1954 £ s. d.
		%	%		BANKS & DISCOUNT			
46/3	42/3	7	a	9	b Barclays £1	45/-	45/-	4 8 11m
63/9	58/9	6	a	8	b Lloyds "A" £5, £1 pd.	63/-	63/-	4 8 11
81/6	74/9	8	a	8	b Midland £1, fully pd.	77/6	78/-	4 2 1
81/-	72/7½	8¼	a	8½	b N. Prov. "B" £5, £1 pd.	77/6	77/6	4 7 9
90/-	79/6	9	a	9	b Westminster £4, £1 pd.	87/6	87/6	4 2 3
102/-	92/-	7½	a	17½	b Alexanders £2, £1 pd.	102/-	102/-	4 18 6
49/3	40/10½	5	a	5	b Nat. Disc. "B" £1	49/-	49/-	3 1 3v
51/6	44/6	5	a	5	b Union Disc. £1	49/6	49/6	4 0 10
41/-	37/6	4	a	4	b Barc.(D.C. &O.)"A"£1	38/6	39/-	4 2 1
45/7½	40/3	7	a	7	b Chart. Bk. of India £1	43/-	43/-	6 10 3
					INSURANCE			
13½	9½	50	a	85	b Leg. & Gen. £1, 5/- pd.	12¾	12½	2 14 0
22½	20¾	20	†a	40	†b Pearl £1, fully pd.	20 3/8	20 3/8	5 4 10
41¾	35 1/8	105	†c	112½	†c Prudential "A" £1	40½	40½	5 1 0
					BREWERIES, ETC.			
131/3	126/-	10	a	33	b Bass £1	129/4½	128/1½	6 13 8
21/3½	17/4½	15	b	7½	a Distillers 4/-	20/9	21/-	4 5 9
33/6	31/-	7	a	11	b Guinness 10/-	32/6	32/6	5 10 9
83/-	60/-	8	a	15½	b Whitbread 'A' Ord. £1	80/7½	82/6	5 1 10d

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 7%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 21·97% gross. (t) In addition 2½%, not subject to tax, from capital profits Yield basis 10%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (z) Yield basis 11½%.

Prices, 1954 High	Prices, 1954 Low	Last Two Dividends (a)	(b)	(c)	ORDINARY STOCKS	Price, May 19, 1954	Price, May 26, 1954	Yield, May 26, 1954 £ s. d.
		%	%		STEEL & ENGINEERING			
56/-	41/4½	12½	c	15	c B.S.A. £1	54/3	54/3	5 10 9
18/6	13/1½	5	a	10	b Cammell Laird 5/-	14/-	14/-	7 19 0
59/10½	49/9	5	a	10	b Guest Keen N'fold £1	58/9*	57/3*	5 4 0
24/11½	22/-	2½	a	7½	b United Steel £1	24/6	24/6	7 6 7
62/9	47/6	2½	a	12½	b Vickers £1	58/-	62/-	4 16 11h
					TEXTILES			
41/9	32/-	4	a	11	b Bradford Dyers £1	39/6	39/-	7 1 3j
32/4½	24/9	12		6	a Brit. Celanese 10/-	32/-	32/-	5 - 9
62/9	49/4½	5	a	10	b Coats (J. & P.) £1	59/-	61/6	4 1 -
30/4½	25/2½	6½	b	6¼	a Courtaulds £1	29/6	29/6	4 14 1s
59/10½	47/4½	5	a	10	b Lancs. Cotton £1	56/6	59/3	5 1 1
74/9	64/-	20	c	5	a Patons & Baldwins £1	73/9	74/3	5 7 n
					ELECTRICAL			
51/10½	41/9	7½	a	7½	b Assoc. Elect. £1	50/6	50/6	4 9 -
44/4½	38/-	2½	a	7½	b B.I.C.C. £1	42/6	43/6	4 11 1
47/-	38/6	5	a	6½	b English Elect. £1	45/7½	45/7½	4 7 8
45/-	37/9	7½	b	3½	a General Elect. £1	43/9	44/4½	5 1 5
					MOTOR & AIRCRAFT			
20/6	18/6	3½	a	6½	b Bristol Aero 10/-	19/9	19/3	5 3 11
9/0¾	6/3½	6½	b	4	a British Motor 5/-	8/7½	8/9	6 0 0
30/3	23/4½	7½	c	7½	c De Havilland £1	26/4½	25/10½	5 16 0
61/4½	35/9	7½	c	12	c Ford Motor £1	60/-	60/-	4 0 0
64/-	47/7½	6	a	9	b Hawker Siddeley £1	62/-	63/6	4 14 6
80/6	25/-	25	c	25	c Leyland Motors £1	91/3	92/6	5 8 1
86/-	66/-	5	a	12½	b Rolls Royce £1	79/4½	85/-	4 2 -
6/9¾	5/5½	12	c	12	c Standard Motor 5/-	6/6	6/6	9 4 -
					SHOPS & STORES			
26/0¾	22/9	10	a	12½	b Boots Pure Drug 5/-	25/3*	25/3*	4 9 -
38/1½	32/-	15	b	7½	a Debenhams 10/-	37/6	37/3	5 7 5
81/3	53/3	37½	b	15	a Gt. Universal 5/-	76/-	77/-	3 8 -
106/-	92/9	17½	b	5	a Lyons (J.) "A" £1	104/-	105/-	4 5 -
97/-	73/10½	20	a	45	b Marks & Spen. "A" 5/-	91/-*	90/9*	3 11 6
80/6	64/-	20	a	40	b Woolworth 5/-	78/9	76/9	3 18 9x
					OIL			
44/-	36/7½	16	c	2½	a Cunard £1	39/-	40/-	8 0 0
£48½	£33½	4	a	12	b Royal Dutch 100 fl.	£48	£47	3 3 -
120/9	93/4½	5	†a	10	†b Shell Reg. £1	117/6	118/1½	4 12 -
25/7½	17/6	15	†b	5	†a Trinidad L'holds 5/-	24/9*	25/-*	3 12 -
34/9	25/3	...		...	Ultramar 10/-	31/9	33/9	Nil
					SHIPPING			
£48½	£33½	4	a	12	b Royal Dutch 100 fl.	£48	£47	3 3 -
120/9	93/4½	5	†a	10	†b Shell Reg. £1	117/6	118/1½	4 12 -
25/7½	17/6	15	†b	5	†a Trinidad L'holds 5/-	24/9*	25/-*	3 12 -
34/9	25/3	...		...	Ultramar 10/-	31/9	33/9	Nil
					SHIPPING			
44/-	36/7½	16	c	2½	a Cunard £1	39/-	40/-	8 0 0
£48½	£33½	4	a	12	b Royal Dutch 100 fl.	£48	£47	3 3 -
120/9	93/4½	5	†a	10	†b Shell Reg. £1	117/6	118/1½	4 12 -
25/7½	17/6	15	†b	5	†a Trinidad L'holds 5/-	24/9*	25/-*	3 12 -
34/9	25/3	...		...	Ultramar 10/-	31/9	33/9	Nil
					SHIPPING			
44/-	36/7½	16	c	2½	a Cunard £1	39/-	40/-	8 0 0
38/7½	30/5	12½	c	12	c Furness Withy £1	33/6	33/6	7 3 3
86/6	62/6	6	a	16	b P. & O. Def. £1	76/6	76/-	5 15 9
35/3	25/3	(p)10	c	10	c Royal Mail £1	26/3*	26/-*	7 13 10
					MISCELLANEOUS			
81/9	67/9	5	a	12½	b Assoc. Port. Cem. £1	80/-	81/3	4 8 4
61/6	44/-	15	c	16	c Bowater Paper £1	60/-	59/4½	5 7 9
40/-	33/10½	4	a	6	b Brit. Aluminium £1	36/6	36/6	5 9 7
45/3	36/3	12½	†c	4 1/16	†a Brit. Amer. Tob 10/-	40/-	40/6	5 12 4
$47¼	$38⅜	3	a	3	b Canadian Pacific $25	$43	$43½	6 5 3
39/9	32/6	35	c	5	a Decca Record 5/-	38/3	38/3	4 11 6
24/9	18/5	11¾	c	14	c Dunlop Rubber 10/-	23/6*	23/-*	6 1 9
64/7½	53/-	6	a	9	b Imp. Chemical £1	61/6	64/-	4 13 9
58/7½	49/8½	8½	a	11½	b Imp. Tobacco £1	53/-	52/6	7 12 5
$75½	$63⅛	$2·60	c	$2·35	c Inter. Nickel n.p.v.	$75½	$73½*	5 15 8
59/6	51/6	7½	a	9	b London Brick £1	58/9	57/6	4 17 5n
70/3	63/6	3½	a	12½	b Tate & Lyle £1	68/-	70/-	4 11 5
68/9	60/6	7½	b	7½	a Tube Investments £1	65/-*	65/-*	4 12 4
86/3	69/-	17½	c	5	a Turner & Newall £1	84/-	85/-	4 4 6
78/9	57/6	6	a	9⅜	b Unilever £1	73/6	77/-	4 1 10
38/3	31/6	4½	a	7½	b United Molasses 10/-	34/9*	32/6*	6 15 2
					TEA & RUBBER			
34/10½	28/-	Nil		10†	c Cons. Tea & Lands £1	31/6*	29/9*	12 4 5
2/3	1/10	35	c	10	c London Asiatic Rbr. 2/-	2/-	2/-	10 0 0
49/3	37/9	5	a	15	b United Sua Betong £1	45/-	45/7½	8 15 4
					MINES			
6⅝	5⅛	20	a	40	b Anglo-Amer. 10/-	6⅛	6¼	4 12 -
94/9	68/3	80	a	120	b De Beers 5/- Bearer	89/-	91/6	10 18 -
101/10½	56/6	...		...	Free State Geduld 5/-	93/1½	86/3	Nil
76/3	54/9	8½	c	10	c Randfontein £1	60/-	61/3	3 5 4
6/7½	4/10½	22	c	24	c London Tin 4/-	5/10½*	5/9*	16 13 11
22½	16⅛	175	b	50	a Rhokana £1	21⅜	22	10 4 6

* Ex dividend.

New York Closing Prices

	May 19 $	May 26 $		May 19 $	May 26 $		May 19 $	May 26 $
Balt. & Ohio	21⅞	23	Am. Smelting	35	36½	Inter. Paper	69¾*	69
Can. Pac.	24¼	24¼	Am. Viscose	35⅜	34½	Nat. Distill.	18	18⅛
N.Y. Cent.	22	23⅛	Cel. of Amer.	18⅛	18⅛	Sears Roebuck	65	64⅞
Pennsyl.	16⅛	16⅛	Chrysler	60¼	62⅜	Shell	43⅞	48⅛
Amer. Tel.	168⅛	169	Gen. Elec.	114⅜	118⅛	Std. Oil of N.J.	83⅜	89
Stand. Gas.	12⅞	13	Gen. Motor.	68⅜	72	U.S. Steel	43	49
United Corp.	5⅞*	5⅜	Goodyear	61⅜	63¼	Westinghouse	68⅜	67⅛
W. Union Tel.	37⅞	38½	Inter. Nickel	41⅜	41⅜	Woolworth	42⅜	41

* Ex dividend.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	May 8th	Western Europe: Production and Trade	May 8th
Production and Consumption	May 15th	British Commonwealth	May 15th
Manpower	May 22nd	Western Europe: Prices and Money Supply	May 22nd
External Trade	This week	United States	This week
Financial Statistics	This week	World Trade	April 24th
Industrial Profits	April 24th		

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1951	1952	1953	1953 Feb.	March	April	1954 Jan.	Feb.	March	April
VALUE											
Imports: Total	£ million	325·2	289·8	278·7	243·0	285·7	293·3	282·1	242·0	298·6	284·3
Food, drink and tobacco	,,	107·6	100·5	109·7	90·2	105·2	118·8	114·1	100·2	120·3	107·4
Basic materials	,,	126·8	95·4	87·9	77·1	95·9	94·0	87·2	68·5	87·8	93·7
Mineral fuels and lubricants	,,	26·3	28·2	26·2	24·6	29·0	26·7	26·3	22·6	29·6	28·7
Manufactures	,,	63·1	64·0	53·5	48·8	52·7	51·3	52·7	48·9	59·7	53·3
Exports of UK produce: Total	,,	215·2	215·3	215·2	194·9	212·9	214·8	225·7	201·1	246·4	224·9
Manufactures	,,	183·0	178·5	174·9	158·7	172·8	177·9	184·5	163·4	201·3	184·7
Re-exports	,,	10·6	12·0	8·8	9·2	10·9	8·9	8·1	8·2	11·7	8·0
Balance of trade (exports *less* imports)	,,	−99·4	−62·5	−54·8	−38·9	−62·0	−69·6	−48·3	−32·7	−40·6	−51·4
VOLUME											
Imports	1950=100	112·5	102·8	112·1	106·4	...	...	117	101	122	...
Exports	,,	101·2	95·0	98·1	87	97	97	103	92	115	...
BY AREA											
Imports: Dollar area—total	£ million	64·5	60·1	52·9	41·8	45·6	53·8	42·7	41·5	44·9	39·6
,, USA	,,	31·7	26·2	21·2	21·4	23·6	29·3	21·2	20·2	20·2	17·4
,, Canada	,,	21·7	26·7	25·4	18·1	16·8	15·4	16·1	16·7	18·6	16·7
Non-sterling OEEC countries	,,	83·9	71·3	64·1	57·4	68·9	61·4	64·2	58·9	70·3	63·2
Sterling area	,,	116·5	119·7	125·3	113·3	132·9	145·4	142·3	112·3	145·4	146·1
Exports: Dollar area—total	,,	28·8	31·4	33·7	29·7	31·6	36·7	31·7	26·2	32·6	32·3
,, USA	,,	12·8	15·1	14·3	13·8	14·2	15·6	12·7	11·6	14·3	13·4
,, Canada	,,	11·7	11·0	13·4	10·0	12·7	16·3	10·9	9·9	11·6	13·2
Non-sterling OEEC countries	,,	56·2	58·4	62·5	59·3	66·6	63·3	63·7	60·7	74·2	66·4
Sterling area	,,	110·8	107·0	105·8	94·8	103·9	103·1	113·1	102·6	122·7	112·0
Balance of trade (exports *less* imports) Dollar area	,,	−35·7	−28·6	−19·2	−12·1	−14·0	−17·1	−11·0	−15·3	−12·3	− 7·3
Non-sterling OEEC countries	,,	−27·7	−12·9	− 1·7	+ 1·9	− 2·3	+ 1·9	− 0·5	+ 1·8	+ 3·9	+ 3·2
Sterling area	,,	− 5·7	−12·7	−19·5	−18·9	−29·0	−42·3	−29·2	− 9·7	−22·7	−34·1
TRADE IN SELECTED COMMODITIES											
Imports: Wheat	'000 tons	337·7	325·3	335·2	256·3	322·9	264·4	238·4	208·7	248·7	206·9
Meat	,,	33·9	45·5	63·1	74·5	61·8	81·8	56·8	55·3	69·2	67·2
Sugar, unrefined	,,	186·8	164·6	248·6	110·5	163·4	301·8	337·2	255·7	277·9	212·0
Raw cotton (1)	,,	37·5	21·8	27·5	19·1	31·1	27·2	27·3	26·4	38·3	36·4
Raw wool, sheep's and lambs' (1)	mn. lb.	36·0	51·9	63·3	68·8	87·9	82·9	70·4	40·8	52·8	79·0
Rubber, natural and synthetic (1)	'000 tons	25·1	16·7	18·4	15·5	20·6	14·5	23·3	24·2	22·1	18·3
Softwood	'000 stds.	135·6	85·2	119·1	87·7	89·6	90·7	80·8	56·7	66·9	78·4
Woodpulp	'000 tons	139·3	119·8	133·8	79·8	104·3	112·5	151·0	132·4	122·3	139·3
Crude petroleum	mn. gall.	359	483	556	462	555	551	595	540	667	642
Exports of UK produce: Coal, including bunkers	'000 tons	961	1,254	1,400	1,337	1,306	1,381	1,361	1,307	1,399	1,434
Woven piece-goods—cotton	mn. sq. yds.	72	59	59	52	56	60	58	55	64	59
wool	'000 sq. yds.	9,817	8,143	8,706	8,011	8,316	8,265	9,145	8,211	8,531	7,552
Passenger cars and chassis	number	30,717	25,824	25,186	20,416	24,887	25,594	26,408	23,582	34,416	33,898
Commercial vehicles and chassis	,,	11,382	10,636	9,199	8,144	9,155	7,842	11,233	10,316	11,038	11,052
Agricultural tractors	,,	9,388	8,746	7,807	5 978	8,801	9,510	8,471	7,478	10,082	10,085
Machinery—electrical	£'000	4,022	4,805	5,015	4,232	5,234	6,008	5,249	4,779	5,987	4,757
,, other	,,	26,245	30,346	28,762	28,033	29,957	31,756	32,704	28,379	34,829	32,331
Chemicals elements and compounds	,,	n.a.	3,085	4,180	3,540	4,324	4,210	4,784	3,944	4,955	4,603

(1) Retained imports. (2) Average for first quarter.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1953 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	...	42	48	88	100·0	23·86	45·97
1952	111·6	107·0	113·5	114·6	105·8	114·6	123	102	121	195·0	67·97	68·52
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	193·3	71·69	71·69
1953, December	110·1	94·4	114·9	112·3	105·3	118·9	117	102	115	193·4	72·36	72·07
1954, January	110·9	97·8	115·2	113·1	104·9	118·8	117	102	115	198·4	70·92	70·43
„ February	110·5	97·7	115·0	112·6	104·7	118·9	...	...	...	203·1	71·28	70·93
„ March	110·5	98·4	114·8	112·1	104·3	119·0	...	...	...	207·1	70·71	70·50
„ April	111·1	99·8	114·6	112·4	104·1	118·6	...	...	...	215·8	70·20	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods						
	Seasonally adjusted annual rates		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals	New construction; seasonally adjusted	Total labour force	Total employment	Unemployed as % of labour force
	$ billion	Index 1947–49=100; seasonally adjusted							$ million	thousands		% rate
1939	91·3	58	49	53	48	66	80	45	683	55,230	45,750	17·2
1952	348·0	124	136	116	154	114	105	137	2,720	62,966	61,293	2·7
1953	367·2	134	153	132	189	118	107	147	2,904	63,453	61,929	2·4
1953, December	363·5[1]	126	142	113	182	112	95	145	2,900	62,614	60,764	3·0
1954, January	357·8	125	140	111	183	113	96	143	2,915	62,840[2]	59,753[2]	4·9[2]
„ February		124	139	109	178	113	95	145	3,038	63,725[2]	60,055[2]	5·8[2]
„ March		123	135	104	171	113	96	145	3,099	63,825[2]	60,100[2]	5·8[2]
„ April	...	123	135	105	174	113	95	144	3,079	64,063[2]	60,598[2]	5·4[2]

TRADE

	Personal consumption Annual rates	All business[3]		Total retail[3]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1936–38=100	
1939	67·5	10·80	20·05	3·50	5·53	190	62	41	260	139	94	113
1952	218·1	46·08	77·11	13·67	21·59	896	245	214	1,253	778	151	250
1953	229·8	48·82	81·07	14·23	22·66	898	217	224	1,299	906	159	262
1953, November	230·0[4]	47·52	81·28	14·10	22·44	838	197	185	1,234	801	149	248
„ December		47·21	81·07	13·93	22·66	896	204	186	1,340	875	159	270
1954, January	229·8	46·45	80·69	13·62	22·52	843	207	175	1,079	714	149	218
„ February		46·71	80·39	13·97	22·42	816	195	167	1,168	776	...	...
„ March		47·01	80·04	13·81[5]	22·56	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics[4]		Budget expenditure[4]		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
1952	269·7	184·9	14·8	25·83	18·68	77·5	64·2	65·4	— 4·0	1·766	2·68	2·96
1953	284·5	193·9	12·4	28·90	21·81	78·1	68·3	74·3	— 9·5	1·931	2·93	3·20
1953, December	284·6	197·6	12·5	28·90	21·81	78·1	68·3	6·3	— 1·2	1·630	2·79	3·13
1954, January	283·7	196·3	12·4	28·13	21·44	78·9	66·5	5·1	— 0·6	1·214	2·68	3·06
„ February	283·0	195·3	12·3	27·48	21·15	78·0	66·9	6·7	+ 0·7	0·984	2·60	2·95
„ March	282·8	194·3	12·3	27·15	20·90	75·7	67·0	5·6	+ 5·9	1·053	2·51	2·86
„ April	...	...	...	...	...	...	...	...	...	1·011	2·47	2·86

[1] Fourth quarter. [2] Figures have been revised on the basis of a new sample. [3] 1939 figures not strictly comparable with rest of series; stocks are at end of period. [4] All commercial banks. [5] Annual figures are totals for the fiscal year ended June 30th. [6] 14·29 in April.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 22nd, there was an "above-line" deficit (after allowing for Sinking Funds) of £27,707,000 compared with a surplus of £893,000 in the previous week and a deficit of £19,298,000 in the corresponding period of last year, bringing the cumulative deficit to £41,933,000 (£45,522,000 in 1953-54). Net expenditure "below-line" absorbed £1,511,000, raising the total cumulative deficit to £71,353,000 (£94,488,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to May 23, 1953	April 1, 1954 to May 22, 1954	Week to May 23, 1953	Week to May 22, 1954
Ord. Revenue					
Income Tax	1800,000	170,016	145,089	12,571	13,828
Sur-tax	132,000	14,800	14,500	1,400	1,100
Death Duties	164,375	29,500	25,900	3,400	4,800
Stamps	55,000	8,600	9,200	1,300	1,400
Profits Tax & EPT	172,000	25,400	17,300	3,000	1,800
Excess Profits Levy	60,000	5,900	7,900	1,600	800
Special Contribution and other Inland Revenue	1,000	220	200	50	...
Total Inland Rev.	2384,375	254,436	220,069	...	...
Customs	1062,500	157,519	160,256	21,453	19,783
Excise	719,000	117,025	117,885	8,890	12,315
Total Customs and Excise	1781,500	274,544	278,141	...	...
Motor Duties	77,000	6,524	7,168	...	...
PO (Net Receipt)	...	5,200	5,250	2,100	2,050
Broadcast Licences	21,000	1,000	1,250	...	...
Sundry Loans	24,000	1,942	1,948	...	...
Miscellaneous	245,000	122,86	23,956	3	1,761
Total	**4532,875**	**555,932**	**537,782**	**55,768**	**59,637**
Ord. Expenditure					
Debt Interest	570,000	101,826	99,229	4,701	3,523
Payments to N. Ireland Exchequer	51,000	4,408	5,137	...	...
Other Cons. Fund	10,000	667	681	5	141
Supply Services	3855,399	490,821	471,234	70,050	83,170
Total	**4486,399**	**597,722**	**576,180**	**74,756**	**86,834**
Sinking Funds	36,000	3,732	3,535	310	510
"Above-line" Surplus or Deficit	—	—	—	—	—
	45,522	**41,933**	**19,298**	**27,707**	
"Below-line" Net Expenditure	48,966	29,420	2,976	1,511	
Total Surplus or Deficit	—	—	—	—	—
	94,488	**71,353**	**22,274**	**29,218**	
Net Receipts from:					
Tax Reserve Certificates	29,199	38,000	2,475	6,267	
Savings Certificates	9,600	2,400	...	500	
Defence Bonds	—13,533	— 6,609	—2028	— 866	

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
May 23	3,080·0	1,467·5	247·1	...	4,794·6
1954					
Feb 20	3,040·0	1,331·9	293·5	...	4,665·4
„ 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar 6	3,060·0	1,358·2	286·2	1·0	4,705·4
„ 13	3,080·0	1,345·5	301·7	0·3	4,727·4
„ 20	3,100·0	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
„ 8	3,240·0	1,272·2	266·9	...	5,134·2
„ 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6

THE MONEY MARKET

CREDIT conditions in Lombard Street continued fairly tight in the week covered by the Bank return. The authorities came to the aid of the market on every day except Friday and Tuesday; but their purchases, made mainly indirectly through the banks, were on a limited scale and money remained generally short. The banks were able to secure August bills at 1 11/16 per cent (compared with 1 31/32 per cent in the previous week); and on Wednesday a number of houses only just avoided Bank borrowing at the penal rate.

At last Friday's Treasury bill tender the market maintained its bid at £99 11s. 5d. per cent. Applications rose by £9 million to £400.7 million, but the offer was up by £10 million, to £270 million, and the market's allotment rose from 50 to 54 per cent—its best since early April. The average rate of discount rose by 1½d. to £1 14s. 3.24d. per cent. The offer at yesterday's tender remained at £270 million, so that the excess of new bills over matching maturities will fall from £30 million to £20 million next week.

Business in the gold market was generally quiet throughout the week. But on Tuesday demands from the Continent became more active and the price rose by 1d. to 248s. 10d.

The Bank return shows a renewed outflow of notes into circulation of £3.6 million. Public accounts declined by £5.4 million and other accounts increased by £1.2 million, but other items in the banking department were practically unchanged.

LONDON MONEY RATES

	%		%
Bank rate (from 31/5/%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅞
Deposit rates (max)		3 months	1⅞
Banks	1½	4 months	1⅞
Discount houses	1½	6 months	2
Money—Day-to-day	1½–1⅝	Fine trade bills:	
Short periods	1½–1⅝	3 months	2⅛–3
Treas. bills 2 months	1 15/16	4 months	2⅛–3⅛
3 months	1 15/16	6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954		
	May 27	May 19	May 26	
Issue Department :*				
Notes in circulation	1,532·4	1,609·8	1,613·4	
Notes in banking dept.	17·9	15·6	11·9	
Govt. debt and securities*	1,546·7	1,621·8	1,621·7	
Other securities	0·8	0·7	0·8	
Gold coin and bullion	2·9	2·9	2·9	
Banking Department:				
Deposits:				
Public accounts	15·7	19·4	14·0	
Treasury special account	45·7	4·6	4·6	
Bankers	260·3	267·4	267·8	
Others	71·0	68·6	69·8	
Total	392·7	360·0	356·2	
Securities:				
Government	364·0	338·8	338·7	
Discounts and advances	6·0	7·0	7·0	
Other	20·9	13·9	13·8	
Total	390·9	359·7	359·5	
Banking department reserve	19·8	18·3	14·7	
	%	%	%	
"Proportion"	5·0	5·0	4·1	

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,575 million to £1,625 million on March 17, 1954.

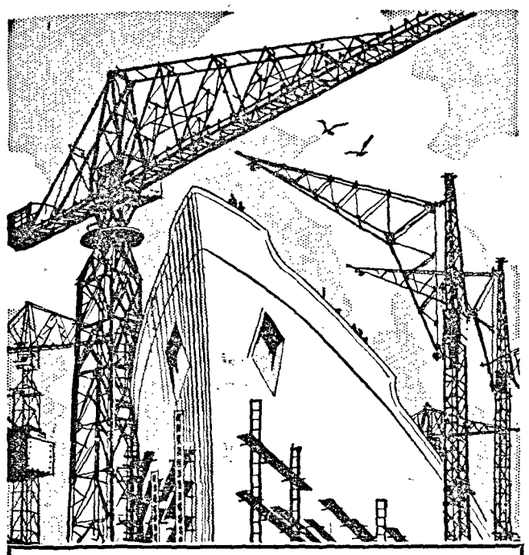
TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment		Allotted at Max. Rate %
	Offered	Applied For	Allotted	s.	d.	
1953						
May 22	250·0	343·3	250·0	47	7·94	62
1954						
Feb. 12	230·0	369·9	230·0	41	4·00	58
„ 19	240·0	398·9	240·0	41	3·56	45
„ 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	412·9	270·0	41	3·83	53
„ 12	270·0	414·6	270·0	42	2·61	45
„ 19	260·0	365·6	260·0	42	3·64	60
„ 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
„ 9	270·0	392·2	270·0	42	4·05	59
„ 15	230·0	417·2	230·0	41	7·41	44
„ 23	230·0	415·4	230·0	41	7·34	38
„ 30	230·0	437·5	230·0	40	11·36	38½
May 7	240·0	406·6	240·0	40	10·84	42
„ 14	260·0	391·7	260·0	34	1·75	50
„ 21	270·0	400·7	270·0	34	3·24	54

* On May 21st tenders for 91 day bills at £99 11s. 5d. secured about 54 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	May 26	May 20	May 21	May 22	May 24	May 25	May 26
United States $	2·78–2·82	2·81⅛–2·82	2·81⅛–2·82	2·81⅛–2·82	2·81⅛–2·81⅜	2·81⅛–2·81⅜	2·81⅜–2·81⅞
Canadian $	...	2·77⅜–2·77⅞	2·77⅜–2·77⅞	2·77⅜–2·77⅞	2·77⅜–2·77⅜	2·77⅜–2·77⅜	2·76⅞–2·77
French Fr.	972·65–987·35	985½–985½	985½–985½	985½–985½	985½–985½	985·985½	984½–985½
Swiss Fr.	12·15⅞–12·33⅞	12·23½–12·23½	12·23½–12·23½	12·23⅜–12·23⅜	12·23⅜–12·23⅜	12·23½–12·23½	12·23½–12·23½
Belgian Fr.	138·95–141·05	140·45–140·55	140·45–140·55	140·50–140·60	140·50–140·60	140·45–140·55	140·45–140·55
Dutch Gld.	10·56–10·72	10·63½–10·64½	10·63½–10·64½	10·64–10·64½	10·63½–10·64½	10·63½–10·63½	10·63½–10·63½
W. Ger. D-Mk.	11·67⅞–11·84⅛	11·75½–11·76	11·75½–11·76	11·75½–11·75½	11·75½–11·75½	11·75½–11·75½	11·75½–11·75½
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·59½	14·54½–14·54⅝	14·54½–14·54⅝	14·54½–14·54⅝	14·53½–14·53⅞	14·52½–14·52⅝	14·51⅝–14·51⅞
Danish Kr.	19·19½–19·48½	19·44½–19·44⅝	19·44½–19·44⅝	19·44½–19·44⅝	19·44½–19·44⅝	19·44·19·44⅛	19·44½–19·44⅝
Norwegian Kr.	19·85–20·15	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛	20·01–20·01⅛
One Month Forward Rates							
United States $		¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par
Canadian $		⅜–⅝c. dis	⅜–⅝c. dis	⅜–⅝c. dis	⅜–⅝c. dis	⅜–⅝c. dis	⅜–⅝c. dis
French Fr.		1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis
Swiss Fr.		1½–¼c. pm	1½–¼c. pm	1½–¼c. pm	1½–¼c. pm	1½–¼c. pm	1½–¼c. pm
Belgian Fr.		⅛ pm–⅛ dis	Par–⅛ dis	Par–⅛ dis	Par–⅛ dis	Par–⅛ dis	Par–⅛ dis
Dutch Gld.		1 ¼c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm
W. Ger. D-Mk.		1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm par	1pf. pm par
Swedish Kr.		2–1o pm	2–1o pm	2–1o pm	2–1o pm	1½–1o pm	1½–1o pm
Danish Kr.		1–3o dis	1–3o dis	1–3o dis	1–3o dis	1–3o dis	1–3o dis
Norwegian Kr.		Par–2o dis	Par–2o dis	Par–2o dis	Par–2o dis	Par–2o dis	Par–2o dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/9½	248/9½	...	248/9	248/10	248/10



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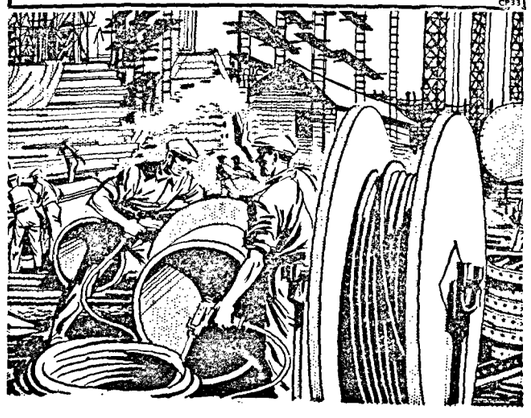

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(A Company limited by shares under German law)

BOCHUM

Balance Sheet as at 31st December, 1953

in abbreviated form

LIABILITIES	DM	DM
Deposits, etc.		439,210,453.11
Own Acceptances and Promissory Notes		5,121,211.89
Loans taken at Long Term		63,170,850.—
Capital		10,000,000.—
Reserves in accordance with Article 11 of the Law on the Credit System—		
(a) Legal Reserves	5,000,000.—	
(b) Others	—.—	
		5,000,000.—
Reserves for Special Purposes		3,315,207.46
Value Adjustments in accordance with Art. 7c, 7d and 7f of the Income Tax Law		2,501,545.23
Other Liabilities		145,957.19
Transitory Items		400,030.74
Net Profit for 1953		850,000.—
Liabilities arising from Sundry Guarantees	47,232,646.78	
Endorsement Liabilities on Bills of Exchange in circulation	12,146,750.70	
		529,715,255.62

ASSETS	DM
Cash	4,354,015.50
Balances with Land Central Bank	42,244,388.49
Balances on Postal Cheque Account	1,242,611.52
Balances with Credit Institutions (Nostro Balances)	35,519,854.81
Matured Bonds, Dividend and Interest Coupons	129,246.62
Uncleared Cheques on Other Banks	2,911,950.36
Bills of Exchange	217,859,807.05
Securities	21,318,614.93
Equalisation Claims on Government	4,144,528.66
Holdings in Syndicates	7,386.—
Debtors	122,437,190.68
Long-Term Loans	67,662,082.58
Participations	6,676,274.03
Real Estate and Buildings	2,167,370.—
Office Furniture and Equipment	571,100.—
Other Assets	161,117.67
Transitory Items	307,716.72
	529,715,255.62

Profit and Loss Account for the Year 1953

EXPENDITURE	DM	DM
Administrative Costs (including contractual remuneration) and Taxes		6,377,442.86
Depreciation and value Adjustments—		
(a) On Buildings	47,824.71	
(b) On Office Furniture and Equipment	186,854.65	
(c) On Loans, in accordance with Art. 7c, 7d and 7f of the Income Tax Law	2,291,100.—	
		2,525,779.36
Extraordinary Expenditure		632,070.76
Allocation to Legal Reserve		1,500,000.—
Net Profit for 1953		850,000.—
		11,885,292.98

RECEIPTS	DM
Interest	5,793,563.14
Commissions	5,650,192.76
Other Receipts	441,537.08
	11,885,292.98

Bochum, March, 1954.

THE BOARD OF MANAGEMENT
Hollenberg — Klein

According to the conclusive result of my audit, which was duly carried out on the basis of the books and records of the Company as well as of the explanations and statements supplied by the Board of Management, the bookkeeping, the Annual Statement of Accounts, and the Annual Report in so far as it elucidates the Annual Statement of Accounts, are in conformity with the provisions of the law.

Münster (Westphalia), March, 1954.

Dr. Schumacher,
Wirtschaftspruefer.

BOARD OF DIRECTORS: Dr.Ing. Willy van Delden, Ahaus i. W., Chairman; Otto Werthmann, Lühringsen bei Soest, Deputy Chairman; Dr.-Ing. E. h. Heinrich Kost, Kapellen, Krs. Moers; Carl Ludwig Kümpers, Rheine i. W.; Dr.-Ing. E. h. Günther Quandt, Frankfurt a. M.; Fritz Ridderbusch, Essen; Representatives of employees: Heinrich Steinhauer, Bochum; Ernst Tillmann, Bochum; Erich Winter, Bochum.

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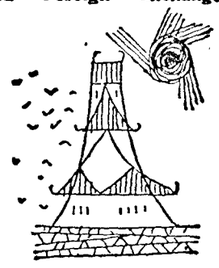

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COMPANY MEETINGS

THE UNION-CASTLE MAIL STEAMSHIP COMPANY

CONSERVATION OF RESOURCES TO MEET FUTURE CONTINGENCIES ESSENTIAL

DIFFICULTY OF MEETING RISING EXPENSES FROM INELASTIC RATE STRUCTURE

FUTURE BUILDING: LEVEL OF FIXED PRICES SORELY NEEDED

REPLACEMENT—LARGEST PROBLEM CONFRONTING INDUSTRY

SIR GEORGE P. CHRISTOPHER ON SITUATION VIBRANT WITH POTENTIALITIES

The annual general meeting of The Union-Castle *Mail* Steamship Company, Limited, was held on May 27th at Winchester House, Old Broad Street, London, E.C., Sir George P. Christopher (chairman and managing director) presiding.

Sir Russell Kettle, FCA, having read the report of the auditors,

The chairman said: It is exactly a year since first I addressed you as chairman, and I fully realise that what was then a promissory note on the future now becomes a matter of giving account of our trusteeship in the twelve months that have passed.

ACCOUNTS

The accounts have been in your hands for some time and, assuming they may be taken as read, I suggest it will perhaps be sufficient for me to confine myself to some of the salient features.

Taking then the Union-Castle Company's profit and loss account, you will have noted that provision has been made for depreciation of the fleet on the basis of 5 per cent on its first cost, and cost of improvements during the year, plus the equivalent of income tax relief in respect of initial allowances on expenditure on new tonnage, absorbing in all £1,527,018. The initial allowances were much less than those in 1952 because of smaller shipbuilding instalments and this accounts for the lesser total of depreciation than that in the previous year. Estimated taxation absorbs £1,003,592, the increase in this respect over the 1952 figure being in large measure due to the lesser saving of tax on the smaller initial allowances already referred to. The net profit, after including income from investments, interest and a balance of provisions made in previous years no longer required, amounts to £1,114,146, representing a moderate increase of £103,257 over 1952.

Turning to the way in which we propose to deal with this amount, plus the balance brought forward from 1952, I shall speak at greater length in a later part of this address about the £1,500,000 which we have transferred to fleet replacement account, partly out of 1953 profits and partly from the amount brought forward from previous years.

DIVIDEND

In regard to the dividend on the ordinary stock, we gave the closest consideration to the case for and against an increase. The points in favour of a larger payment will easily present themselves to you, and they were potently in our minds. The main reason actuating us in proposing no increase was the necessity for a considerable conservation of our resources in order to meet the growing need for the ultimate renewal of various units of our fleet. A year ago, I expressed the hope that, by keeping the dividend at a reasonable level, there would be a better prospect of our being able to maintain it at that level. We are pursuing that policy in respect of the past year's accounts, and I would like to think we have the understanding support of stockholders in this decision. I feel we must have regard to the long-term interests of the company and, therefore, of the stockholders. The future will call for measures requiring the utmost financial strength, and the payment of future dividends will depend upon the building up of the means whereby those payments can be earned. Your board is very conscious of its responsibilities in this respect and our conception of these obligations leads us to the belief that prudence and forbearance at the present time are more likely to be rewarded than a disregard of these considerations through a less prudent course in these days.

EARNINGS AND RUNNING COSTS

The company's gross freight earnings were almost identical with those of 1952, but passenger earnings showed a slight drop. It is not easy to make a clear analysis of the fluctuations from time to time in our operations either as regards passengers or cargo, as so many things influence the general position. We can only maintain our organisation in the best possible fettle to deal effectively with our obligations and, for the rest, repose an unshaken faith in the prosperity and strength of the great African countries it is our privilege to serve. In this respect, we are in the peculiar position of being concerned with no other trades than those to and from South, Central and East Africa which, throughout a century of history, first the Union and the Castle companies separately, and latterly the Union-Castle Company, have held as their sole objective. It is thus true to say that not only is our whole duty devoted to those services but our well-being is bound up with that of those countries.

The following percentage division of our voyage operational expenditure in 1953 under the main headings is of interest:

Passenger and Cargo Expenses	28 per cent
Crew Wages and Victualling	22 per cent
Repairs, Renewals, Deck, Engine and Stewards' Stores, and Insurance ...	22 per cent
Fuel	21 per cent
Port Charges	7 per cent

It is also interesting to note that last year a total of over £1,775,000 was expended in the Union of South Africa.

Oil fuel is the only major item showing a reduction in price from the abnormally high level to which it had soared, but it still represents a heavy percentage of our running expenses.

I shall be referring later to the costs of replacement, with their bearing upon the running of a fleet. These costs should be reflected in the current levels of freight rates but in our case these levels, so far as South Africa is concerned, are determined not so much by economic circumstances as by the decisions of the Union Government, under agreements which have operated for very many years but upon which the tremendous impact of economic changes in recent years has not by any means been fully adjusted. In saying this, all I have in mind is to give expression to a hope that the South African authorities will make it possible for us to continue to meet their needs as we would wish to do and, with this in view, to consider the ways and means by which alone that service can be rendered in the future as it has been in the past. I further venture to hope that what I have to say in this speech will at least be regarded as a straightforward endeavour to set forth the shipping position. Conference rates of freight to and from South Africa, which have had no general increase since July, 1951, are just over twice the prewar level. On the other hand, the major running costs of one of our representative mail ships, consisting of crew costs, stores, insurance, repairs and renewals, fuel and port charges, totalled in 1953 nearly four times those under the same headings and for the same ship in 1938. These figures illustrate the way in which the increase in inescapable costs has out-stripped the rise in freight rates and indicate the seriousness of the problem of meeting rising expenses from traffic based on an inelastic rate structure. This, moreover, takes no account whatever of the magnitude of the problem of replacement.

GENERAL

A great deal is said nowadays from a wide field of varying opinions about the profits of industrial concerns. It seems to me that it will not be amiss for this opportunity to be taken to emphasise certain considerations deserving some attention. It should be made clear to whose who, from one angle or another, take a critical view of the size of the trading profits of a company, that the real proof of the position lies in two factors, first, the preservation of the existing tools of the trade and, secondly, the resources built up out of accumulated profits to provide for their renewal, and thus for the continued progress of the venture. The first of these factors—in our case the company's ships—represents the very sinews of our trading facilities, for only by their maintenance and upkeep can the company have the power to face its current calls and fulfil its vocations. The second represents the wherewithal from which, apart from fresh capital issues, the company is alone able to meet the ever-present, indeed the ever-growing, need for

periodical renewals of its fleet. No matter what form a company's balance sheet may take—and the modern tendency, quite rightly, is for more and more to be disclosed therein—there is, generally speaking, one pivotal point and that is the available liquid resources after allowing for known liabilities. Assuming the distribution to shareholders has not been unreasonably high over the years, and there is much more criticism for too little done in this than too much, anyone looking at the position with a discerning eye has a fairly clear picture of what there is in the coffers and in hand to provide for the likely needs of rejuvenation. In the present circumstances of the Union-Castle Company, the overriding consideration must be the strength or otherwise of this liquid position inevitably required for replacement. Therefore, I would respectfully commend to anyone judging the earnings of this company, the consideration of what they have really amounted to in the form of the existing fleet which has been paid for and the resources left with which to replace ships as and when the need arises.

DEPRECIATION AND REPLACEMENT COSTS

Let me now turn to the question of depreciation with its vast importance to any industrial concern, and to none in the same imperative degree as to shipping. Our tax law, until now, has only allowed as a charge depreciation provisions based upon and limited to the historic cost of the ships. In times of little or easily assimilated fluctuations in first costs, such provisions can, of course, be said to have been all that prudence called for. For a number of years, however, the position has been very different from that. Without burdening you with a lot of figures, it is sufficient for my purpose to take two units from the opposite ends of the Union-Castle fleet to illustrate that difference and the problem to which it gives rise. To replace our *Carnarvon Castle* (built in 1926) when this becomes necessary, with a ship meeting the increased needs of modern passenger and cargo services, will call for an expenditure in excess of four times as much as her first cost at today's level of shipbuilding prices. The other illustration is really a repetition of what I said a year ago. Were it necessary to replace *Edinburgh Castle*, the latest built of our mail ships, it would cost today somewhere about double her actual cost five years ago. The moral is clearly that, even with this comparatively modern ship, depreciation on her actual cost makes inadequate provision for renewal, whereas in the case of *Carnarvon Castle* the sums set aside on the cost basis represent a woefully insufficient allowance to provide for her replacement, and this applies in proportionate measure to all the other units of our fleet of twenty-seven ships.

Having regard to the unprecedented rise in the costs of replacement, a rise far surpassing the most prescient forecasts anyone could have made when most of the ships were built, it is quite obvious that no level of profits can be regarded as unwarranted if it has not been sufficient to permit the making of adequate provisions to bridge the chasm between first costs and replacement costs. It should hardly be necessary for me to add that the profits made by the Union-Castle Company over the years have not been of such a nature. Had anything like such provisions been made, there would have been no net profits at all.

FUTURE BUILDING

A year ago I said that the board, after a careful review of the position, had come to the conclusion that for the time being a halt must be called to any further shipbuilding programme. There has been no notable change since then. Were this company in the position of being able to hold its hand indefinitely in the matter of renewing its fleet, I would tell you that the self-denying ordinance announced last year must continue until costs or freights or both change. On neither of these scores is there any more justification for embarking upon a shipbuilding commitment now than there was then. At today's building prices and level of earnings a new mail vessel would not make sufficient to cover her depreciation and interest on capital outlay. However, assuming those with whom we trade and those great interests in Africa which we have served so long look to us for further co-operation, on terms making it possible for us to continue to serve them, there must come a time when a progressive policy is called for. In saying this, nobody must jump to the conclusion that I am implying we have made any decisions to embark upon new building. Much careful thought will have to be given to the matter.

There is a tendency for certain elements interested in the building of ships to assume that shipowners have talked insincerely about this question of costs in order to depress wages. With all the earnestness within me I would say to any inclined to hold such a view, that the placing of such orders as shipowners may feel it imperative to place should not be regarded as a sign that those responsible are happy in doing so. Shipowners are appreciative of the incentive to industry generally which the United Kingdom Government have included in this year's Budget by way of the investment allowances. These will be very helpful but what is sorely needed is a level of fixed prices, at which shipowners can feel justified in adopting farseeing decisions. It is up to the shipbuilders, their sub-contractors, and the trades unions concerned to get together in some way, which it is not for me to suggest, to see how by co-operation and by increased efforts shipbuilding costs can be more nearly equated to resources and prospects.

Replacement is the largest problem facing shipping at the present time and it is vibrant with potentialities, not only for shipping, shipbuilding and the workers in all the trades ancillary thereto, but for the national interests on the widest scale. Shipowners are by no means unaware of these considerations although they must be forgiven if they doubt whether all the other interests are so keenly alive to them. It is scarcely fair to assume that shipowners are the only people who should be expected to shoulder the burden of the costs. And yet, shipbuilders and their sub-contractors never seem to think it strange that, while they themselves feel unable to face fixed prices, shipowners have to take all the risks of building contracts subject to incalculable rises and thereafter to run the risk of trading the unprecedentedly expensive ships on equally unpredictable markets. Moreover, labour also must take more interest and responsibility in what can be achieved in the matter of reducing costs and improving deliveries by recognising the call for greater production.

FLEET REPLACEMENT ACCOUNT

So far as the Union-Castle Company is concerned, nothing is more obvious than the need to bring up our fleet replacement account to such proportions as may be possible towards closing the gap to which I have referred. It is with this in mind that the board has decided to make an immediate substantial transfer to this account and to register the intention of continuing this policy insofar as it may be possible so to do.

GROUP ACCOUNTS

Turning for a moment to the consolidated accounts, the net profit of the group at £1,255,524 is slightly down by £75,725. Reduced profits of the King Line justified the warning I gave a year ago, and a smaller dividend has accordingly been paid to the parent company. While grain stocks in Australia, Canada and the United States are abundant, all the consuming countries would appear to have been comparatively well supplied. There has, in consequence, been a much lesser demand for ships to carry grain cargoes, which normally make an important contribution to the business of tonnage such as the King Line ships. They are, however, in able hands and I have every confidence in their competent running.

THE OUTLOOK

Without daring to enter the realms of prophecy the signs seem to point to the continued development of the great African Continent with which the destinies of this company have been linked for so long. When the present difficulties are resolved, difficulties shared in varying forms by the whole world, the solution of which is bound to come sooner or later, surely there can be no doubt about the recompense in store for the faith and enterprise manifested by those entrusted with the Continent's wellbeing. It is our ambition that this company may continue to be numbered among those privileged to have a share in the consummation of these hopes.

SEA-AIR COMBINATIONS

Stockholders may have wondered at not seeing the Union-Castle Company included among the established shipping companies which have embarked upon investments in air freight concerns. Your directors gave close attention to this project but decided against any commitment in that uncertain and expensive field. They took the view that shipping presented quite sufficient difficulties in the way of outlay on the tools of the trade without incurring additional obligations in another element of transport. Moreover, they did not feel any confidence in the preconceptions of possible future Governments as between free, controlled or nationalised air transport. They were also unconvinced that international considerations would not bring to naught, or minor worth, free ventures even in the limited sphere of operations presently open to so-called private air enterprise. We wish nothing but well to those shipping companies which have ventured their money on this arm of transport. We hope they will be justified of their courage, but for your company we feel the sea is our medium and that we should confine our attention to that.

"TAKE-OVER" BIDS

Without wishing to join in any sort of controversy as to the rights or wrongs of the modern tendency known as the "take-over" bid, I would draw attention to two of its aspects. If stockholders consider the boards of their companies display insufficient progressiveness, they surely have at their hands the more ordinary means of making their views felt. It cannot be in the best interests of industry that boards should be constantly forced to look over their shoulders for the spectre of the "take-over" bidder and be tempted to adopt measures which they would otherwise consider imprudent. Then there is the effect these rumours are likely to have upon staffs with the sword hanging over their heads. I am not suggesting that any of them have suffered up to now, but whenever such rumours get about staffs never know what may be the effect upon themselves of any change in control, and this cannot be good. Your company has not escaped the publicity to which this phenomenon, new in its modern application, has given rise. The excitement engendered over Union-Castle stock last autumn proved to be unfounded, although some people obviously listened to the "take-over" stories which abounded.

STAFF

I wish to pay a special tribute of gratitude to the staff of this company, ashore and afloat, in this country and in Africa. I have made very great and special demands upon them in the past year, the significance of which it was not easy for them to estimate. Changes have been made in many spheres and in one of the most important departments of our organisation, namely the general amenities of our passenger services, a searching examination is still in the course of fulfilment. This has all been accepted in the right team spirit. The company's interests have been put first by everyone and it is a pleasure to me to bear witness to a support without which my task would have been inestimably more difficult.

No chairman could possibly desire greater support or more constructive guidance than has been accorded to me by my colleagues on the board throughout the past year, for which I am very grateful.

It was with deep regret that we heard of the death on September 12, 1953, of the Duke of Abercorn, who had been a member of the company's board for more than thirty-two years. His loss after so long an association with the company was keenly felt by all his fellow directors. To fill the vacancy which thus arose, Mr Stanley Barr was co-opted to the board. Mr Barr retired from the position of general manager of the company in February this year after more than fifty years' loyal service, and the knowledge and experience which he has gained over that long period are of inestimable help. In accordance with the articles of association, Mr Barr retires at this meeting and offers himself for re-election.

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

The proceedings terminated with a vote of thanks to the chairman and directors.

THE YORKSHIRE INSURANCE COMPANY

RECORD ACHIEVEMENTS

LORD MIDDLETON'S SPEECH

The one hundred and thirtieth annual general meeting of The Yorkshire Insurance Company Limited was held on May 25th at York.

The Rt Hon Lord Middleton, MC, the chairman, in the course of his speech, said:

The year 1953 was a good one for us; we are able to report a record achievement in several departments. Never have we issued in any year so many new life policies. Never have we had so large a net life, fire or accident income. Never have all our funds—life, fire, accident or marine—stood higher and, most important of all—for stability must keep pace with progress—never have our reserves been stronger than today.

The transfers from our various departments, together with the net interest income on our non-life funds and the profit of our trustee company, yield a total of £1,055,000. The provision for home and overseas taxation, whilst still heavy, imposes a less severe strain than in the previous year.

Bearing in mind the substantial uplift that was made in the dividend last year, the directors recommend that on this occasion it shall remain unchanged. This absorbs £132,000, which leaves a sum of £268,000, as compared with £267,000 at the beginning of the year. Our total assets have risen from £46½ million a year ago to over £49 million. I can say with confidence that we have both at home and abroad an excellent portfolio of securities. The report was adopted.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

(Inc. in Newfoundland)

PROGRAMME OF REHABILITATION CONTINUED

EFFORTS TO ENHANCE GROUP'S COMPETITIVE POSITION

MR ELLIOTT M. LITTLE'S REVIEW

The ordinary general meeting of Anglo-Newfoundland Development Company, Limited, was held on May 26th at the offices of the company, Grand Falls, Province of Newfoundland, Mr Elliott M. Little (the President) presiding.

The following is an extract from the statement by the President which had been circulated with the report and accounts for the year ended December 31, 1953:

Despite severe operating difficulties created by extraordinary weather conditions early in 1953, and loss of production due to demands by our customers for sizes not well suited to our manufacturing facilities, the earnings from our newsprint operations were substantially the same as the previous year. The drastic drop in base metal prices accounted for the greatly reduced earnings from our mining interests and no immediate relief in this direction is expected.

The drop in pulp prices during 1952 and which continued into 1953 was the inevitable result of the inordinately high prices of the year 1951. These wide variations in pulp prices are in the interest of neither the seller nor the buyer.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The company continued its programme of rehabilitation during the year. The conversion of the Bishop's Falls Groundwood Mill to a hydro-electric plant was completed and this unit brought into full operation during October. Meanwhile, the additional automatic grinders required to provide sufficient groundwood capacity at Grand Falls were installed. The capital expenditure programme for next year consists mainly of improvements to the wood handling system and the completion of other projects in hand.

The demand for newsprint continues good and the company's contract or order position is satisfactory.

In 1953 this company, with twenty-three other international firms and corporations, became a member of a syndicate which formed a corporation under the laws of Newfoundland, called "British Newfoundland Corporation Limited." The purpose of this corporation is to promote the industrial and economic development of Newfoundland's Mineral, Water Power and Forest resources. It is felt that this venture will be of some future benefit to your company, which has committed itself to subscribe for 52,100 common shares of one Canadian dollar per share, of which 21,000 shares were called in 1953. Further commitments in connection with the activities of this corporation may be assumed from time to time.

GASPESIA SULPHITE COMPANY, LIMITED

The bleaching plant, referred to in last year's statement, came into production in August, 1953, the total expenditure on this installation amounting to $3,076,107 as of December 31, 1953.

During the year, 54,176 tons of unbleached sulphite pulp and 14,426 tons of bleached sulphite pulp were produced, as against 65,142 tons of unbleached sulphite pulp in the previous year.

Pulp prices continued to fall through 1953. The price of unbleached sulphite dropped $5 per ton on January 1, 1953, and there was a further reduction of $10 on May 1st. Bleached sulphite pulp is selling at $20 per ton differential over unbleached pulp, and whilst this differential barely covers the increased cost of bleaching, a steadier demand will prevail in the bleached pulp market.

We were successful in our efforts to reduce the cost of production almost to the same extent as the reduction in pulp prices.

TERRA NOVA PROPERTIES LIMITED—BUCHANS MINE

Operations were continuous throughout the year and ore mined and milled was 346,000 short tons, an increase of 12,000 tons over the tonnage treated in 1952. Average grade of ore mined was slightly lower than the 1952 average, but this decrease was negligible compared to the decrease in metal prices. These low metal prices were responsible for the great reduction in revenue in 1953.

Ore reserves as of December 31, 1953, were estimated to contain 5,084,000 tons of assured and probable ore. The increase of established reserves was made possible by underground drill hole intersections in the outlying Rothermere R4 orebody, which have confirmed ore that was previously indicated only by surface drill holes. A small tonnage, consisting of remnants of lower grade ore in the old sections of the mine, is also available for extraction.

Mine development for the year totalled 6,737 feet, with 88 per cent of this work being done in the Rothermere mine, for opening up stoping areas above No. 9 level and exploring the R4 orebody on No. 13 level. Development in the Rothermere mine will continue next year.

Production estimate for 1954 calls for approximately the same tonnage and grade as that obtained during 1953.

MONTMORENCY SHIPPING LIMITED

Reference has been made above to the abnormal weather conditions experienced in 1953, which resulted also in an ice blockade of our winter shipping port. In consequence of unavoidable shipping delays, coupled with a general fall in the market, the earnings of this subsidiary company were adversely affected. The parent company's delivery costs did not, however, suffer seriously thereby.

CONSOLIDATED POSITION

The consolidated profit, after depreciation and taxes, of $2,935,986, is equivalent to 53 cents per stock unit, compared with $4,348,598, or 79 cents per stock unit for the previous year. Your company's fixed assets continue to be well maintained and all avenues of improvement to enhance the group's competitive position are being vigorously followed.

The report and accounts were adopted.

CEREBOS LIMITED

ANOTHER YEAR OF PROGRESS

W. ARNOLD INNES'S STATEMENT

The fiftieth annual general meeting of Cerebos Limited was held on May 27, 1954, at Cerebos House, London, N.W.10.

Mr W. Arnold Innes, the chairman, presided.

The following is his review which has been circulated with the report and accounts for the year ended December 31, 1953:

I have pleasure in presenting the report of the directors and the accounts for the year 1953. This was another year of real progress in all sections of the business.

ACCOUNTS, DIVIDEND AND TAXATION

The consolidated balance sheet with the comparative figures for the previous year clearly sets out the position of the company and its subsidiaries as at December 31, 1953, but a few comments thereon may be of assistance to stockholders.

The value of the fixed assets of the group in the form of land, buildings, plant and equipment (after setting aside adequate sums for depreciation), the goodwill and trade investment items now amounts to £3,088,850—an increase of £648,552 on last year's figures.

In my review of the accounts for the year 1951 I reported that we had purchased 50 per cent of the equity shares of Scott (Midlothian) Limited. The purchase of the remainder of these shares was effected just after the turn of their financial year which ended on August 31, 1953, and the assets and liabilities of the "Scott" group of companies as at that date have therefore been incorporated for the first time in the consolidated balance sheet of Cerebos Limited, as have also those of our newly acquired Australian interests. The increase in the value of the fixed assets is therefore attributable to the broadening of our trading activities by these acquisitions and also to expenditure on the reconstruction and re-equipment of our Greatham and Middlewich factories.

This increase in capital outlay is naturally reflected in the nett current assets position, which at £1,216,444 shows a reduction of £76,510.

The holding in gilt-edged securities, which last year was written down to the prevailing market value, has since then appreciated by £38,196 to £563,721. For the purpose of the balance sheet, however, the increase in the market worth has not been taken into account.

Reserves and surplus, including the sum set aside in cover of future taxation, stand at £2,111,769 against £1,691,152 for the previous year—an increase of £420,617.

The net trading profit of the group for the year is £1,358,560—an increase of £254,419 over the figure for 1952. The estimated liability for taxation arising therefrom, including Excess Profits Levy of £100,000, amounts to £875,001. The nett profit of the group for the year, after making full provision for taxation, therefore amounts to £483,559, and to this falls to be added £241,331 brought forward, making a total sum available of £721,618.

As will be seen from the directors' report, it is recommended that the sum of £150,000 be transferred to general reserve, increasing the amount standing to the credit of that account to £500,000, and that a final dividend of 18¾ per cent be paid, which, together with the interim dividend of 6¼ per cent paid in November last, makes a total dividend for the year of 25 per cent, leaving £296,618 to be carried forward.

You will be happy to observe that we have been able to maintain the dividend at the higher rate established last year. Taxation continues to absorb the major portion of our profits, and our liquid resources must be conserved in order to meet capital commitments. We are indeed grateful for recent concessions in taxation, but continued excessive taxation cannot do otherwise than restrict the development of industry through the attrition of liquid resources.

HOME SALES, MARKETING AND ADVERTISING

Last year our sales in both tonnage and sterling were again higher than in any previous year. Today I have the satisfaction of reporting that the turnover figures for 1953 have exceeded those of 1952, in both these aspects.

This indicates clearly not only that our products have maintained their hold upon the buying public but that the number of consumers continues to increase. This is, in reality, the test of progress, because an increase in sales in an expanding market can be illusory unless it is accompanied by an improved share of the available market. It is also, I suggest, a tribute to the unfailing quality of our products.

Recent years have witnessed a considerable change in the technique of selling due to the development of market research which enables us to frame our sales and advertising policies upon the lines most calculated to produce better results year by year, whilst, at the same time, maintaining the cost of our selling operations at an economic level. To achieve success in this field it is necessary to have complete co-ordination among those responsible for marketing, selling and advertising. Each of these divisions benefits by the activities of the others, thereby ensuring the greatest possible efficiency in our sales promotion campaigns.

We have always been fortunate in the support and co-operation extended to us by our trade friends who sell our proprietary lines. We also enjoy the support of numerous industrial firms who rely on us for their bulk salt requirements. In this connection the field is very extensive as there is scarcely an industrial process in which salt is not used to a varying extent.

It gives me, therefore, much pleasure to express my appreciation of this trust and confidence which, in most cases, has continued without interruption for very many years and which we shall always do our best to merit.

EXPORT AND OVERSEAS TRADE

Taken as a whole we have no reason to be dissatisfied with our experience in overseas markets during the past year and sales again have constituted a record. This is no mean achievement as many countries which in the past have been good customers do not now buy at all, whilst many others have imposed drastic restrictions. At one time we had an extensive trade with the various South American countries but today none of them makes any contribution to our export trade. There is no sterling available to finance the import of consumer goods.

Accordingly we have concentrated upon our trade with other countries notably those within the Commonwealth and I am particularly glad to be able to give a good report of the first year's trading of Cerebos (Australia) Pty. Ltd. This company manufactures and distributes gravy powder under the trade mark "Gravox" and the sales of this product and of those proprietary lines which continue to be imported from this country have been up to our expectations. What is equally important, the first year yielded a satisfactory profit. However, we are somewhat seriously handicapped by the inadequacy of our premises in Melbourne and, therefore, the Australian company is actively engaged in a search for new premises, suitable in type and size for what we confidently expect will be a rapidly increasing business.

The local directors of Cerebos (Australia) Pty. Limited are Mr E. R. Mead, formerly our manager in Australia, Mr K. R. Clements and Mr J. G. Vaughan.

It is also pleasing to record that our Canadian sales have benefited from the visit last year of one of our senior sales executives. After covering the Dominion from Montreal to Vancouver, he has given an encouraging report on future prospects and we are confident that our sales to this important market will continue to progress, thereby increasing if only to a modest extent the country's dollar income.

As it may not be generally known that the Cerebos group exports substantial quantities of salt in bulk, I would like briefly to refer to this trade; it is one of the oldest in the world as long before the Christian era the Chinese sent their junks to Red Sea ports to load solar salt, a trade which still exists having changed but little through the centuries. As long ago as 1749 the sea carriage of salt was sufficiently important to be mentioned in Lloyd's policies of insurance and it is interesting to recall that soon afterwards, in 1757 to be precise, our subsidiary company, Henry Seddon & Sons, Limited was established. This company, which will shortly celebrate its bicentenary, has had a long and successful career; it is still one of the major English salt exporting companies being particularly prominent in the important West African trade.

As other markets have yielded satisfactory results, and provided the present restrictions upon trading imposed by many countries are gradually eased, we can look forward to a substantial increase in our overseas sales. The future trend is however unpredictable. I will only say that we are well placed to trade with any country willing to accept and to pay for our products.

PRODUCTION

Good progress continues to be made with the development schemes at our various factories. Greatham has now been fully modernised and mechanisation has brought it to a high degree of efficiency. Work at our principal Middlewich factory still continues and it is fully anticipated that the new vacuum plant will be in operation there during the course of the current year. Other modernisation schemes are in hand and we anticipate that the whole of the work should be completed by about the end of next year.

The increasing demand for our products has meant that the maintenance of steady production in greater volume has been essential. The factories have met the demand well. Reconstruction and development have been skilfully carried out without interference to greater production.

Costs have remained fairly steady and I am pleased to be able to report that during 1953 we have been able to avoid any increase in the retail selling prices of any of our products. Recent increases in wages, carriage charges and fuel prices, however, will undoubtedly contribute to an upward tendency to costs during the current year and to what extent this can be offset by increased tonnage turnover remains to be seen.

During the year under review supplies of raw and packing materials have presented few abnormal difficulties.

We have recently purchased additional freehold land at Greatham and the acquisition therewith of the mineral rights will ensure our vital supplies at Greatham for as far into the future as we consider necessary in the interests of the company.

DISTRIBUTION

The expansion of our commercial fleet referred to last year has advanced rapidly and two further main depots have been secured.

The acquisition of the Scott business has, of course, introduced a new factor but one which tends rather to simplify our problems than otherwise. Scott's also have a substantial commercial fleet and the process of integration is proceeding smoothly. Savings are already being made.

All our products sold to the retail grocery trade in Great Britain, with the exception of some of the remoter parts of Scotland, are now delivered by road transport. To achieve this we have increased our own transport fleet and in areas which we cannot serve ourselves we have employed contractors, who are working well on our behalf. This results in a quicker delivery service as well as ensuring that our goods arrive at their destination in good condition.

SUBSIDIARY COMPANIES

Once more I am pleased to report that all our subsidiary companies have experienced a successful year's trading and have made a valuable contribution to the results of the group. The extensive range of products of these companies continues to ensure that our business is very broadly based.

We are well satisfied with the progress and development of Scott (Midlothian) Limited and its subsidiary companies and it is indeed gratifying to report that Scott's position, as the largest suppliers of porridge oats in the British Isles, remains unimpaired.

I am glad to say that the directors of the various companies comprising the "Scott" group have agreed to remain in office and consequently we welcome to our counsels Mr R. F. Shepherd, WS, Sir William Y. Darling CBE, MC, DL, LLD, MP, Mr William Thyne, Mr Angus Wallace and Mr T. G. Waterlow, CBE.

In Eire, the board of Cerebos (Ireland) Limited has been reorganised and the directors resident in that country are Colonel W. B. P. Bradish, Mr Roger Greene and Sir George Mahon, Bart.

STAFF AND EMPLOYEES

On behalf of the board I would like to express gratitude for the devoted efforts of all our employees, both home and overseas, without which such excellent results could not have been achieved. We have always attached great importance to the question of happy relations with our employees and every encouragement is given to young people to equip themselves for managerial posts within the group.

In conclusion, I would like to express my warm appreciation and thanks to my colleagues on the boards of Cerebos Limited and its subsidiary companies for all the support and co-operation they have given me during the past year.

The report and accounts were adopted.

Mr L. H. McRobert, CBE, TD, DL, ACA, the director retiring by rotation, was re-elected.

The proceedings terminated with a vote of thanks to the chairman.

CROWN MINES, LIMITED

At the annual general meeting held in Johannesburg on May 10, 1954, the chairman, Mr W. M. Frames, in the course of his remarks, said:

As you know, the extent and profitability of the operations of the gold mining industry were adversely affected in 1953 by an acute shortage of non-European labour, an increase in working costs and declines in both the determined price of gold and the additional revenue from sales at enhanced prices. Considered against this background and in relation to the position at the mine outlined to you by the chairman last year, the results obtained by your company for the year under review can be considered satisfactory. A small decline in the tonnage hoisted was more than offset by an increase in the tonnage of low grade ore drawn from surface dumps. Due to the low cost of the latter and to the reduced expenditure on incline shaft sinking and development, working costs decreased by 8d. a ton milled. On the other hand, the lower yield and the fall in the amount received per ounce of gold caused the revenue to decline by 1s. a ton and as a result the working profit at £604,933 was lower by £43,740.

MINING OPERATIONS

In general, operations at the mine proceeded according to expectations. The tonnage added to the reserves on the Main Reef Leader in the bottom levels was only about two-thirds of the corresponding amount in the previous year. In the eastern section, development, which has virtually been completed, added only a very small tonnage to the reserve. In the central section some useful tonnage was developed but it is unlikely that any significant blocks remain to be opened up in this section. It will therefore become necessary to draw some ore from shaft pillars in the near future in order to maintain production from these sections. About 75 per cent of the ore developed during 1953 in the bottom levels was located in the western section where normal development operations in depth are continuing and although values and percentage of payability are satisfactory there are indications that development is entering a poorer zone. Under existing conditions it appears likely that operations at the mine may continue on the present scale for about another three years after which there will be a gradual decline over the remaining period of the mine's life. Surface dumps, which provided a welcome supplementary tonnage and profit in 1953, are sufficient to last for several years at the present rate of consumption.

Since the close of the year there has been a marked increase in the supply of non-European labour, which now promises to show a substantial improvement over the previous year. On the other hand, the shortage in underground European labour has become more acute and we are concerned about the effects it may have on future operations.

In reply to a question by a shareholder, the chairman stated that certain claims on Bird and Kimberley reefs, which were inaccessible to this company, were being contributed on a royalty basis by Consolidated Main Reef Mines and Estate, Limited.

The report and accounts were adopted.

BRITISH PAINTS (HOLDINGS)

LEVEL OF TRADING MAINTAINED

The twenty-fourth annual ordinary general meeting of British Paints (Holdings), Limited, was held on May 27th at Newcastle-upon-Tyne, Mr J. W. Adamson (the chairman) presiding.

The following is an extract from his circulated statement:

Trading during 1953 was maintained at about the same level as the previous year. The year started badly, but it was pleasing to see a good recovery after the first three months, and especially after the 1953 Budget announcement, which only goes to show the reductions in taxation were responsible for part of the improvement in trade. I am sure that further reductions in taxation by the Chancellor over the next year or two will be the surest way to aid industry generally, and given free access to raw materials every manufacturer will be able to increase trade, both at home and for export.

Paint sales are practically level with last year, and the fall in our raw materials division sales began to retrieve itself after the fifth month of 1953. Your factories everywhere are ready to cope with any increase in sales which may take place.

Your company's overseas factories are becoming established so that it will not be long before all these sturdy offshoots begin their contribution towards the income of their parent.

FIERCE FOREIGN COMPETITION

No effort has been spared in planning for the future by your board and management. From the National point of view, let us not close our eyes to the fierce competition from our foreign competitors, who are working like Trojans from sunrise to sunset to retrieve their lost markets and, at the same time, are encroaching on ours. When we had a sellers' market labour demanded a reduction in working hours, and in most industries there was a reduction from 47 hours to 44 hours per week, without any reduction in pay. Today we need those lost hours, and it would be a magnificent gesture by labour today to give those hours back to the Nation without any increase in pay, for we can no longer afford to revel in the apparent luxury of a five-day week. We must export to live and I doubt if we can keep on increasing our exports much further without our men and women working more hours a day to increase production as they are doing in Germany and Japan, to mention only two countries.

How can we reduce paint prices when titanium oxide is being freely exported to overseas countries? It is "penny wise and pound foolish" of our Government to cause shortages of this important raw material to obtain a few extra dollars. Likewise it is wrong for them to allow this material to be exported to countries who are now buying at £47 per ton less than they used to, while, at the same time, the Government are granting import licences to home consumers for American titanium oxide, for which they have to pay an additional £70 per ton. This, together with the shortages, is bound to affect our export trade.

Of the profit of the group £698,876, taxation takes £394,121. Your directors have decided to pay a final dividend of 20 per cent, less tax, making 25 per cent for 1953 on the ordinary stock.

Current assets exceed current liabilities by £2,480,820.

The report was adopted.

GALLAHER LIMITED

(Tobacco, Cigarette and Snuff Manufacturers)

INCREASED TRADING PROFIT

RECORD TURNOVER

SATISFACTORY DEMAND FOR COMPANY'S PRODUCTS

SIR EDWARD DE STEIN'S STATEMENT

The fifty-eighth annual ordinary general meeting of Gallaher Limited was held on May 26th at Winchester House, Old Broad Street, London, E.C., Sir Edward de Stein (chairman of the company) presiding.

The secretary (Mr George Iliff, ACA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which has been circulated with the report and accounts for the year ended December 31, 1953, and was taken as read:

You will recall that we took over control of the Cope and Lloyd businesses in January, 1953—the beginning of the year under review. Since then Lloyd's factory in London has been equipped with modern plant and machinery and the layout of the factory has been re-organised. While this work was going on the output from the factory was maintained and its productive capacity considerably increased thus enabling us to widen the distribution of Lloyd's brands in 1954.

REORGANISATION OF CIGAR MANUFACTURING SUBSIDIARY

Some reorganisation of our cigar-manufacturing subsidiary—J. R. Freeman & Son Limited—has also taken place during the year. In the course of making the new arrangements it became clear that the cigar-importing business handled by the associated companies of J. R. Freeman & Son Limited could not be satisfactorily managed as part of the Gallaher Group and that it would be in the interest of the Group if it were disposed of. It has, therefore, been sold. It was purchased by Mr R. J. Freeman and he has consequently resigned from the board of your company.

The integration of the Cope-Lloyd business with the parent company and the reorganisation of J. R. Freeman & Son Limited have resulted in considerable economies, largely arising out of the amalgamation of the sales organisation which is now handling all the group's brands. This will have the effect of spreading our overheads and improving the efficiency of operation with benefit both to employees and stockholders. We are also in the process of completely mechanising the records side of our selling organisation which should produce further economies and improved service to the distributive trade.

TRADING RESULTS

Accounts.—I would now like to refer to the principal features of our accounts for the year to December 31, 1953. You will see in the consolidated profit and loss account that the trading profit for the year shows an increase over last year's figures of some £290,000. The trading results of Cope and Lloyd are included so that the results of this year are not strictly comparable with those of last year. It is satisfactory, however, that the profits of the parent company have increased this year, apart from the additional revenue derived from the inclusion of Copes. Taxation takes an extra £120,000, so that the net consolidated profit is up by £170,000.

The net profit available for appropriations and distribution amounts to £906,000, out of which we have set aside £88,500 to increase our provision for pensions payable by the group in addition to those secured under the pension schemes. We propose this year to increase the rate of distribution to ordinary stockholders from 17 per cent to 20 per cent subject, of course, to approval by stockholders, resulting in the profit and loss account carry forward being increased by £239,000 to a total of £956,000.

BALANCE SHEET FIGURES

In the consolidated balance sheet the principal changes under capital and reserves arise in issued capital and share premium account. The capital is increased by £437,500 ordinary stock issued in exchange for the issued capital of Cope, and the increase in share premium account represents the excess of the value of the net assets of the Cope business over the nominal value of the stock issued—less the expenses of the issue.

On the assets side of the balance sheet the principal points to note are the increase of almost £3 million in stock in trade, and of £1 million in debtors. The stocks and debtors of Copes are included in these figures for the first time. Another factor which contributes to the increase in stocks is that we were permitted in the autumn of last year under the United States Mutual Security Act, to purchase some dollar tobacco for sterling in addition to our normal allocation. Our stocks of dollar tobacco at December 31, 1952, were, in any event, at a lower level than they have been for several years. Debtors are higher because of the higher turnover of the group as a whole, partly arising from the Cope business and partly from the increase in the volume of business done by the parent company and its other subsidiaries. These increases have been financed by borrowing from our bankers an extra £1,600,000 and by increased acceptance credits to the value of £500,000.

CONTINUED RISE IN COSTS

General Matters.—The increased profit which we have been able to show this year has been earned on a turnover which is considerably higher than in any previous year. Costs, however, under practically all headings, particularly leaf tobacco and wages, have continued to rise during 1953, the last increase in wages being effective just ten days before the close of the financial year.

Leaf Supplies.—For the past fourteen years we have been handicapped by various forms of restrictions, and this has been the reason for my repeated references in past years to the fact that the supply of our cigarette brands has not been sufficient to meet the demand. But this year we are hopeful that there will be an improvement in leaf supplies.

Tobacco Duty.—A considerable part of the capital employed in this business is locked up in duty which we have to pay before we commence our manufacturing processes. There is, therefore, a large duty element in our factory and finished goods stocks and in our trade debtors, and this factor, while materially adding to the costs in interest charges, is also an important factor in determining our financial policy.

INCREASED DIVIDEND

Dividend.—You will expect me to make some reference to the fact that we are recommending to stockholders that the final dividend be increased from 12 per cent last year to 15 per cent this year. Apart from the small adjustment which we made in the dividend in 1952, when it was increased by ¼ per cent, the rate of dividend on the ordinary stock has remained unchanged since 1946. Having regard to the conservative policy which we have followed in the past in building up our reserves, your directors consider that the stockholders should now be able to share to a greater extent in the increasing prosperity of the company.

Engineering Subsidiary.—I think reference here should be made to the progress of our engineering subsidiary. This has been most satisfactory and the highest credit is due to its management, and in particular to Mr A. W. Gregory, its managing director. The company has now become much larger than it was when we acquired it. Although the profits have shown a substantial increase, all surpluses have been ploughed back and only a nominal dividend has been paid to the parent company. This busines, which was purchased towards the end of the war to ensure that we could re-equip our cigarette factories, will still prove its value to the group by supplying our own specialised cigarette machinery.

SATISFACTORY LEVEL OF SALES

Outlook.—Sales for the year were at a satisfactory level in all categories of the group's products. The consumer demand for hard tobaccos is diminishing, but the company has maintained its leadership for this type of tobacco. In total, sales of our other tobaccos continue to expand and the acquisition of the Cope and Lloyd business has strengthened our position in this section of the trade.

Our main cigarette brands — Senior Service, Park Drive and, in Northern Ireland, Gallaher's de Luxe—are still in short supply to the public. This is due to our being unable to obtain the necessary supplies of suitable tobacco leaf which would enable us to increase output. du Maurier, our filter-tip cigarette, has continued to show progress.

Manikin cigars and other Freeman products remain popular with the public and sales during 1953 were satisfactory.

CONSISTENT QUALITY OF COMPANY'S BRANDS

Your directors are confident that because of the consistent quality of the company's cigarette brands they will remain in high esteem by smokers, and we are hopeful that in the coming year we may be able to go further towards meeting the unsatisfied demand. The demand for the company's pipe tobaccos in 1953 was satisfactory, but now that we have increased the productive capacity of Lloyd's London factory, and have merged the selling organisations, we shall be able in 1954 to widen the distribution of these tobacco brands and we look forward to increased sales. The selling organisation has been planned over the last few years to expand the distribution of the group's products, and it is now ready to do so with confidence. The financial problems involved are now under consideration.

Until the present year we have always announced our preliminary figures during the month of March. Last year we had to issue amended figures after the Budget, because of the effect of the change in Income Tax. This year our figures were announced just under a fortnight before Budget Day. The board have decided in future to defer final consideration of the accounts and their recommendation to stockholders in regard to dividends until after Budget Day.

Director.—As the company is registered in Northern Ireland the provisions of the Companies Act, 1948, do not apply—nevertheless the directors wish to inform you that Mr Arthur Robinson, one of our colleagues, who retires under the Articles this year, is over 70 years of age. Mr Robinson, who has been associated with our "Senior Service" business since before we acquired it in 1936, has, I am pleased to say, agreed to offer himself for re-election, and we recommend his reappointment with confidence.

TRIBUTE TO MANAGEMENT, STAFF AND WORKPEOPLE

Employees.—The reorganisation of our subsidiaries has involved many problems which have added zest and interest to the work of our executives, and we hope it will also provide increased scope for their talents as well as benefits to the stockholders. I would like to express to the management, staff and workpeople in the Group, as a whole, appreciation of the zeal and loyalty which they have shown throughout the year.

The report and accounts were unanimously adopted and a final dividend of 15 per cent on the ordinary stock, making 20 per cent for the year, was approved.

The retiring directors, Mr E. J. Foord, CBE, Mr A. V. Maunder and Mr Arthur Robinson, JP, were re-elected and the auditors, Messrs Hill, Vellacott and Bailey, having been reappointed, the proceedings terminated.

BANCO DI ROMA

ROME, ITALY

The annual meeting of the Banco di Roma was held under the Chairmanship of H.E. Prof. Costantino Bresciani-Turroni on 5th April, 1954. After hearing the reports of the Board and of the auditors, the shareholders approved the balance sheet as at 31st December, 1953, the profit and loss account, and the proposals for the distribution of profits.

Profits for the year, after considerable redemption payments and appropriations, amounted to Lit. 475,429,808.

It was decided to distribute a dividend of 7% to shareholders, and to transfer Lit. 400m. to the reserve, thus bringing it up to Lit. 1,400m.

The total of assets and liabilities increased by Lit. 129,000m. and now exceeds Lit. 800,000m.

Deposits and current accounts rose by Lit. 51,000m. during the year to a total of nearly Lit. 416,000m.

Credit assistance given by the Bank to its own clients showed an increase of about Lit. 60,000m., the total of such investments reaching about Lit. 280,000m.

BALANCE SHEET AT DECEMBER 31, 1953

LIABILITIES		ASSETS	
Share capital	L. 1,000,000,000	Cash and Funds with Central Bank and Treasury	L. 62,240,793,351
Reserve Fund	„ 1,000,000,000	Funds with other banks in Italy and abroad	„ 43,910,864,933
Savings accounts	„ 139,876,731,770	Ordinary Treasury Bonds, Government, Government guaranteed and other Bonds	„ 79,476,082,614
Current and sundry accounts	„ 275,742,222,887	Other Securities	„ 439,298,296
Bills for collection	„ 25,965,996,823	Portfolio	„ 109,676,163,946
Circular Cheques	„ 14,835,095,619	Contangoes	„ 8,644,640,628
Ordinary Cheques	„ 177,974,023	Secured advances	„ 19,791,497,160
Sundry Creditors	„ 8,587,690,260	Loans, advances and other accounts	„ 142,009,644,212
Commercial acceptances and openings of documentary credits	„ 32,351,950,665	Banking Participations	„ 1,274,426,412
Guarantees for third parties	„ 20,568,870,650	Bank Premises	„ 497,871,513
Rebate on Portfolio and on Treasury Bills	„ 2,279,647,689	Furniture and Fittings	„ 1
Balance of profits brought forward	„ 40,454,992	Sundry Debtors	„ 2,019,960,805
Net profits for current year	„ 475,429,808	Liabilities of customers for commercial acceptances and for openings of documentary credits	„ 32,351,950,665
		Liabilities of customers for guarantees	„ 20,568,870,650
	L. 522,902,065,186		L. 522,902,065,186
Contra Accounts		**Contra Accounts**	
		Securities on deposit:	
Depositors of securities for guarantees	„ 41,789,076,933	As collateral	„ 41,764,062,523
Sundry securities accounts	„ 235,646,696,588	As guarantee	„ 25,014,410
		Sundry securities accounts	„ 235,646,696,588
Total	L. 800,337,838,707	Total	L. 800,337,838,707

Chairman: Bresciani-Turroni. *Managing Director:* Foscolo. *Chief Accountant:* Nazareth.
Auditors: Matteucci (*Chief Auditor*), Braidotti, Foschini, Mazzantini, Obber.

RAND MINES, LIMITED

GOLD MINING INDUSTRY: DISAPPOINTING RESULTS OF PRODUCING MINES

EFFECT OF SUBSTANTIALLY INCREASED WORKING COSTS

FAVOURABLE TREND IN SUPPLY OF NON-EUROPEAN LABOUR

MR W. M. FRAMES'S SPEECH

At the annual general meeting of Rand Mines, Limited, held in Johannesburg on May 14th, Mr W. M. Frames presided and, in the course of his remarks, said:

Dividend receipts, which are the chief source of revenue for your company, decreased by £125,298 and, due to this and other variations in items of revenue and expenditure, profit before taxation was lower by £148,604. After maintaining dividends at the previous year's level of 6s. per share and transferring £22,403 to exploration reserve, the unappropriated balance increased by £6,711 to £1,884,719. Although the company acquired further shares in the Harmony and Northern Lime companies, its net liquid surplus was increased by £293,641 to £1,683,056, mainly as the result of the realisation of certain other investments. In pursuance of the new Companies Act the value of investments, other than those in respect of pension fund deposits, was written up in order to maintain such shares and debentures at the lower of cost or Stock Exchange value or directors' valuation if unquoted. After taking this adjustment into account, the total of the said investments, at £6,761,221, was £789,166 higher than in 1952. The amount written back on investments, together with a net credit from sales of certain investments, formed the bulk of the amount of £1,146,303 which was added to investment reserve, raising it to £5,893,306 at December 31, 1953. Expenditure on prospecting ventures amounting to £38,608 was debited to exploration reserve which, after allowing for a transfer of £22,403 from the profit and loss account, stood at £300,000 at the end of the year.

ADVERSE TREND OF WORKING COSTS

As I have already stated, your company's chief source of revenue arises from dividends from gold mining companies. The fall in revenue therefore reflects the deterioration of the financial results of operations of the producing mines of the gold mining industry. The tonnage milled in 1953 was 1,228,500 tons less than for 1952 but a higher yield enabled the industry to increase its output by 142,928 ounces. Nevertheless, due mainly to the reduction in the additional income from sales of gold at enhanced prices and, to a lesser extent, to the lower determined price of gold, working revenue was lower by £810,176. Working costs continued their upward trend and were higher by £4,821,226; the net result of these variations being a reduction of £5,631,402 in working profits.

From the above figures it will be appreciated that the disappointing deterioration in the results of operations was due mainly to a substantial increase in working costs. This adverse trend has been characteristic of results during the past three years, and has been brought about largely by shortages of labour and by the general inflationary conditions that prevailed during the period. Commencement of operations at several new mines has added materially to the industry's total expenditure, but has made little impression on its output figures as with no expansion in the total labour force these mines were operated largely at the expense of the older mines. During the current year the pattern of results will be similar, in that further mines will reach the production stage and add to both the industry's expenditure and the overall demand for labour. There is hope, however, that the similarity may end there, and that both revenue and profits should increase satisfactorily in the second half of the year.

LABOUR

The average number of Non-Europeans in the service of the producing gold mines during 1953 was 266,333, compared with 276,280 for 1952. In the latter half of 1953, however, the seasonal decline was less severe and of shorter duration than in past years, with the result that the number of Non-Europeans in the service of the producing mines at the end of December, 1953, was 255,518, as against 248,390 at the end of December in the previous year. Since the close of last year, numbers have increased at a higher rate than usual, and by the end of April the number in the service of the producing mines totalled 292,844, which is the highest figure recorded since May, 1950.

Shareholders may be aware that the supply of Non-European labour is determined by a multiplicity of factors and that the most thorough investigations have been and are being carried out into every condition which might affect recruiting and the popularity of employment on the gold mines. Various improvements in conditions of employment were introduced during 1953, and these have undoubtedly contributed materially towards the favourable trend in the Non-European labour supply over recent months. Additional steps are being taken by the industry to encourage more Non-Europeans to seek employment on the mines and, even more important, to return again after the completion of each period of contract.

URANIUM

The uranium industry, which is already adding substantially to the revenue of the gold mines, is expanding rapidly and will play an increasingly important part in the earning of profits for the gold-mining industry and in providing valuable foreign exchange for the Union of South Africa. The many problems connected with the establishment of this new industry have been dealt with expeditiously and the speed with which it is being established reflects credit on all concerned.

REOPENING OF LONDON GOLD MARKET

The gold-mining industry welcomes the reopening, early in the current year, of the London gold market which had been closed since the outbreak of hostilities in 1939. With the re-establishment of this market the arrangements for the sale at enhanced prices of a portion of the industry's gold output for industrial and artistic purposes were discontinued. I should, however, like to make it clear that this source of additional revenue, which fell away latterly owing to the disappearance of the premium, is not lost to the industry as gold is now sold for its account by the South African Reserve Bank on the London market, or elsewhere if conditions are more favourable. Prices on the London market are not determined by the official dollar/sterling exchange rate and have, in fact, varied from 248s. 3½d. to 249s. 1d., thus providing a small but comparatively satisfactory premium over the price based on the rate of exchange.

INVESTMENT PORTFOLIO

Before concluding my remarks on the gold-mining industry, I should like to draw your attention to two facts connected with your company's investment portfolio. Amongst the new mines expected to come to production during the current year with a yield above the industry average is the Harmony mine in which your company holds a large interest. At the end of March, 1954, of 9,622 ft. of reef development, 94.7 per cent had proved payable, averaging 624 inch-dwt. The general mining conditions appear to be satisfactory and shareholders may look forward with confidence to a good return on the investment in this gold mine, which will also produce uranium. The major proportion of your company's investment is in the older mine which, as you know, last year suffered from an acute shortage of labour. Under industry arrangements new mines receive priority in the allocation of Non-European labour and, in times of shortage, the brunt is therefore borne by the older mines. Conversely, when the supply position eases, the benefit to the older mines is very pronounced. Recently, although the requirements of the new mines have increased, the expansion in the overall supply has been so marked that the underground strengths of these older mines have increased from about 70 per cent of their requirements at the end of August, 1953, to over 80 per cent at the end of April, 1954.

Your company also holds shares in companies whose various interests are coal mining, timber growing and exploitation, and the production of cement, lime and concrete and steel piping.

Although the coal output of South African collieries again reached a record level in 1953 and profits were increased due to this and the higher internal price agreed upon during 1952, the full profit potentialities were not realised owing to the country's overall shortage of transport. Until there is a marked improvement in the railway transport position it will not be possible to exploit the lucrative export trade for which guarantees of continuity in supplies of adequate quantities are essential.

The cement industry, as a result of some improvement in its allocation of railway trucks and in the supplies of coal, experienced a year of better conditions. In the latter half of the year the price control authorities permitted the industry to increase the basic price of cement by an amount sufficient to cover the higher railage rates gazetted in August,

1953. More recently, the Price Controller granted cement producers a further increase of 3d. a packet with effect from January 29, 1954.

The demand for lime has increased and will continue to increase substantially, mainly as a result of the requirements of the expanding uranium industry. The Northern Lime company, in which your company holds a large interest, is making steady progress in its preparations to exploit the extensive deposit discovered at Silverstreams in the Northern Cape Province and should commence production there in the latter half of the current year.

The forestry and sawmilling concerns in which your company is interested had a successful year and continued to expand.

As forecast last year, your directors followed a broad policy of consolidation in the direction of the affairs of the company. Investigations into various ventures were continued, and the very sound financial position of your company will enable it to take full advantage of favourable opportunities for new investment at the appropriate time.

The report and accounts were adopted.

HUDSON'S BAY COMPANY

OIL AND NATURAL GAS DEVELOPMENTS

The 285th annual general court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 21st in London, Mr W. J. Keswick (the Governor) presiding.

The following is an extract from his circulated statement for the year ended January 31, 1954: It was a good year for the company. The consolidated earnings before taxes were £3,061,000, or £297,000 more than last year. Net earnings after crediting £210,000 in respect of United Kingdom tax provisions no longer required were £1,531,000. The total trading dividend paid and proposed of 12½ per cent compares with 10 per cent paid last year. The distribution of 2½ per cent from the land account is unchanged.

Our retail stores set a new record both in sales and profits. Sales figures for the fur trade department were down because of a sharp fall in fur prices and the poor market.

Competition in most of the lines of merchandise dealt with by the wholesale department became more intense, which reduced the average rate of net profit.

Oil and Natural Gas: The year 1953 has been, as anticipated, an active year of exploration and development. A total of 55.3 net wells were drilled and resulted in an increase of 41 net producing wells. Of the total of 11,350,000 acres on which oil and gas rights are now held, 4,460,000 acres are Hudson's Bay Company lands.

Land Department: Collections were again excellent.

GOVERNOR'S ADDITIONAL REMARKS

The Governor, addressing the meeting, said: Ladies and Gentlemen, before moving the adoption of the accounts I would like with your permission to make a few personal observations on our activities and specifically about oil. Last year I spent two months in Canada. I wanted to see at first hand as much as I could of our great organisation which, as you know, is not managed from London, but is under the direct executive guidance of the Canadian Committee in Winnipeg. I was impressed by its skill and drive and by the work and keenness of its very large staff.

A visit to Canada is at any time exhilarating—a country of great resources and abounding confidence. At every point at which I touched the activities of the company I found a similar confidence and the willingness to work hard which confidence in the future begets. Nor is it blind confidence. The people of Canada know that there may be setbacks and hesitations in trade, but they believe also that these will be overcome, for they intend to overcome them.

As the report shows, the retail sales increased substantially. The large modern and well-equipped buildings we now possess are a great asset. Retail sales in any country reflect the general state of the economy. Ours have increased proportionately to the increase in economic activity and in some big cities I believe as much as those of our competitors. We do not seek short-lived records or transient display. There is a lot of money in our retail stores and we are guarding it and using it with the blend of courage and caution which marks our Canadian Committee and management.

It is, however, well to remember that the company's dividends in the immediate years ahead are essentially dependent as hitherto on the success of the stores and other merchandising operations. We should not become blind to this fact in the search for potential oil riches.

OIL A LONG-TERM INVESTMENT

I now turn to oil. In October the Deputy Governor and I attended the half-yearly meeting in Winnipeg to review the operations of Hudson's Bay Oil and Gas Company, Limited. We met together with the senior representatives of Continental Oil Company, the Canadian Committee and the officers of Hudson's Bay Oil and Gas Company. I went also to Alberta. I would like, therefore, to tell proprietors something of what I saw and heard, and, if I can, to share with them some of my faith in this venture.

First of all I must repeat that it is a long-term investment. It must be generally recognised that the development period of natural resources of this kind is bound to be slow and relatively costly. On the other hand, it is right to say that we shall not be spending more than we are receiving indefinitely; there comes a point when revenue begins to exceed the current rate of spending and continues to accrue in respect of past capital expenditure.

Our expenditure is still about two to one of income, or more. Until marketing facilities for both oil and gas catch up with potential productive capacity, this is likely to continue.

Estimates of oil and gas reserves, especially during the exploratory period, can be very misleading and indeed dangerous. I do not think it expedient to try to guess about them until more facts are known.

The sale of both products is governed by one overriding condition, the creation of pipelines to take the oil and the gas to the natural centres of shipment or consumption. An increasing proportion of the oil is being sold, but as yet the marketing of the valuable natural gas has hardly begun. However, a plan is in being to build a gas line from Alberta to eastern Canada—a distance of well over 2,000 miles—which will be the largest gas line in the world. It may be completed in 1957 and will be of the greatest importance to our interests. After completion a few more years will be needed to develop fully the great industrial markets of Ontario and Quebec. This meant that it will probably be 1960 before we see really substantial revenue from our gas.

As regards oil, in 1953 two new oil pipelines—the interprovincial extension from Superior in Wisconsin to Sarnia, Ontario, and the Trans Mountain from Alberta to the West Coast—were completed.

HEAVY EXPLORATION PROGRAMME

The best judgment I could make after very full discussion with the chief executives of the Continental Oil Company, of Hudson's Bay Oil and Gas Company and of your Canadian committee is that the tempo of our progress is about right—not too fast, not too slow. We have in front of us a heavy programme of planned exploration of our very large acreage. Naturally no oil company abandons acreage until it is confident there is no oil or gas to be obtained from it. It is no simple matter to carry out geological and geophysical surveys, and to drill test holes over 11 million acres; and then to sift, digest, and assess the mass of resultant data before taking decisions to develop or reject.

Last year gross exploration and development costs were about $11 million. Net producing wells were increased from 90 to 131—a net gain of 41 producing wells. The daily oil production is now around 5,000 barrels a day, which brings in a gross revenue of around $3½ million. Net prospective acreage was reduced by about 500,000 acres. As this programme progresses, our large prospective acreage should be steadily reduced. This is reducing the large exploration and development programme to the simplest terms, and I should emphasise that a tremendous amount has still to be undertaken.

PEMBINA OIL FIELD

I feel I must make specific reference to the new Pembina Oil Field, recently the subject of much speculative enthusiasm. This is the most important oil discovery in Canada since the Leduc and Redwater fields. It may well cover nearly 250,000 acres and possibly become one of the largest areas of oil production in North America.

Hudson's Bay Oil and Gas Company has substantial acreage in the Pembina area. Starting about three miles from the discovery well and running in an arc from north to south, Hudson's Bay Oil and Gas and Stanolind Oil Company on a fifty-fifty basis hold reservations from the Alberta Government totalling 190,000 acres and, as is the case with all Crown reservations, half the acreage reverts to the Alberta Government when converted to lease.

On these reservations only two wells have been completed. They are some miles apart and indicate that part of the area has some oil, but the economic value of it has not yet been determined.

Further west, ranging from twelve to forty miles from the discovery well, Hudson's Bay Oil and Gas alone has reservations totalling 300,000 acres, half of which also will revert to the Alberta Government. No exploration or drilling has been undertaken yet on this acreage, consequently I cannot give you any idea of its value.

I have no wish to underestimate the possibilities of the Pembina acreage which may add substantially to the oil reserves of Hudson's Bay Oil and Gas Company, but a lot of time and money will have to be spent before its value to that company can be assessed.

COST OF DEVELOPMENT

The most important point, which I must emphasise, is that, if exploration is successful, many millions of dollars will be required to develop production—so for some years we shall not only have to plough back all the earnings of Hudson's Bay Oil and Gas, but also provide additional capital, though this expenditure would be increasing the assets of Hudson's Bay Oil and Gas Company, Limited.

It will be seen, therefore, that we are still in the stage of exploration of our potentialities. But we have come some way in the last six years in our basic objective of making Hudson's Bay Oil and Gas Company a successful oil company for the shareholders of both the continental and of our own company. Obviously one of the first objectives must be to make it a revenue producer so that it can stand firmly on its own feet financially.

I share the opinion with the Continental Oil Company, who, let it be remembered, venture 75 per cent to our 25 per cent of the capital expenditure, that the company is not being held back in any way by lack of finances.

HOPES JUSTIFIED

I firmly believe the success of Hudson's Bay Oil and Gas has more than justified our hopes. We have partners of the highest repute in whom we have great confidence. They carry the burden of directing the company's technical affairs and have built up a first-class organisation with first-class personnel. Our aims are identical and so are our determination and faith in the future.

I believe, also, it is true to claim that your interest in this venture is now worth considerably more than your investment. While your board holds out no rosy visions for the future, it is confident that proprietors will eventually reap a return on their money which will be thought worthwhile.

Finally, I want to assure proprietors that the board intends to keep you informed of any important developments in Hudson's Bay Oil and Gas Company, Limited. We have no desire to allow your oil interests to become the subject of speculation based upon hearsay.

As last year, I give you the percentage of shares held by various nationalities on May 7, 1954, the date on which the share transfer books were closed—United Kingdom 75.54 per cent (last year 67 per cent); Canada 11.31 per cent (last year 17 per cent); others 13.15 per cent (last year 16 per cent).

LATEST NEWS

Since this speech was written and printed we have received some additional encouraging news about Hudson's Bay Oil and Gas acreage interest in the general area of the Sturgeon Lake Field two hundred and fifty miles north-west of Edmonton.

Immediately south of Sturgeon Lake Hudson's Bay Oil and Gas has a one-third interest in a Crown reservation of 100,000 acres, and two exploratory wells are being drilled at the northern end of this reservation.

One of these wells has just struck 35 per cent gravity oil in the reef. This discovery 3½ miles from the original Amerada find may eventually prove to be an important addition to the assets of the Hudson's Bay Oil and Gas. The results of our second well being drilled on this acreage should be known within a week or two.

The report and accounts were adopted.

SCHWEPPES LIMITED

STEADY INCREASE IN SALES

The fifty-seventh annual general meeting of Schweppes Limited was held on May 27th in London, The Hon R. Hanning Philipps, MBE (the chairman), presiding.

The following is an extract from his circulated statement:

In our home trade the volume of sales of Schweppes, Kia-Ora and Quinnette products have shown the same steady increase that they have shown in recent years. The home trading profit has risen from £785,316 to £1,009,884.

During the year, in order to develop the sales in this country of Pepsi-Cola, we formed a new subsidiary, The Park Bottling Company, in which Schweppes hold a substantial proportion of the share capital. This company's operations started in May in the London area and were later extended to the south coast, roughly from Brighton to Southampton. 1953 was little more than a holding operation while preparing our plans for 1954, which include the development of other areas.

I must warn shareholders that under the most favourable conditions they should not expect any material addition to profits from our investment in The Park Bottling Company for at least three or four years.

After reviewing the progress of the overseas companies, the chairman continued: During the year our Franchises in Belgium and Malta have again produced excellent results.

As forecast in my last review, Schweppes (USA) Limited completed their Franchise arrangements with the Pepsi-Cola Company of New York and full-scale marketing started on the eastern seaboard in May. After some initial difficulties the first results were decidedly encouraging. This year our joint operations will cover the more important areas of the United States from twenty main centres. We believe that the plans for opening up the United States market have been well laid and that in due course we may expect to be earning substantial profits.

Before I leave the North American Continent, I should tell you that in May this year, again in conjunction with the Pepsi-Cola Company, we shall be initiating a similar plan in Canada, and later in the year in Mexico.

In the Far East we have entered into Franchise arrangements in Hong Kong, where our products have met with a good local reception. And we are also hoping this year to begin Franchise operations in Colombo.

In Europe we shall finalise plans this year to start Franchise bottling in Switzerland and Norway.

FUTURE OUTLOOK

As regards the current year, I can only tell you that at home our sales show small increases for the first three months when compared with the same period last year; and there is good reason to think that our parent company's trading profit should at least equal the figure we have just put before you.

In the short term, there should be no need to draw profits from Schweppes (Overseas) Limited in order to pay our shareholders reasonable dividends. But in the long term, the overseas developments we are now undertaking will, we hope, produce added benefits for our shareholders as well as adding indirectly to the security of employment of our workpeople.

The report was adopted.

THE EQUITABLE LIFE ASSURANCE SOCIETY

TOTAL FUNDS EXCEED £25 MILLION

Mr J. H. Bevan, the President, was in the chair at the 192nd annual general meeting of The Equitable Life Assurance Society held on May 19th in London.

Extracts from his speech are:

I would like to say a word about my predecessor, Sir William Elderton, who last year decided to relinquish the Presidency of the Society owing, he said, to advancing years.

Sir William was appointed actuary and manager in 1913, a director in 1940, and President in 1947. He has thus served the Society so far for 41 years.

Turning to the accounts, it will be seen from the summary revenue account that the total funds now exceed £25 million, the first occasion in our history.

Claims by death at just under £280,000 were considerably lower than in 1952.

Expenses are practically unchanged at £127,000, and they represent only 6.2 per cent of the premium revenue.

On the other side of the summary revenue account, the net income from interest, dividends and rents exceeds £1 million for the first time. The rates of interest earned on the funds, both gross and net after deduction of tax, have improved.

Our new business at just over £4 million is at about the same level as for most of the years since the war.

On January 1st last we re-opened the minor profits class; this class shares in excess surplus after certain "standard" rates have been declared in the major profits class.

THE LUNUVA (CEYLON) TEA AND RUBBER

MR H. W. HORNER'S ADDRESS

The annual general meeting of The Lunuva (Ceylon) Tea and Rubber Estates, Limited, will be held on June 10th in London.

The following is an extract from the circulated statement by the chairman, Mr H. W. Horner:

Costs in Ceylon have not yet been stabilised and, although our results show an average increase in net selling price of almost 2d. a lb over 1952 upon a slightly larger crop, the difference between sale proceeds and cost of production is, by reason of higher costs, only some £42,000 more than in 1952. These results do not include the higher prices of recent months, which will be reflected in the accounts for 1954.

The profit before taxation is £185,523 against £178,438 for the previous year. The board feel that the slightly improved position and the satisfactory prospects for the near future justify a total dividend of 15 per cent and they accordingly recommend a final dividend of 11 per cent.

On present indications, our prospects for the current season show considerable improvement on last year. We estimate to produce crops similar to those of 1953 at costs not appreciably greater. The tea market remains strong and the rubber market has recently shown a welcome indication of revival.

No forward contracts have been made in respect of 1954 crops, either for tea or for rubber. Your estates are in first-class order and labour conditions throughout the year have been generally good.

ROYAL DUTCH PETROLEUM COMPANY

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

(Founded in 1890)

ANNUAL GENERAL MEETING, JUNE 16, 1954

BALANCE SHEET AS AT DECEMBER 31, 1953

ASSETS			LIABILITIES		
Investments :—			Capital Shares and Surplus :—		
Group Companies	f	1,293,366,435	Ordinary Share Capital	f	1,998,500,000
N.V. Nederlandse Olie Maatschappij	„	1,410,000	Of which unissued	„	984,862,000
	f	1,294,776,435		f	1,013,638,000
Current Assets :—			4% Cumulative Preference Share Capital	„	1,500,000
Receivables from Group Companies :			Capital Surplus (as per article 4 of the Statutes)	„	224,277,117
Dividends	f	140,448,000	General Reserve	„	99,976,069
Supplementary Amounts	„	23,981,725	Earned Surplus (before deducting proposed dividends)	„	191,401,265
Current Accounts	„	—		„	1,530,792,451
Other Receivables	„	684,405			
Marketable Securities	„	79,916,042	3¼% Convertible Debentures 1951	„	—
Cash at Bankers	„	8,891,129			
	f	253,921,301	Current Liabilities :—		
			Accounts Payable and Sundry Accruals	f	5,976,808
			Unclaimed Dividends Payable	„	5,375,914
			Amounts held for Shareholders in respect of 1947 issue	„	6,356,716
			Provision for Taxes	„	195,000
			Accrued Interest on 3¼% Convertible Debentures 1951	„	847
				f	17,905,285
	f	1,548,697,736		f	1,548,697,736

STATEMENT OF INCOME 1953

Income :		
From Group Companies :		
Dividends	f	141,635,488
Supplementary Amounts	„	25,536,707
Other Income, principally interest on marketable securities	„	2,309,015
	„	169,481,210
Expenses :		
Administrative and General Expenses	f	1,409,834
Interest on Debentures	„	3,647,306
Capital Increment Tax (final settlement)	„	—
Losses on and Adjustment to market values of marketable securities	„	(1,321,412)
Miscellaneous	„	695,373
	f	4,431,101
Income for the year	f	165,050,109
Less : Directors' and Managing Directors' share in Profit in virtue of article 32, under 4, of the Statutes, if the proposed distribution of profits is accepted	„	3,475,169
To be transferred to Statement of Earned Surplus	f	161,574,940

STATEMENT OF EARNED SURPLUS 1953

Balance, beginning of year	f	182,887,032
Add :		
Transferred from Statement of Income 1953	„	161,574,940
	f	344,461,972
Deduct :		
Distributions in respect of preceding financial year :		
Cash Dividends :		
Preference Shares	f	60,000
Ordinary Shares	„	153,502,080
Stock Dividends :		
Ordinary Shares	„	—
Less : Cash Dividends prior years forfeited by Shareholders	„	(501,373)
	f	153,060,707
Balance, end of year	f	191,401,265
Proposed Distributions in respect of the financial year 1953 :		
Preference Shares 4%	f	60,000
Ordinary Shares 16%	„	162,182,080
	f	162,242,080

The Hague, April, 1954.

The Board of Directors :

J. B. AUG. KESSLER, *Chairman.* W. H. VAN LEEUWEN, J. KLOPPER, E. J. IJZERMAN, W. H. DE MONCHY, C. J. COLLOT D'ESCURY, F. Q. DEN HOLLANDER, J. LUYTEN, A. S. OPPENHEIM, M. P. L. STEENBERGHE, B. TH. W. VAN HASSELT

The Managing Directors :

J. H. LOUDON, *General Managing Director.* H. BLOEMGARTEN F. A. C. GUEPIN L. SCHEPERS

PRINCIPAL POINTS OF INTEREST IN THE ANNUAL REPORT ON 1953

The income of the Royal Dutch Petroleum Company for 1953 of fls. 165,050,109 (as against fls. 161,194,788 for 1952) makes it possible to pay a dividend of 4 per cent on the preference share capital of fls. 1,500,000 and of 16 per cent on the ordinary share capital of fls. 1,013,638,000 outstanding on 31st December, 1953; this includes an interim dividend of 4 per cent made payable on 4th February, 1954.

The Royal Dutch/Shell Group of Companies again increased its total sales during 1953 and well maintained its position in the world markets. Its production of crude oil and natural gasoline, including quantities received under long-term contracts, amounted to 617 million barrels in 1953, as against 599 million in 1952.

The average rate of throughput in its refineries amounted to over 1.7 million barrels daily, 626 million barrels per annum

The total tanker tonnage operated by Group and associated companies amounted to 6.9 million tons. Of this total, which includes period-chartered vessels, 2.5 million tons were owned. The number of large vessels in service, with carrying capacity ranging from 23,000 to 32,000 tons, amounted to 32.

The total length of long-distance pipe-lines, wholly or partly owned by the Group, was some 15,100 miles at the end of 1953.

The annual report of the Royal Dutch Petroleum Company will include, as previously, financial statements of the Royal Dutch/Shell Group of Companies.

The net income of the Group for 1953 amounted to £130 million (£125 million in 1952).

Sales proceeds and other income totalled £1,700 million (£1,616 million in 1952).

Capital expenditures for 1953 were £220 million (£188 million in 1952), representing the largest capital expenditure programme in the history of the Group.

Sales taxes, excise duties and similar levies collected and paid by the Group to Governments totalled £348 million, an increase of £45 million compared with 1952.

From the net income of £130 million dividends have been declared in respect of the year 1953 to the parent companies, viz.: Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited of £22,186,010 (for 1952, £22,168,883). The balance has been retained in the business.

Copies of the full report and accounts can be obtained free of charge from N. M. Rothschild and Sons, New Court, St. Swithin's Lane, London, E.C.4.

PRESSED STEEL COMPANY LIMITED

ANOTHER SATISFACTORY YEAR

RECORD MOTOR CAR BODY OUTPUT

MAJOR ALBERT PAM'S REVIEW

The twenty-seventh annual general meeting of the Pressed Steel Company Limited was held on May 26th at Winchester House, Old Broad Street, London, E.C., Major Albert Pam, OBE, chairman, presiding.

The secretary (Mr F. E. Cairns, CA) read the notice convening the meeting and a representative of the auditors, Messrs Price Waterhouse and Company, read the report of his firm.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1953:

Ladies and Gentlemen, You will have seen from the report and accounts which have been in your hands for the requisite period, that your company has again had a satisfactory year. After an appropriation of £250,000 to the reserve for increased cost of replacing plant, machinery and equipment, the profit is £804,548. Adding to this the balance brought forward from last year, the total sum to be dealt with is £2,347,023, from which falls to be deducted an aggregate of £549,231, leaving £1,797,792. The directors recommend a transfer to general reserve of £500,000, and the payment of a final dividend on the ordinary stock for the year 1953 of 12½ per cent, less tax, absorbing £227,868.

PROFIT AND LOSS ACCOUNT

The profit and loss account shows that the balance from trading account has increased by over £640,000. Depreciation and obsolescence is higher by more than £200,000. Taxation has risen by over £400,000, but fortunately the item for excess profits levy of £348,000 will not occur again.

Of the total of £1,474,000 set aside for depreciation and reserves, £688,000 was actually spent during the year on new plant and equipment; the balance of £786,000 is destined for further purchases of new plant, of which approximately £650,000 was already on order at the end of 1953.

Your board intend to continue the policy of renewing and modernising our plant and equipment; this will enable us to meet the requirements of our many customers in the motor car industry, and to ensure that our important refrigerator and railway waggon divisions are fully efficient and up to date.

CAPITALISATION OF RESERVES

We are fortunate to have been able, almost since the foundation of your company, to put aside considerable sums for our expansion. We have not needed to make issues of debentures or notes, and our capital structure is extremely simple. During the past financial year we have increased the issued ordinary stock by capitalising £1,657,222 of reserves, to bring the capital of your company more in line with the real assets. The issued ordinary stock is therefore now £3,314,444, and the total issued capital is £4,633,055. In spite of this, our general reserve is £1,750,000, provision for depreciation and obsolescence £3,415,900 and our special reserve for the increased cost of replacement of plant, machinery and equipment £1,761,365, with a carry-forward into 1954 of £1,069,924.

There is unfortunately a great deal of misunderstanding with regard to the capitalisation of reserves. Many people look upon it as a distribution to shareholders, and as a benefit which companies give at the expense of the employees. This is an entirely wrong conception. The reserves which are used for this purpose are profits on which income tax and undistributed profits tax have been paid, but which have been ploughed back into the business to provide additional buildings, machinery, equipment, etc. These new assets enable the company to increase production and to employ more labour. The ploughing back of these large sums over a period of years for provision of these assets has the effect of making the actual capital employed by the company much larger than the stated capital shown in the balance sheet; this is misleading to stockholders and customers.

To put this right, the directors decide to capitalise these reserves, so that they appear in the balance sheet as capital in the form to which they have been converted, namely, buildings, plant, machinery, etc., etc. After approval by the shareholders, the directors issue new ordinary shares which are distributed to the stockholders, and the new stock then forms part of the capital of the company. But these new shares only represent a participation in the company, and the stock market price of the company's shares is automatically adjusted to represent the value of the shares in the increased capital—in the case of the recent doubling of our capital by the capitalisation of the reserves, the price of the shares on the Stock Exchange, London, was halved because there were then twice as many shares existent to participate in the assets and profits of the company, which had in no way been affected by the issue of additional shares.

BENEFIT OF AMALGAMATIONS

One of the most important events in the motor car industry during the past year, was the amalgamation of the Austin and the Morris companies; both are customers and old friends of your company. Although the range of car models may change, we do not expect that this grouping, which has already proved beneficial to the two companies concerned, will result in loss of business to us.

There has also been an announcement that talks are taking place between two other concerns which are old friends of ours, Standard and Rover. In this case too I feel sure that the amalgamation, if it should eventuate, will not only do us no harm, but may, in fact, give us increased orders.

I am convinced that these amalgamations should be welcomed and encouraged—they enable the companies concerned to concentrate on the special type of cars for which they are best suited, and to produce these at the lowest price with the greatest efficiency.

Since the absorption of Fisher & Ludlow by the British Motor Corporation, and of Briggs Motor Bodies by the Ford Company, we are the only large independent motor body builders left in the country. There have been many rumours that we too were about to be absorbed, but we have told all inquirers that they are not true. We feel that we owe a duty to the whole motor car trade to remain independent, and to put our services at their disposal for any work they may entrust to us. Your board is therefore resolved to maintain our position as suppliers to all and sundry, and to do our best to meet their demands efficiently and at the lowest possible price.

STAFF AMENITIES

During the past year we opened for the use of our staff and employees the company's new sports ground. It will prove to be a great asset for those who play, and for those who like looking on. Unfortunately, we have not yet received a licence to build a pavilion; there is a temporary structure, which in time will be replaced by a good pavilion.

The company's "25 Year Club" has this year gained 100 members, and there are now 328 members who have completed 25 years' service. Our hospitals have again rendered most useful service, and have in 1953 treated 122,405 cases of every kind. We have bought a new large X-ray apparatus, which will be useful for the diagnosis of chest and lung complaints and other purposes.

FACTORIES AT HIGH PRESSURE

During the past year our motor car body business, including pressings and assemblies, has been well maintained, and we have a number of new orders for improved models and types. Our three factories have been working at high pressure, and our output has been another record.

We have received a further order from British Railways for railway waggons, which will keep that section of our Linwood works busy for two years or more. In these works we are also building assemblies of an RAF fighter plane of very modern design and wonderful performance.

Our Theale factory too has been producing a record number of systems for our domestic Prestcold refrigerators, which have maintained their place as the most popular British-made refrigerator.

I know that you will be interested to hear that the Pressed Steel Fellowship foundation in the University of Oxford has again received great praise from those best qualified to judge the results of the research work undertaken by the Fellows. This work is all within the sphere of the physical sciences, including metallurgy; I must confess that I could not tell you what was being done because this is far above my knowledge. However, I had a letter and a long report last week from Lord Cherwell, the head of the Clarendon Laboratory, and a noted physicist, who is on the committee which controls these Pressed Steel fellowships. He states that industry benefits greatly from such fundamental research, as technologists can and do apply the results for useful industrial purposes.

THE LATE DR G. L. KELLEY

Although it is mentioned in the report, I must refer to the loss which we have all suffered by the death of Dr G. L. Kelley, who joined our company from the United States in 1931 as an expert on steel and its structure, became a director in 1940, and on the death, in 1942, of Mr. Otto Mueller, was induced by me to accept the position of managing director. I had the highest regard for his knowledge and experience, and his death was a great personal blow to me, as he and I had worked together right through the war; he was one of the most loyal and helpful of the staff of the company. He was modest to a fault, but his

opinion was accepted generally as one of our leading experts on steel, and he was held in high regard by both industry throughout the country and the University of Oxford. After his retirement from the managing directorship in 1947 he became deputy chairman of the company, so that his services continued to be available to us.

The only other matter to which I wish to refer is to ask you to allow me to thank on your behalf the management, staff, and all employees of the company for their efficient services during the past year; these have enabled the company to produce the satisfactory results which are shown in the profit and loss account.

The report and accounts were unanimously adopted; the dividend, as recommended, was approved; and the retiring directors, The Rt Hon Lord Ashburton and Mr Alex. Abel Smith, were re-elected.

RANSOMES SIMS & JEFFERIES, LIMITED

A SATISFACTORY YEAR

The seventieth annual ordinary general meeting of Ransomes Sims & Jefferies, Limited, was held on May 27th at Ipswich, Sir Reuben Hunt, chairman, presiding.

The following are extracts from his circulated statement:

The trading results of the parent company and its subsidiaries for the year to December 31, 1953, amount to £337,404.

The past year has proved a difficult one, but our turnover approximates to the level of 1952. It is, therefore, gratifying to report a satisfactory year.

Agricultural engineering is very largely geared to the wholesale price level of commodities and although in the last few months some of these have risen, thus tending to increase our order book, yet the present volume of incoming orders is insufficient to maintain our works at full capacity when all orders relating to previous years have been executed.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: In my comments which were circulated with our annual report, I pointed out that the gap between despatches and incoming orders was narrowing slightly, and fortunately this tendency continues. Although incoming orders are still insufficient to load the factory fully, for the first four months of this year compared with the corresponding four months of last year they are 20 per cent up. It is hoped that the better trend in incoming orders will continue, as the further rise in the wholesale price level of commodities is undoubtedly having some effect on the purchasing power of our customers.

Nevertheless, the export position is far from satisfactory. With some of our overseas market entirely closed, e.g., Argentina and Brazil, the others strictly limited by licences, quotas and tariffs, it is impossible to foresee how things will settle down. In the home market we are fairly well satisfied with the position, but in the export market, until governments are willing to promote freer trade, the position will undoubtedly remain one of difficulty and anxiety.

The recent wage award will lead to increased selling prices for some of our goods and certainly weaken our competitive power in export markets in spite of our endeavour to obtain a larger turnover. It is on this larger turnover that we must depend for any increase in our profits.

The report and accounts were adopted.

GOPENG CONSOLIDATED, LTD

The forty-first ordinary general meeting of Gopeng Consolidated, Limited, was held on May 19th at the registered office, Redruth.

Mr Donald W. Thomas (chairman) presided.

The reports and accounts for the year ended September 30, 1953, 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:

The accounts for the financial year ended September 30, 1953, show a profit of £107,358, after payment to the Malayan Government of £52,772 for royalty on ore sales and provision of £83,708 for United Kingdom and Malayan taxation and the sum of £279 for depreciation in Malaya. The profit is considerably less than that for the previous year owing to the lower tin price prevailing throughout the period under review and to the lower yardage and average grade of the ground treated. Whilst the price of tin has appreciably risen in recent weeks the future price trend is very uncertain and will probably be considerably influenced by the results of the participation or non-participation in the proposed International Tin Agreement by the governments of a requisite number of tin producing and consuming countries. Earlier this year the Federal Legislative Council of Malaya resolved to request Her Majesty's Government to sign the agreement on behalf of the Federation.

Since the end of the financial year under review the rehabilitation account has been concluded and the accounts for the current year, when published, should be the last in which these various entries will appear.

The attention of the stockholders is drawn to the report of our managers, Messrs Osborne and Chappel, and the comparative table of mining results during the year. Owing to the low price of rubber, both the Sanglop and Moynalpy Estates showed a slight loss.

SECURITY CONDITIONS

Whilst progress has been made in the last year or so in ridding the country of Communist terrorists, there are still danger spots, and security measures in these areas continue to be necessary. Towards the end of last year. I visited Malaya, and on several occasions I was at Gopeng. Wherever I went I found nothing but cheerful optimism prevailing and a sense of certainty that, in course of time, this menace will be overcome.

Your directors wish to place on record their appreciation of the services of the general managers and the staff at our mine and the estates. I was much impressed with what I saw at the mine and, in particular, at the good work which had been put in on the deviation of a large section of the Kampar water supply pipe line, and since the close of the financial year the deviation has been successfully brought into service. The consequent reorganisation caused temporary reduction in outputs, but the benefit will be obtained from the release of a block of good ground for profitable exploitation.

With the present uncertain state of the tin market it appears that in common with the majority of mining companies, stockholders would be wise to anticipate dividends on a lower standard than has obtained during the past few years, but with the adequate financial reserve and cheap hydraulic power I consider that stockholders have every reason for confidence in the future.

The report and accounts were adopted.

BRITISH ENKA, LIMITED

GREATLY INCREASED OUTPUT AND SALES

MR A. D. CARMICHAEL ON THE SATISFACTORY RESULTS

The twenty-ninth annual general meeting of British Enka, Limited, was held on May 26th in London, Mr A. D. Carmichael, CBE (the chairman) presiding.

The following is an extract from his circulated statement:

The group working profit is £1,033,426 which compares with £289,966 for 1952. After various charges there is an operating profit of £701,592 and, after provision of £350,932 for taxation, a net profit for the year of £350,660. After adding the balance brought forward from last year, £26,976, and £9,608 provision for taxation made in previous years now no longer required, the available balance is £387,244. The directors have appropriated £100,000 for general reserve. They recommend the payment of a dividend of 10 per cent less income tax which will absorb £103,125, leaving a balance to be carried forward of £184,119.

We are the second largest viscose rayon producer in this country. Our yarns are used in a variety of trades connected with the textile industry, and we produce substantial quantities of industrial yarn for the manufacture of tyres, belting, etc. We have a wide spread of clients in many trades. During 1953, the improvement in trade which was felt in the last quarter of the preceding year, continued, and the company were able to resume normal production. Our total output and sales greatly exceeded those of the depression year of 1952 and were slightly in excess of the record year of 1951. It was nevertheless a difficult year. In certain sections of the trade, the demand was greater than we could fulfil, but in others, clients limited their purchases to their immediate requirements for very quick delivery. The crepe cloth trade, which took so much of our output in the years preceding 1952, was still very quiet. Our own stocks decreased and it is clear that our clients have very light stocks of yarn. Both on the commercial and technical side the staff have had to meet many problems. The results are a credit to them.

HIGH-GRADE QUALITY YARN

Rayon yarn production is not static, and through research and development and the study of clients' requirements, we are making special efforts to improve the already high-grade quality of the yarn we produce, and to ensure that it continues to be in every way equal to the demands made upon it by the most up-to-date processing, weaving and knitting machinery which may be installed.

With regard to the future, we expect stronger competition overseas, in yarn and fabric, and competition from synthetic fibres. We have had to meet a wage increase in 1954. There is a tendency for freights and raw materials to harden or increase in price. We are concentrating our efforts on maintaining a very high level of technical efficiency and a low cost price. By this means we hope to maintain the substantial advantage in price enjoyed by viscose rayon yarn over so many other man-made fibres. Viscose rayon yarn can be made into a very wide range of attractive, well-designed, durable articles, for which there should always be a regular demand. We shall use our endeavours to see that we secure a full measure of the available business.

The report was adopted.

THE LONDON ELECTRIC WIRE AND SMITHS

SALES RECOVERY

The forty-fifth annual general meeting of The London Electric Wire Company and Smiths, Limited, was held on May 25th in London.

Mr A. Noel Smith, chairman, in the course of his speech, said: The balance profit for the year at £1,076,520 is down by £230,590 as compared with 1952 excluding profits on realisation of investments, which are increased. Last year in his speech the chairman indicated that there was a falling demand towards the end of 1952 and the setback continued well into 1953. Towards the latter part of the year there was a slow recovery, but the volume of sales for the whole year was lower than in 1952. Apart from the demand in respect of one subsidiary, I am happy to say that the recovery has been maintained during the first few months of 1954 and I hope this trend will continue.

The charge for taxation on the 1953 profits is considerably lower than for the previous year, but it still represents approximately 50 per cent of the profits earned. After deducting taxation there remains a net profit for the year of £536,395, which is £25,815 higher than for 1952. This net profit together with the balance brought forward from the previous year leaves a sum available for reserves and dividends of £1,025,216.

An interim dividend of 5 per cent was paid last October on the £1 million ordinary stock then issued and the final dividend of 7½ per cent, which the board recommended should now be paid will bring the total dividend for the year up to the equivalent of 10 per cent on the £2 million ordinary stock now issued. Your board, in considering the question of the final dividend on the increased ordinary capital feel that they are justified in recommending a larger distribution than in previous years.

SALES

The long anticipation of a substantial fall in the price of copper resulted in our customers restricting their orders and only buying from hand to mouth. This position still persists, although since the copper market re-opened, there has been a slow but steady recovery in orders received, right up to the end of the year, and indeed, up to date. These changed conditions have had to be met by modifications in methods and outlook both in our factories and sales organisation.

In the technical field, too, the changed conditions arising from a "buyers' market" have called for a new and intensified effort.

THE FUTURE

I know that you will wish me to say something about the future, however difficult this may be under present conditions. You will like to know that all your company's factories are equipped with the most up-to-date plant and methods of manufacture and it is to achieve this position that we have spent large sums of money. The new rolling mill at our Trafford Park Works—which is one of the finest in the world—will shortly be coming into production. The mill is of new design and while capable of high outputs, has been planned with a special view to producing a rod of much better quality than has been possible in the past.

It is disheartening to find that our efforts to keep down costs of production are defeated by frequent increases in costs of services, such as coal, gas, electricity and transport. This instability in costs and its effect on selling prices makes the task of competing in overseas extremely difficult.

Increasing competition is experienced in overseas markets where we have many branches and agencies. Last year our direct sales in export markets showed a moderate increase as compared with the previous year, in spite of growing competition.

The report was adopted.

CITY DEEP LIMITED

MR N. W. S. LEWIN ON DOMESTIC PROBLEMS

At the annual general meeting held in Johannesburg on May 10, 1954, Mr N. W. S. Lewin presided and, in the course of his remarks, said:

As you are well aware, the City Deep mine is passing through a difficult period, partly on account of the general restrictive conditions that exist throughout the gold-mining industry in the shape of shortages of labour and power, partly on account of the problems which are common to the older Central Rand mines and which are associated with the extension of the mine into the ultra-deep levels, and partly because of the particular problems that are peculiar to the mine itself. I do not think it is necessary for me here to emphasise the restrictive effects of the general economic conditions under which the industry is working other than to point out that the mine's own domestic problems would be much more readily resolved had these not existed.

These domestic problems are concerned mainly with the programme of incline shaft sinking and the provision of adequate ventilation required to open up and work the new areas below a depth of 8,500 ft on which the future of the mine largely depends. Satisfactory progress is being made in this direction, but the capital expenditure entailed will, as stated on previous occasions from this chair, be a heavy drain on the financial resources of the company for some few years to come.

A CREDITABLE PERFORMANCE

Whilst much effort is being directed towards the expeditious establishment of these deep levels, good progress continues to be made in improving the operational efficiencies of the existing workings. In this connection I would draw your attention to the very creditable improvements attained by the management and recorded in the annual report before you: in spite of a decrease of about 9 per cent in the labour force compared with the previous year, the total footage developed increased from 50,880 to 58,640 ft and the tonnage milled increased from 1,851,000 to 1,922,000 tons. There was a small decrease in total working expenditure, and working costs per ton milled were lower by 2s. 1d. at 45s. 2d. On the other hand, however, there was a decrease in revenue of 3s. 6d. per ton milled, due partly to the decrease in the additional revenue derived from sales of gold at enhanced prices, and partly to a decrease of about 0.2 dwt per ton in the grade of ore sent to the mill. This decrease in the grade is attributable to several factors, but mainly arises as a result of the change over from mining in scattered areas on the resue system of stoping to concentrated mining on the open support longwall stoping system. While the latter method of stoping has certain limitations in so far as grade control is concerned, the choice is enforced by the necessity to limit pressure bursts at deep levels, and there are associated advantages in terms of improved general efficiency and ventilation.

The report and accounts were adopted.

P. & O. STEAM NAVIGATION COMPANY

REPLACEMENT PROBLEM

The one hundredth and fourteenth annual meeting of the Peninsular & Oriental Steam Navigation Company was held on May 26th in London.

Sir William Crawford Currie, GBE, chairman, in the course of his speech, said: There was a big contraction in earnings compared with 1952. This was not unexpected, as I forecast when we met a year ago, and was experienced chiefly in the bulk cargo sections of our business in which cargo liners as well as tramp ships participate. Tramp rates of freight fluctuate more violently than liner rates, and it was the tramp ships which gained most from the 1952 boom and which suffered most in the subsequent recession.

Fortunately, part of the reduction of £5½ million in net earnings was offset by a reduction in the charge for income tax. In addition, most of the excess profits levy, for which we were liable in 1952, is recoverable on the results for 1953, so that the total charge for taxation in the profit and loss account is reduced by £4 million.

The shipping industry for some years has been pressing for recognition by the Government that depreciation on historical cost will not provide for the replacement of fleets. In this inflationary age the depreciation has to be supplemented by accumulations of cash, mainly obtained out of taxed income. A system of initial allowances was introduced some few years ago to give some immediate relief. The system was welcomed, though the tax relief was no more than an interest-free loan which had to be repaid.

INVESTMENT ALLOWANCES

The inherent weakness of this system of temporary loans to industry has now been recognised by the Government and, in general, it is to be replaced by investment allowances on expenditure on new ships and plant. The effect of the new allowances will be that a sum equal to 20 per cent of the expenditure on all new ships will be allowed as a charge against taxable profits; the resultant tax saving will not have to be refunded at a later date, as is the case with initial allowances. I have seen the investment allowance described as a subsidy. It is not. It is simply a reduction in taxation. Tax relief is not a subsidy.

We are grateful to the Chancellor of the Exchequer for the new allowance; we hope that when the report of the Royal Commission on Taxation is published, it will contain proposals which will be of lasting benefit to the shipping industry and therefore to shipbuilding.

At the end of this meeting stockholders will be asked to approve two resolutions, one to increase the capital to £25 million, and the second to capitalise £6,888,777 of the reserve account and allot to deferred stockholders a 100 per cent scrip issue.

On the assumption that this meeting will pass the resolutions already referred to, the board has decided that an *ad interim* dividend of 3 per cent will be declared in the autumn for payment in November on the capital as increased. The profits of the first half of the current year have been about equal to those of the corresponding period last year, but I am unable to venture a forecast for the remainder of the year.

The report was adopted and the capital proposals were approved.

LONDON BRICK COMPANY

MR A. T. WORBOYS ON IMPORTANCE OF BRICK PRICES

The fifty-fourth annual general meeting of the London Brick Company Limited was held on May 21st in London.

Mr A. T. Worboys, CBE (the chairman), presided, and, in the course of his speech, said: The trading profit and sundry income for the year amounted to £1,940,351, as compared with £1,703,350 last year. After providing £400,000 for depreciation of fixed assets and £1,174,674 for taxation and other charges, there remains a net profit of £365,677. To this has been added £284,068, the unappropriated profits at the beginning of the year, and £133,416 for taxation adjustment in respect of previous years. This makes a balance available of £783,161.

Referring to Transformers (Watford) Limited, the manufacturing subsidiary company, the chairman said: During the year a transformer tank shop has been opened and equipped with up-to-date plant for the production of all sizes of tanks formerly purchased from outside suppliers. A considerable extension of the main assembly shop was commenced towards the end of the year and is now nearing completion.

YEAR OF CONTINUED PROGRESS

The year was one of continued progress in what has been our main effort during the postwar years, the expansion of our manufacturing capacity and the improvement of its efficiency.

It will have been evident from the financial results that in 1953 we were receiving a real weight of benefit from the extent to which that programme had been carried out. The results were record figures for the production and delivery of all our products.

We processed half a million more tons of clay than in our best pre-war year, and we did it in a shorter working week, with a smaller expenditure of manhours and of manual effort due in no small measure to increased mechanisation. Both the stockholders who have provided additional capital to finance these extensions and our employees who have operated them to such good purpose are benefiting from the results; the stockholders from the dividend proposal and the employees not only through the profit-sharing bonus scheme, which is directly related to the dividend paid to the ordinary stockholders, but also, week by week, from the considerable production bonus which frequently means an addition of 22s. to the weekly pay packet.

I think I can claim that the benefits of our progress went very much further afield. We have had a number of visits by successive Ministers of Works, whose departments are concerned in assisting the adequate production of building materials and who have always been ready to help us. We had not previously had the pleasure of seeing at our works any of the Ministers responsible for housing until Mr Harold Macmillan visited our Stewartby works last September. Writing to me afterwards he was good enough to conclude with this paragraph: "May I say again how much this year's housing programme owes to your efforts and co-operation." We are all proud of that tribute.

PRICE OF BRICKS TOO HIGH

But there is another and more general benefit for which we had hoped from our increased efficiency which has not been realised; it has not been possible as yet to make a general reduction in the price of bricks. I make no secret of our view that the price of bricks is too high, not only in the interests of economic building, but for the health of the brick industry itself. I was able to tell our stockholders a year ago that out of our increased efficiency we were then being able to absorb higher charges for transport and coal, but in July wages awards covering the whole industry and falling alike upon the just and the unjust, compelled an increase in prices. To continue the subject into this current year, the further rise of 10 per cent in rail freight charges—a formidable addition to costs in the case of so heavy a product as bricks—again lowered our hopes of a general reduction in prices. The very slight expectation that the 1954 Budget might reduce the monstrously heavy taxation upon the transport of everything from bricks to bread represented by the 2s. 6d. per gallon duty on diesel oil was not realised.

NEW WAGE DEMAND

I am sorry to have to interject at this point the news that during the past few days a new wages demand has been made upon the building materials group of industries. I say that I am sorry not because we begrudge our employees their fair share of present prosperity and, certainly, not because we have any thought of departing from our long-standing policy of being generous employers: no one can criticise our record in those directions. I regret this new demand because it suggests a disregard for the long-term welfare of all those working in the building industries.

I believe that the great proportion of our own workers are quite satisfied with our treatment of them, and that they believe with us that any policy of making hay whilst the sun shines could be disastrous for our industry.

We have been able to pass on to the building industry one real benefit of our increasing production: it is now beginning to reduce the delivery delays which we fully realise have been an additional handicap in the efficient planning of building contracts. We are still a long way from the delivery service which it was our pride to give in the pre-war days, but the position is now improving month by month.

PRODUCTION TARGET

Our present target is to produce during this current year bricks and brick equivalents—hollow blocks, electrical cable covers, agricultural pipes and the like—to a total of 2,000 million. Present indications are that we shall exceed that pleasantly rounded figure.

In addition to proceeding with the general programme of increased and more efficient production, we put in hand last autumn major extensions at two of our three hollow-block works, at Clock House in Surrey and Warboys in Huntingdonshire.

During the year we had to install additional plant to meet more nearly the heavy demand for our "Saxon" and "Tuscan" types of facing brick which we had earlier introduced as variants upon our Sandfaced brick. We took advantage of the 1953 Building Exhibition to obtain the verdict of architects and builders upon two possible versions of yet a third new type, then only in its experimental stage. This brick, golden buff in colour, could be used appropriately amongst stone buildings where the normal brick-red offends the eye. It was clear from the great interest shown at the Building Exhibition that there was a large potential demand for a brick of this sort at the price which we expect to charge. The brick will shortly be in full-scale production.

The development of this brick is an example of the great value to the company of its research and engineering departments. We have been able to deal with the whole project within the framework of the company from the basic idea to the machinery installed and ready to produce.

FUTURE PROSPECTS

To turn in conclusion to the prospects for the current year. We have no doubt whatever that there will be an over-demand for all the material that we can produce during this year when the official estimate for houses completed is higher than that for last year. It is true, to look a little further ahead, that the number of starts upon officially built houses is rather lower than at this time last year, but, on the other hand, we have clear evidence of an increase in privately built housing which will be furthered by the scheme for encouraging the would-be house buyer announced recently by the Minister of Housing. There is, also, increased activity in industrial building.

A growing proportion of private and industrial building, which is more sensitive to costs than Government and municipal construction, does underline what I have said about the importance of brick prices. Even in municipal building the size to which the financial burden upon the country is mounting must, sooner or later, enforce a stricter consideration of costs and all of us engaged in the building industry, whether representing capital, labour or management, need to bear well in mind the hard and inexorable fact that there is a limit to which the cost of building can go.

That is looking farther ahead than the needs of this review: it will be sufficient for me to say that I have no fear of your dissatisfaction with the results which I shall report to you when we meet again next year.

The report was adopted.

THE ROCK INVESTMENT COMPANY, LIMITED

FURTHER PROGRESS

The thirty-fifth annual general meeting of The Rock Investment Company, Limited, was held on May 25th in London, Mr C. W. Black, JP, MP, FRICS, FAI, chairman, presiding.

The following is an extract from his circulated statement for the year 1953:

We have made further progress in rebuilding the fortunes of your company. We have received dividends on the share capital of our wholly-owned subsidiary, The Oak Property Company Limited, at the rate of 5½ per cent on the cumulative preference shares and 13.2 per cent on the ordinary shares.

Very substantial changes have taken place in the investments of The Oak Property Company Limited and its subsidiaries. The companies were in the position of owning a number of sites acquired for the purpose of erecting parades of shop property with two floors over, but war and postwar conditions prevented these developments. Under the policy of the present Government, however, a large degree of freedom has been restored, and it is now usually possible to obtain building licences to undertake developments of this kind. In these changed conditions it would be greatly to the advantage of the company for these building schemes to be put in hand, and your directors accordingly entered into the necessary arrangements.

By December 31st last the companies were engaged in the erection of 35 shops with residential upper parts, comprising 42 flats and maisonettes, and lettings had been arranged of no less than 19 of these shops and upper parts, mainly to leading multiple traders.

The companies have, since December 31st last, undertaken further developments of a similar character.

The resources of the company are being fully employed, and a progressive policy is being pursued.

The report and accounts were adopted.

THE SEA INSURANCE COMPANY, LIMITED

YEAR OF PROGRESS

The seventy-eighth annual general meeting of The Sea Insurance Company, Limited, was held on May 25th in Liverpool. A statement by the chairman, Major A. Harold Bibby, DSO, DL, had been circulated with the report and accounts for the year ended December 31, 1953.

The chairman referred to the new form of accounts showing figures which had been consolidated with those of the subsidiary company, the Beacon Insurance Company, Limited, in all departments except those transacting life and capital redemption business.

The "Beacon" life business had been successful with net new sums assured of £5,366,086 and separate accounts were submitted for this and the capital redemption business.

In connection with the marine business, Major Bibby remarked on the value of competition, but drew attention to the prospects of unprofitable trading following the tendency to reduce rates excessively and to offer wider cover in an effort merely to maintain premium income.

Turning to the accounts, Major Bibby reported that the total premium income of the group, excluding the "Beacon" life and capital redemption business amounted to £4,130,483, an increase on last year.

The 1952 marine underwriting account had been closed after charging £562,477 to meet outstanding claims, and a credit balance of £109,549 had been transferred to profit and loss account. The "Beacon" had opened a marine account under the management of the "Sea," and for that purpose the sum of £15,000 had been provided.

The premium income of the fire department amounted to £1,215,623 and the profit of £109,765 had been transferred to profit and loss account.

The accident department premium income at £922,182 showed a substantial increase on the previous year, but the year's working had resulted in a loss of £44,623.

In the profit and loss account £155,995 had been reserved for U.K. taxation, as against £275,000 last year.

A final dividend of 15 per cent was approved, making 25 per cent for the year, the same as before. The total group assets now stand at £15,747,972 and the market value of the investments is substantially in excess of the figures shown in the balance sheet.

The accounts were adopted and Major Bibby paid tribute to the work done during the year by the company's agents at home and abroad. The meeting closed with a vote of thanks to the chairman and directors, also officers and staff of the company.

THE SOCIETY OF INCORPORATED ACCOUNTANTS

MR C. PERCY BARROWCLIFF ON NATIONAL EXPENDITURE

The annual general meeting of The Society of Incorporated Accountants was held on May 26th in London.

Mr C. Percy Barrowcliff, the President, was in the chair, and in the course of his speech said: The report of the council for 1953 shows a year of activity and achievement.

I am confident that I express the views of the vast majority of Incorporated Accountants when I say that the time for the registration of the profession is long overdue. The public are entitled to protection from unqualified practitioners in the accountancy field just as much as they are in other professional spheres. The problem is urgent and I can assure members that the Council are more than anxious to see it finally resolved within the possibilities of all present circumstances.

Profit Sharing: I have personal evidence of the beneficial effects of profit sharing schemes on the success of business and also on the relations between workers and management. In all such schemes, the necessity for capital accumulation must remain a first consideration. The ploughing back of profits is still one of the main supplies of capital for the modernisation, the natural expansion and the general financial strengthening of business. It is a matter of supreme importance that capital formation should rank as an essential claim on the profits.

On the subject of accounting in relation to fluctuating price levels, Mr Barrowcliff said: I consider it of the utmost importance that our members should in appropriate cases recommend the adoption of the replacement cost principle instead of the original cost principle.

"SCRIP ISSUE"

In certain quarters there are misconceptions about the ownership and the nature of undistributed profits. The nature of such profits is in no way altered whether they remain as undistributed profits of whether shares are issued in respect of them, except that in the latter case the profits are formally and legally frozen as capital. The procedure does not alter a shareholder's interest in the company, it merely expresses his interest in more units than before.

I therefore welcome the decision of the Stock Exchange to avoid the use of the word "bonus" in this connection, though I would personally prefer "scrip issue" to the term "capitalisation issue" now used by the Stock Exchange.

Taxation: There has already been too long a delay in grasping firmly the problem of reducing the present high rate of direct taxation with its grave repercussions on commercial and industrial prosperity and upon capital savings and incentive. The death-watch beetle eating into the fabric of national prosperity and security is undoubtedly the insidious and practically uncontrolled growth in national expenditure.

There is great need for action to bring national spending within our available means by a more effective control of national expenditure and to this end stringent limits should be set for departmental spending. It would seem fairly obvious that an independent investigation into the set-up and administration of Government departments, particularly those created or substantially enlarged in recent years, is much overdue.

SUN INSURANCE OFFICE

A MOST SUCCESSFUL YEAR

MR C. G. RANDOLPH'S REVIEW

The chairman, in his statement to shareholders, referred to the heavy loss sustained by the office through the death of the Marquess of Abergavenny, DL. The board had accepted with regret the request by the general manager, Mr J. A. Miller, DSO, that he should be allowed to retire as from June 25, 1954. He had many interests in the insurance world outside the "Sun" but it was inside the "Sun" that his retirement would be most felt. His many friends throughout the world would join in wishing Mr Miller health and every happiness in his retirement.

The board had appointed Mr S. V. Bangert general manager and secretary in his stead. Mr W. R. Stevenson had been appointed assistant general manager.

The figures for the years 1951, 1952 and 1953, in respect of the three underwriting departments, were set out for ready comparison.

	1953	1952	1951
	£	£	£
Fire	6,758,718	6,762,364	6,445,516
Accident ..	7,314,812	7,138,669	6,465,686
Marine	1,291,934	1,548,648	1,345,600
	15,365,464	15,449,681	14,256,802

FIRE BUSINESS

The reduction in the premium income amounted to £3,646.

In referring to the flood disaster on the East Coast in January, 1953, he said that, despite the many claims arising therefrom under comprehensive and other policies, the claims experience in respect of fire business in Great Britain was more favourable than it was in 1952. The general overseas business again produced a satisfactory profit but in the United States of America and in Canada the results were materially affected by wind storms and tornadoes to which reference had been made in the press on a number of occasions. As a result of the operations of the year a profit of £648,391 had been transferred to the profit and loss account.

ACCIDENT ACCOUNT

In this account the advance in premium amounted to £176,143. Motor insurance formed an increasingly large proportion of the accident business and it still remained extremely difficult to obtain year by year a margin of profit.

The transaction of employers' liability insurance continued to present its problems. In this country there had been further increases in the rates of premium for certain trades, but, while this had resulted in some improvement in the underwriting position, it had not as yet served to restore the business to a profitable basis.

There had been a general improvement in the results of the North American casualty business, a profit being obtained in both the United States of America and in Canada. The profit from the whole of the accident underwriting amounted to £536,881, or 7.34 per cent.

MARINE ACCOUNT

Marine premiums contracted by some £256,714 as compared with the previous year. This was due, in part, to unwillingness to accept business which was offered at rates that were bound to be unremunerative. The claims experience had not been unsatisfac-

tory, although losses, particularly by theft and pilferage, were still unduly high. Hull underwriting was so closely related to the cost of ship repairs that it was no easy task to estimate what profit, if any, there might be in those underwriting accounts which had not yet been finalised.

It was decided not to make a transfer to the profit and loss account in 1952, but on this occasion it was thought reasonable to transfer £100,000. After so doing the balance of the marine fund amounted to £2,053,732.

PROFIT AND LOSS ACCOUNT

The transfers from the underwriting accounts were £1,285,272. Interest, dividends and rents, less income tax, increased by £47,809 to £451,982. The provision of £250,000 for United Kingdom taxation had been made after due allowance for certain reserves for taxation relating to previous years, now no longer necessary.

The directors decided in November last to pay an interim dividend of 2s. 2d. (less income tax) per share at a cost of £143,000, and they now submitted for confirmation at the annual general meeting that a final dividend of 2s. 10d. (less income tax) per share be paid making, with the amount already declared, a total payment for the year of 5s. per share. The balance to be carried forward to the balance sheet would thereafter be £3,543,190. The market value of the investments was, in the aggregate, substantially higher than the book value, which at the close of the year stood at £17,845,335, an increase of £678,996 during 1953.

To all staff at home and overseas, and to the advisory committees, local directors and other representatives throughout the world, he extended the warmest thanks for their help in the past year.

BRITISH ROPES

TRADING PROFITS MAINTAINED

The thirty-second annual general meeting of British Ropes, Limited, was held on May 26th in London.

Mr Herbert Smith, chairman, in the course of his speech, said: The group trading profits for 1953 of £1,830,781 were maintained at virtually the same level as for the previous year, which I think may be regarded as satisfactory. The net group profits, after providing for taxation, compare very closely, namely £756,315 for 1953 against £778,984 for the previous year.

In regard to the proposal of your directors to increase the ordinary dividends for the year from 12½ per cent to 13½ per cent it was considered reasonable that the ordinary shareholders should enjoy a little of the profit which has and is now accruing from the employment in the business of the profits ploughed back in past years.

Despite the proposed increase in the ordinary dividend for the year, no less than 66 per cent of the group net profits available to the ordinary shareholders has been retained in the business for future capital and other expenditure.

For me to give you any idea of what the prospects are for your company in the coming year is more than difficult at this time. The affairs of the world are such that it is hard to foresee what the future has in store for us, but your directors are not in any way pessimistic about the future, for we believe that nobody in our line of business will do any better than we shall, and we go forward full of confidence that with normal trading conditions we shall be reasonably prosperous in the coming year.

The report and accounts were adopted.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED

(Incorporated in Northern Rhodesia)

SIR ERNEST OPPENHEIMER'S STATEMENT

The following are extracts from the statement by the chairman, Sir Ernest Oppenheimer, circulated with the annual report and accounts for 1953:

The profits for 1953 (£1,249,752 before providing £381,856 for taxation) are about half those of the previous year, which is, of course, a direct reflection of the much lower prices obtained for the metals produced by your company.

This reduction in profits is inevitably reflected in the dividend, which it has been necessary to reduce to half the figure paid last year.

The London Metal Exchange for lead and zinc was open throughout the year under review, and metal prices were comparatively steady at the new levels. As mining and operating conditions on the property are satisfactory, we may reasonably expect that a position of relative stability has now been reached.

Fortunately we have completed the bulk of the major capital programme of the last few years, and paid for it from the high profits of recent years, so that your directors have been able to recommend that the appropriation to capital reserve should be reduced to £200,000 for the year under review.

RECORD ZINC TONNAGE

The tonnage of zinc produced during the past year constituted a record for the mine. As regards the new lead plant, unfortunately difficulties continued to be encountered, and it was necessary, in order to avoid a large fall in production, to switch operations between the old and the new plants. While these difficulties have not yet been entirely overcome, the performance of the plant is increasingly encouraging. The ore reserves remain at a satisfactory level.

The Federation of the two Rhodesias and Nyasaland has been effected. Certain legislation has already been put on a Federal basis, in particular that relating to income tax. The company's profits are taxable under the Federal Law and under this new form of legislation a benefit has accrued to the company by reason of the granting of a depletion allowance which hitherto, under Northern Rhodesia law, was not available.

COMPANY'S RE-INCORPORATION IN RHODESIA

Arrangements have been made to re-incorporate the company in Northern Rhodesia in the early part of May, 1954. Local re-incorporation confers on the company an optional right to deduct Rhodesian income tax from dividends paid and, as certain members would benefit from such a deduction taking place whilst none would be worse off, the directors decided that the option should be applied in respect of the proposed final dividend for 1953. The deduction of Rhodesian tax does not reduce the amount of the dividend as it is merely a case of grossing it up in the first instance and then deducting the tax afterwards.

Re-incorporation of your company in Rhodesia will complete its transfer to that country, a step which is not only in your company's interest, but also in accordance with the current political development of Central Africa.

DAILY NEWS LIMITED

MR L. J. CADBURY ON A SATISFACTORY YEAR

The annual general meeting of the Daily News Limited (proprietors of the *News Chronicle* and the *Star*), was held on May 26th in London.

Mr L. J Cadbury, the chairman, who presided, said:

In submitting the directors' report and accounts for 1953, I am glad to record a satisfactory year's trading. Capital and revenue reserves have risen from £2,170,000 to £2,451,000, the increase being due to the receipt of war damage claims from the Government in respect of plant destroyed by enemy action and to the retention in the business of a very substantial amount of the year's profits.

These gains and a reduction in newsprint stocks have raised our balance at the bank and in cash to £381,000.

Our old buildings Nos. 19 to 22, Bouverie Street, which were blitzed during the war, have now been replaced by one of the most up-to-date newspaper offices in the country. It was completed at the turn of the year. Our process departments housed temporarily in an adjacent building will occupy the top floors, the middle ones will be used for much needed extra editorial and type-setting space. In the basement we have made provision for two high-speed printing machines which are under construction. They will be particularly useful in speeding up the output of the various editions of the *Star*.

During the year the average daily circulation of the *News Chronicle* was 1,358,289 and of the *Star* 1,109,183. The advertising situation on both papers has been most encouraging, and a number of important new advertisers have used our columns.

THE NEWS CHRONICLE

Editorially, the *News Chronicle* has been extremely active at home and abroad, where a great effort has been made to keep our Foreign Correspondents mobile. For instance, Vernon Bartlett, William Forrest, Stephen Barber, James Cameron, and David Walker have been constantly on the move between such places as Persia, British Guiana, Korea, and the Belgian Congo. Incidentally the visit to the last country gave us one of the most outstanding features of the year, a series of articles on Albert Schweitzer, one of the 1953 Nobel Prize winners.

During the year increasing attention has been paid to education, whilst in the City the paper's prestige has continued to be upheld by Oscar Hobson and Paul Bareau.

We have maintained our exclusive rights to the Gallup Poll of public opinion, which has been quoted widely.

On the domestic side, the *News Chronicle* Coronation House Competition should be mentioned; it attracted over 1 million entrants and competitive designs were submitted by 521 architects.

Among our publications, *New Elizabethan Homes* and the I-Spy booklets have proved great successes; over 2 million of the latter have been sold, many having been taken by schools. Over half a million children are actively engaged in the I-Spy Tribe and their number grows daily.

THE STAR

The *Star* circulation has been helped by the succession of informative and entertaining features, many of them of particular interest to women. Among them was the long cam-

paign for reform of the Mental Laws which was followed by the Prime Minister's announcement of the Royal Commission on the Law Relating to Mental Illness and Mental Deficiency. Another example was the series entitled "The Moral Challenge," to which the Bishop of London and other leaders of religious and social thought contributed.

The head of the British Trade Mission to Moscow wrote a number of articles entitled "Business Man in Moscow," which was quoted all over the world, including Moscow. A readers' letters feature has become quite famous under the title of "Bright Ideas" and in six months drew 170,000 letters.

We regret that newsprint is still one of the few remaining rationed commodities. The limitation on paging makes it difficult to deal adequately with the great volume of home and foreign news that we should like to print. We appreciate that a step has been made in increasing imports of paper and pulp from Canada and Scandinavia, but we hope the Government will see fit in the near future to remove the present restrictions altogether.

The report was adopted.

HARLAND AND WOLFF, LIMITED

LAUNCHINGS TOTAL 133,000 GROSS TONS

NEED FOR PERIOD OF WAGE STABILITY

SIR FREDERICK E. REBBECK'S REVIEW

The sixty-ninth annual general meeting of Harland and Wolff, Limited, was held, on May 26th, at the registered offices of the company, Queen's Island, Belfast. Sir Frederick E. Rebbeck, KBE, DSc, DL, chairman and managing director, presided.

The secretary, Mr F. V. Spark, CBE, ACA, read the notice convening the meeting and the report of the auditors.

The chairman said: As the statement of accounts and the directors' report have already been in your hands for some time, I propose with your permission to take them as read (agreed).

It will be seen from the accounts that after charging depreciation the gross profit before taxation is £1,712,900, but you will have noticed that in the disposal of the profits for the year, by far the largest figure is the share that goes to the Government. As you well know, income tax and profits tax take 9s. 6d. out of every £, but it is not perhaps fully realised that, in addition, for every £ received by preference and ordinary stockholders there is a further 7s. 3d. to be provided for distributed profits tax, in other words a tax on dividends paid. Accordingly, we have had to set aside for taxation no less a sum than £864,204, or over 50 per cent of the gross profits.

The consolidated net trading profit after depreciation and taxation is £848,696. During the year protracted negotiations with the authorities were brought to a satisfactory conclusion, and your company recovered taxation paid in respect of previous years amounting to £407,670. In addition, the accounts are credited with a further sum of £15,000 arising on settlement of claims under War Damage Act Part II.

These make the total amount available £1,271,366, out of which the directors propose the same dividend payment on the ordinary stock as for a number of years, together with a special bonus on the ordinary stock of 3 per cent, less income tax at 9s. in the £, and to add to the reserves and carry forward on profit and loss account a sum of £777,090 in the accounts of the parent company and £38,426 in the accounts of the subsidiary companies.

The consolidated total of reserves and undistributed profits now amounts to £5,539,528, which is very necessary for financing the business of the company.

TONNAGE LAUNCHED EXCEEDS 100,000 GROSS TONS

For the fourteenth year in succession the vessels launched from the company's works have exceeded 100,000 gross tons, the total tonnage being 133,000. During the year fourteen vessels were delivered, the most notable being the light fleet carrier *Cantaur* for Her Majesty's Navy.

In common with the industry generally, the company had some cancellations of orders, but notwithstanding these cancellations there are still sixty vessels under construction or on order, including the light fleet carrier *Bulwark* for Her Majesty's Navy, the light fleet carrier *Bonaventure* for the Royal Canadian Navy, and other naval work consisting of frigates and coastal minesweepers. The merchant work includes three large passenger liners, two cross-Channel passenger vessels, several passenger cargo vessels, large tankers for British and foreign owners, and a number of smaller tankers and other craft.

You will doubtless have seen reported in the press that Her Majesty the Queen has honoured the Shaw Savill & Albion Company and ourselves by graciously consenting to visit Belfast in August this year to name and launch the very interesting new type passenger vessel which we are building for these owners.

DIVISIONAL OPERATIONS

The Marine Engineering Division has been fully employed throughout the year in the manufacture of propelling machinery, consisting of steam turbines and Diesel machinery mainly of our two-cycle opposed piston type, but also including four-cycle engines of the poppet valve type.

The Land Engine Division has been chiefly engaged in the manufacture, for export, of four-stroke pressure charged Diesel engines.

Recent orders have also included air and gas compressors driven by Diesel engines or Gas engines of our make.

During the year the Steel Construction Division has been fully employed and has orders in hand which will keep it well occupied for some time to come.

The Electrical Division, which has been substantially increased, has been fully employed throughout the year in connection with the electrical systems on board ships, both Naval and Merchant, and in the manufacture of alternators, direct current generators and ancillary equipment, which are also manufactured for export to various parts of the world.

Once again the Repair Works at London, Liverpool and Southampton were well employed throughout the year, and as usual some important ship repair contracts have been carried out at Belfast and Glasgow. Competition from Continental ship repairers continues to be felt, due largely to the fact that their yards are able to work a three-shift system and are practically free from demarcation troubles. For this reason owners who trade to Continental ports find it advantageous to carry out more repairs on the Continent.

The Scotstoun Works have been engaged throughout the year principally on the manufacture of Turbo-Alternators for Hydro-Electric Installations at home and abroad, this work being carried out in association with the English Electric Company Limited.

During the year there was a dearth of contracts for new vessels, but we have obtained a satisfactory proportion of such orders as have been placed.

IMPORTANCE OF FIXED PRICES

There are several reasons why shipowners have become increasingly cautious in ordering new tonnage—high taxation, the high costs of ships today, the length of time taken to build them, and not least the unwillingness of shipbuilders, under the conditions prevailing today, to commit themselves to fixed prices. If we in the Shipbuilding Industry could look forward to a reasonable period of wage stability, and not be obliged to face what have become in the last few years almost annual demands for wage increases, fixed prices could be quoted without builders suffering the heavy losses which resulted from the fixed price contracts booked three or four years ago. With fixed prices shipowners would then know the exact amount of their commitments, and might well be sufficiently encouraged to take advantage of the investment allowances introduced by the recent Budget, and place orders for new vessels.

The Company's property and plant have been well maintained.

I take the opportunity to thank the members of the staff and workmen who worked well throughout the year.

The report and accounts were adopted; the proposed dividend and special bonus were approved; the retiring directors, namely, Mr J. H. McCuaig, Mr C. C. Pounder, Mr Fred V. Spark, and Dr Denis Rebbeck, were re-elected. Messrs Price Waterhouse and Company were re-appointed auditors, and their remuneration was fixed.

The meeting terminated with a unanimous vote of thanks to the chair.

E. POLLARD & CO.

The forty-second annual general meeting of E. Pollard & Company, Limited, was held on May 27th, in London.

Mr H. Edward Pollard, chairman and managing director, who presided, said:

The profits of the group for the year are £194,351, and, after providing for taxation, there remains £89,638. In April, 1954, a capital dividend of £80,000 was received from a subsidiary company, and your directors are recommending a capital dividend out of this sum at the rate of 20 per cent on the ordinary share capital. This dividend will be paid without deduction of income tax and will not be subject to income tax or surtax in the hands of the shareholders.

During 1953 the demand for all products of the group increased, although shopfitting was handicapped by licence control which continued to the end of December. All materials were eventually freed from control.

Production costs tended to rise and there were several wage increases. Competition was active, but we were able to meet this satisfactorily without price cutting.

The display side of shopfitting found a steadier demand all the year, and a satisfactory increase in turnover was obtained.

The electric passenger lifts of Hammond & Champness increased their sales and widened their field by the extension of the maintenance centres at Glasgow, Liverpool and Birmingham.

The Haskins business in steel shutters and other products for the building industry was strong and again increased on the export side.

The Morris Singer steel casements, lift doors and other sections were in strong demand. The report was adopted.

CENTRAL MINING & INVESTMENT CORPORATION

IMPROVED FINANCIAL RESULTS

The forty-ninth annual general meeting of The Central Mining & Investment Corporation Limited was held, on May 27th, in London, The Rt Hon Lord Baillieu, KBE, CMG (the chairman), presiding.

In the course of his speech the chairman said: The financial results for 1953 show an improvement on those for 1952. In that year our revenue from share transactions was small. The more favourable conditions of the past year afforded us opportunities for dealing, and we are able to bring to credit of profit and loss account an amount of £606,000. Our dividend income at £785,000 is down by about £53,000 due to the narrowing profit margins of the mines of the group.

We have transferred £500,000 to investment reserve and £107,000 to exploration reserve from the profits of the year. Our policy will be to strengthen our reserves as opportunity offers and you will note that, allowing for all movements in the reserves, there is a gain of £642,697 for the year. Our cash position is satisfactory. The board are recommending a small increase in the final dividend, bringing the total for the year to 2s. 6d. per share.

The scale of operations on the Witwatersrand was maintained in 1953 at much the same level as in 1952. Profits, however, were seriously affected by a further rise in working costs and by the fall in the price received per fine ounce of gold, and aggregate profits fell by over £5½ million. There are signs that some of the difficulties under which the mines have laboured in recent years are easing.

URANIUM

In the uranium field, four additional production plants were brought into commission during 1953. In April, the big plant at the Blyvooruitzicht mine started treatment of current and accumulated gold-slime residue and is now reporting profits. Good progress is being made with the construction of the uranium plant on the Harmony mine, which it is hoped will be in production shortly after the official start of gold milling in the latter part of this year.

In the Orange Free State steady progress was maintained in opening up the goldfield. During the year 159,706 feet of development on reef were performed on 12 mines, further disclosing the remarkable persistence of the Basal Reef throughout the area.

We are pleased with the progress and prospects of the Harmony Gold Mining Company, in which we have a substantial direct and indirect interest.

On the Central Rand, rising costs push up the pay limit and grade at depth tends to fall rather than to rise. Thus profitability becomes progressively smaller and the margin on many of the mines is now little higher than it was before the sterling devaluation of 1949.

On the Far West Rand, Blyvooruitzicht continues to be the principal contributor to the totals of group gold production and profits. It is interesting to note that the Doornfontein Gold Mining Company, which adjoins Blyvooruitzicht on the west, has recently come into production and is planning a further expansion of its milling operations.

The report was adopted.

UNIVERSITY OF CAMBRIDGE

Applications are invited for the posts of two Assistant Agricultural Economists in the School of Agriculture. Applications from candidates graduating in June will be considered. Qualifications should include a University degree in Economics or in Agriculture. Salary scales: Men: £360 x £20—£400 x £25—£600. Women: £360 x £15—£390 x £20—£490 x £25—£520. These scales attract Pay Addition of 10 per cent on the first £500 of salary and 5 per cent on the second £500. Further particulars are obtainable from the Secretary, School of Agriculture, to whom applications in writing should be sent, together with the names of not more than three referees not later than June 18, 1954.

UNIVERSITY COLLEGE OF THE WEST INDIES

GEDDES GRANT RESEARCH FELLOWSHIP

Applications are invited for the Geddes Grant Research Fellowship (value not less than £300 p.a.) tenable at the University College for one or two years. Applicants must be persons with established residence in one of the British Caribbean Colonies and must hold a degree from a recognised University. The successful applicant will be expected to undertake original work related to the life and affairs of the Caribbean area.—Applications, stating qualifications and proposed work, and naming three referees, should be received by the Registrar, University College of the West Indies, Mona, Jamaica, before June 19, 1954.

SCHOOL OF ECONOMICS, DUNDEE

Application may now be made for entry to the following courses in October, 1954.

B.Sc.(Econ.) London with Honours in Economics or Economic History or Industry and Trade.

Post-Graduate Diploma in Business Administration.

The School of Economics is to be incorporated in the University of St. Andrews within the next two years. Arrangements will be made for providing students who have not completed their courses by the time the University takes over the school with special instruction to enable them to complete their work for the London Degree.

Application forms and copies of the Calendar may be obtained from the Secretary, School of Economics, Bell Street, Dundee.

UNIVERSITY OF SYDNEY

AUSTRALIA

Applications are invited for the position of LECTURER IN ECONOMIC STATISTICS.

Salary for the Lecturer will be within the range of £A1,100-£A1,450 per annum, with annual increments of £A50. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful candidate.

Finance available for home purchase under Staff Members' Housing Scheme.

Further particulars and information as to the 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, in Australia and London, is *June* 30, 1954.

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ENCYCLOPAEDIA Britannica for sale, 24 vols. brand new. Cost £73 10s. Accept £50.—Box 567.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Applications are invited for vacancies on the research staff. Candidates will be expected to undertake work in the field of applied economics, and should have a good degree in economics and statistics. Previous research experience will be an advantage, but is not essential. The appointments will be for two years in the first instance, and salaries will be fixed on the University scale, according to age and experience. The starting salary will not be less than £400 for the junior post, or more than £800 for the higher grade. Application forms obtainable from the Secretary, Institute of Statistics, St. Cross Road, Oxford. Closing date for applications June 14th.

THE UNIVERSITY OF MANCHESTER

Applications are invited for research posts in ECONOMICS, ECONOMIC STATISTICS, GOVERNMENT, SOCIAL ADMINISTRATION and SOCIAL ANTHROPOLOGY. Candidates should be graduates in any of these subjects or in Modern or Economic History. There are two grades: Grade II, salary £450-£550 per annum; Grade III, salary £350-£400 per annum.—Applications should be sent not later than June 26, 1954, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF EDINBURGH

Applications are invited for the post of RESEARCH LECTURER in the *Social Sciences Research Centre*, tenable from October 1, 1954. The Salary scale is £600-£800 per annum, with placement according to experience and qualifications, and with superannuation benefit and family allowance where applicable.

The successful applicant will be required to pursue research in industrial structure and/or administration, and to do a limited amount of teaching in the Department of Organisation of Industry and Commerce.

Further particulars may be obtained from the undersigned, with whom applications, giving the names of two referees, should be lodged not later than June 30, 1954.

CHARLES H. STEWART, Secretary to the University.

MARKET RESEARCH DEPARTMENT

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A young man with sound knowledge of Research techniques is required by a prominent London Advertising Agency to take an executive position in their Research and Information Department. Media Analysis and comparison (not only confined to the Press) is an important part of the work, together with the handling of consumer and retailer researches. Initiative in the graphic presentation of statistical information is a valuable asset for this vacancy. The position has good prospects.—Box 565.

UNIVERSITY OF DURHAM

KING'S COLLEGE, NEWCASTLE-UPON-TYNE

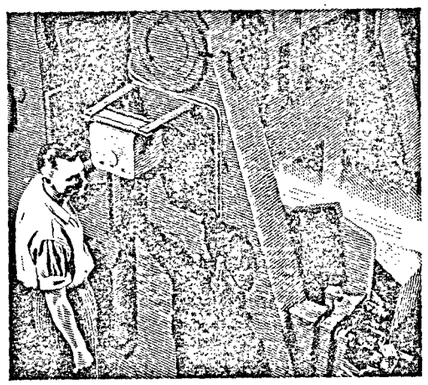
The Council of King's College invite applications for the post of Temporary Lecturer in Economics or Social Studies.

The appointment will be for a period of one year from October 1, 1954.

Applications, together with the names of three referees, should be addressed to the undersigned so as to reach him not later than June 30, 1954.

G. R. HANSON, Registrar of King's College.

FORD MOTOR COMPANY, LIMITED, Dagenham, Essex, invites applications from graduates or qualified accountants aged twenty-five to thirty-five for work on special financial and economic studies. Intelligence of high order is the main qualification. A starting salary of £900 to £1,250 will be paid, according to qualifications and experience.—Apply to Salaried Personnel Department, quoting reference GFA.



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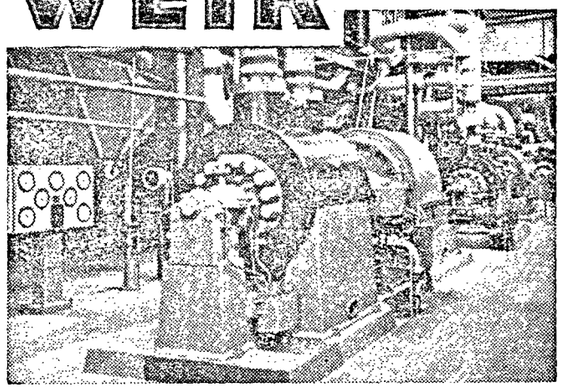

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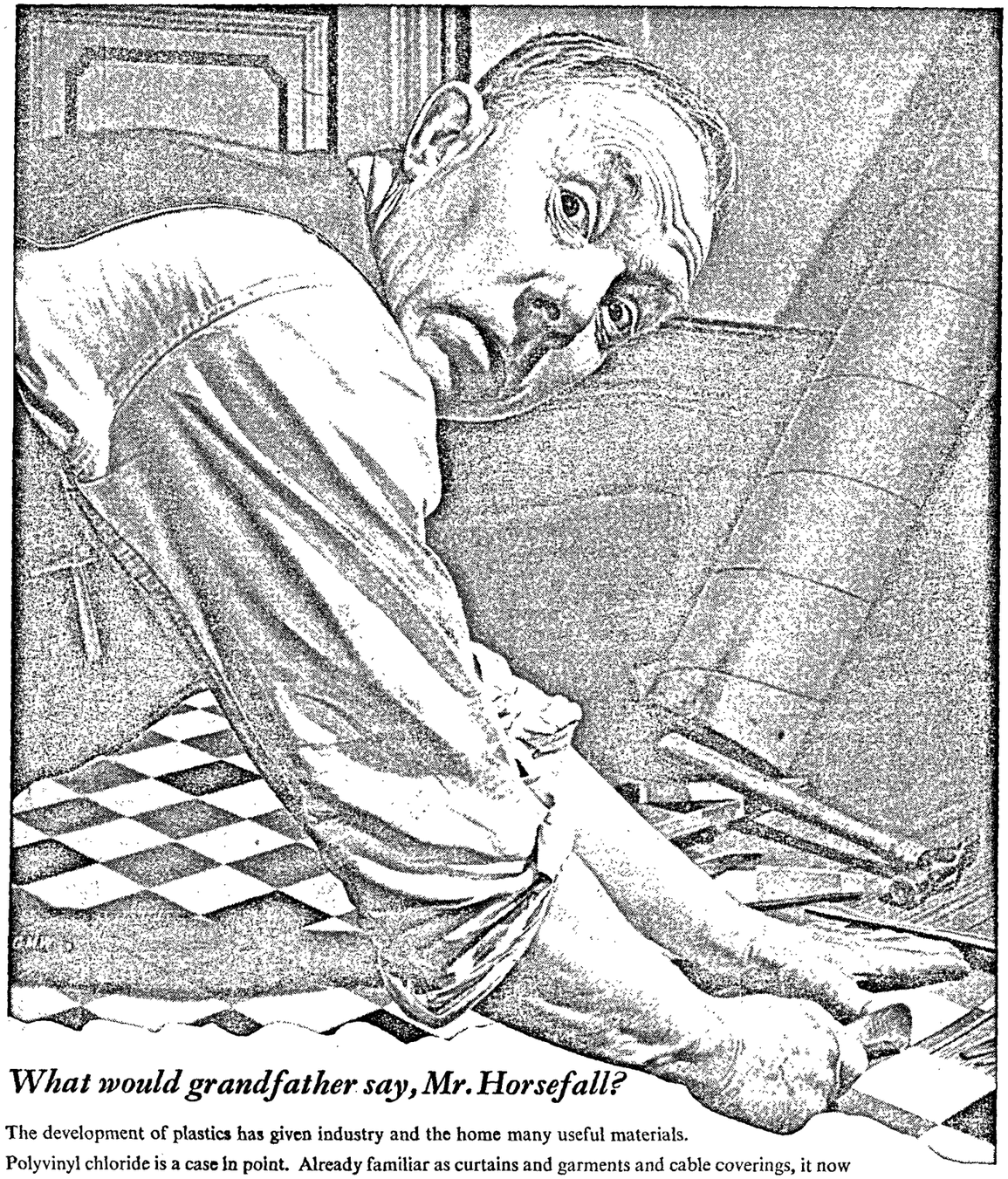

What would grandfather say, Mr. Horsefall?

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.

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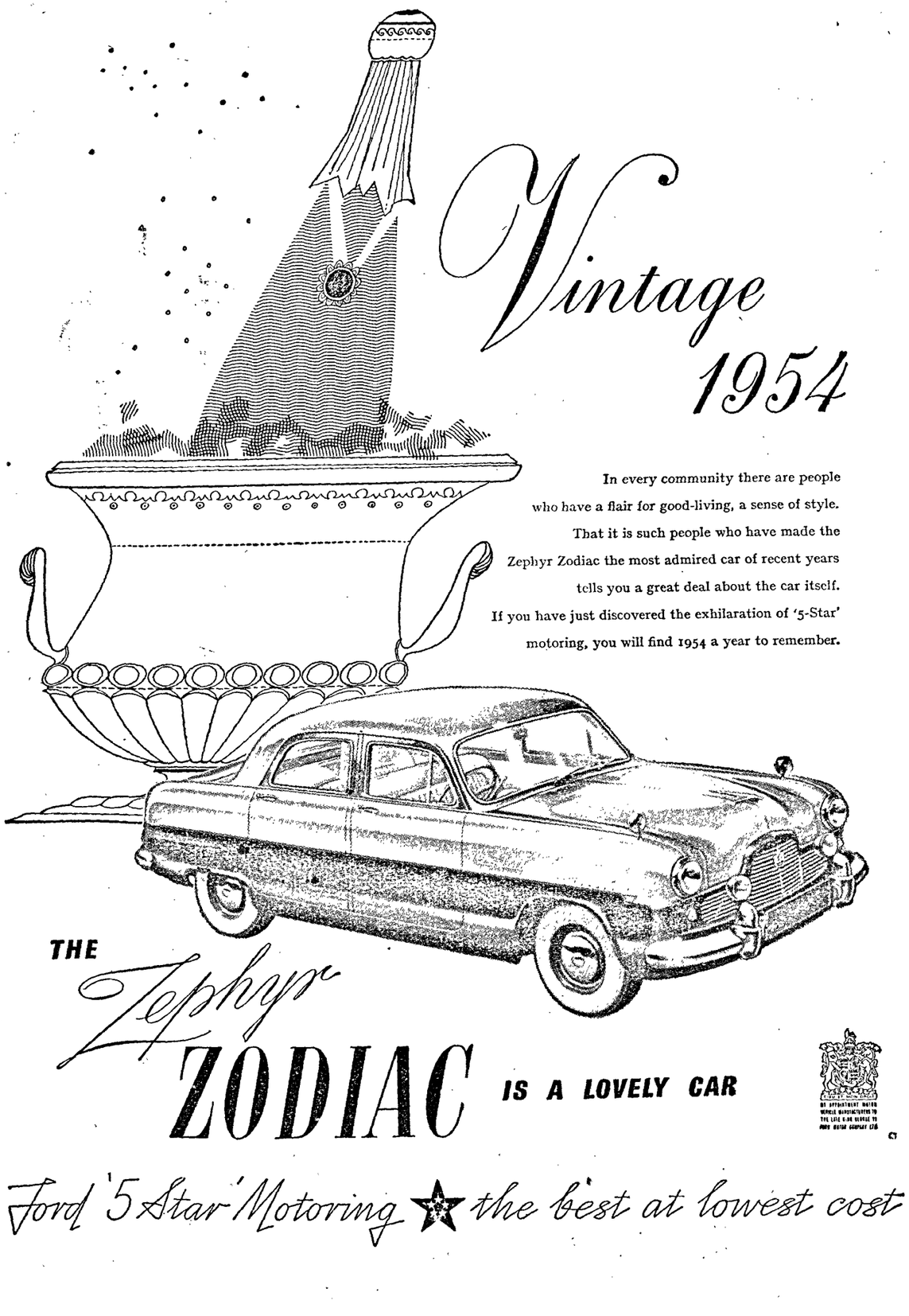

The Economist
FOUNDED 1843
JUNE 5, 1954
ONE SHILLING

Off the Rails 777
Last Week at Geneva 779
Cities and the Bomb 780
One Pakistan or Two? 781
Proof of Need 783

NOTES OF THE WEEK
No More Neutrals?; Siam Rings a Bell; Pointsmanship at Geneva; Lords in Labour; Mutiny for Less Pay; Boycott in Buganda; The Bomb at Lancaster House; Iran Must Decide . . .; The Glass Falls in Tunis; Test in British Honduras; Which Plan for Clydeside?; Mediocrity is Safer; Mr Menzies Scrapes Home; German Travel Shows the Way; The Bulgarians Behave; Hold-up on Cleaner Food?; Laws to Themselves; Mr Costello Leans Left; More About Uniscan. 784

BOOKS AND PUBLICATIONS . . 794
LETTERS TO THE EDITOR. . . 796

AMERICAN SURVEY
Schools Without Segregation . . 799
Loyalty is Not Enough; Resisting McCarthy; Foiled in Tin; Liberal Victory; Picnics for Shareholders; Foundations of Socialism?; Dockers Dig In; What Price Surpluses?; Convenient Coffee; Shorter Notes.

THE WORLD OVERSEAS
Reflections from Lake Leman . . 808
Greece and the Balkan Alliance; Kenya Under New Management; Big Business in Backward Areas; Mr Yoshida Sets Out; A European Saar?—II; Journal of Geneva—VI.

THE BUSINESS WORLD
New Focus on Gilt-Edged 817
A Billion Dollars in Britain . . . 819

BUSINESS NOTES
Boost for Britain; If or Unless?; Banks Buy Gilts; Heyday for the Reserves; Stewarts and Lloyds; Encouraging the Buyers; Lion in Retirement; Angel on a Limb; More Freedom for Sterling; No Major Roads Ahead; Steel Prices Alter; Mr Cube Wins the Day; Losses on State Cotton Trading; Fats in Abundance; Anglo-American Progress; Fiduciary Issue Revised; Coffee Prices Rally; Reviewing Fertilisers; Raw Jute Prices Down; Shorter Notes. 821

COMPANY NOTES AND SECURITY PRICES 833
STATISTICS 836

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.

Off the Rails

THE railway row has gone on Whitsun recess. The strike may start again if the Transport Commission tries to bring in the new schedule of lodging turns on the Eastern Region on June 14th. Or the trouble may peter slowly out as a result of another dreary disengaging movement by the Transport Commission, another politically popular but industrially disastrous retreat. The commission can hardly accept the new demand of the principal footplatemen's union, that it should work towards complete abolition of all lodging turns; but it may sadly conclude that it is now hopeless to try to effect a further gradual increase in these turns. Like the White King in looking-glass land it may decide that it must send out two messengers on most journeys, one to come and one to go, one to fetch and one to carry. This is not a prescription that will allow the transport system of a hard-pressed industrial society to be economically operated; the danger is that it may come to be regarded as a political necessity, to avoid a strike.

Who is to blame for this threat of creeping catastrophe, and what can be done even at this late stage to rectify the situation? Of the three parties that have been concerned in this dispute, the public cannot lay much blame on the leaders of the Transport Commission. The commission's present chairman, General Sir Brian Robertson, came out of the army to take up his unenviable post as recently as November of last year. Within little more than a month he was subjected to strong pressure from the Cabinet (backed by the majority of public opinion in the country) to yield to a wage claim which he knew his commission could not afford. No outside observer can know whether he did or did not come near to resigning at that moment, but most people will agree that he was right to stay on and try to make a success of the formula on which the wage settlement was based. Perhaps the commission should have been more insistent, from the outset, in making clear to the men what that formula was: that the substantial immediate increases in wage rates, as well as the continuing negotiations for a reform of the whole railway wage structure, were to be bound—in honour bound—to the discussion of measures to increase productivity. The commission's defence on this point is that it had reached agreement with the unions; thereafter the public relations job with rank and file railwaymen was the union leaders' own preserve.

The union leaders, for their part, can put up the defence of honest intent and attempt. It was not a very able attempt; there was a clear failure in their public relations policy, a clear weakness in their contacts with their men—especially, perhaps, at area or district level. It is customary nowadays to blame this common lack of touch on the top-heavy constitutions of the unions, but the real and more delicate problem is that no organisational structure can be better than the officials who man it. Once again the country seems to have been brought face to face with the fact that the middle and lower ranks of paid trade union officialdom are now too often being filled by men

of honest purpose but indifferent organisational calibre; this is partly due to the welcome fact that more intelligent younger workers can now launch themselves into university careers, partly due to the ridiculously low salaries that the unions (those least magnanimous of employers) are willing to vote for their own officials, and therefore partly due to the national tragedy that there is still no trade union for trade union officials themselves. But honour must be given even where no great tribute to efficiency may be due. The leaders of the railway unions, by agreeing to a small increase in lodging turns, genuinely tried to live up to the obligation that they had accepted in the name of their members; and they have suffered personally thereby.

It was on the rock of the ordinary railwayman's resistance that these efforts came to grief. Does this mean that the most constructive course for outside commentators now is to keep on shouting at the engine drivers? There are some warning shouts that should certainly be sent up, to some railwaymen who do not realise whose tools they have been. Behind the "sympathetic" action in certain Western Region depots near London and behind the abortive attempt to call a separate strike last week-end in the North East, there were some men who were largely motivated by political considerations; there were Communists eager to follow Mr Harry Pollitt's recent dictum that "the more of these threats we can begin to organise in 1954, the better for all of us." But this does not seem to have been true of the original stoppage of Devonshire footplatemen at Newton Abbot, which struck the spark that the Communists and their allies so effectively fanned.

This stoppage, indeed, provided a case study in all that is most depressing in the present state of British industrial relations. Here were craftsmen of a very high order, from one of the soberest districts of the British Isles, genuinely attached to the main line runs (which are the only runs on which lodging turns are worked), in the middle of delicate negotiations that are aimed at re-establishing the differentials between their pay and that of less skilled workers, confronted with a change in working arrangements that had been agreed by their own elected union leaders. The proposed arrangements were not even universally unpopular; by all accounts, some of the men would have welcomed the increase in take-home pay that the new lodging turns offered, although others resented the interference with their family life. But the reaction of all was to show solidarity with those who felt a grievance, and to go on strike.

At worst, this amounts to a belief that now that railwaymen have become more prosperous the railways can afford to become less so; at best, it is a reflection of the widespread national feeling that greater productivity should never be bought at the cost of greater inconvenience to anybody, even if it leads to higher pay. This is not the claim of a hard-pressed craftsman, but of a hysteric; and the Transport Commission should recognise it as such. One cannot indefinitely humour a hysteric; if need be, after removing any genuine source of grievance, one must slap him in the face. The commission should certainly make an early announcement about how far it intends to restore differentials in the take-home pay of footplatemen; and it should tie those differentials specifically to higher productivity, by increasing the allowances for lodging turns (which are much less generous than those for most lorry drivers). But, having announced this, the commission should make it clear that the new turns must stand, as an obligation for those who want to continue to work on the main line. There will be the objection that this may lead to a major national railway strike. So it may. The alternative is to abandon—here, now and for ever—all hopes of increasing efficiency and productivity on the railway lines, of letting Britain's transport system and with it the railwaymen's own standard of living slide into slow decay.

Peace or War?

Our Ministers will . . . find themselves in this position. On the one side lies the proffer of a peace, which they cannot indeed pretend to deem satisfactory . . . but which will leave Russia baffled, checked, mortified, and with a warning which may keep her quiet for a considerable time; which will leave Turkey at all events safe from aggression for some years to come. . . . On the other hand lies a continuation of the war with the certain discountenance and the possible hostility of the German Powers;—with the prospect of a terrible struggle and a distant if not an uncertain issue; with the prospect, too, . . . that . . . its basis will be widened, its passions will be deepened, and its significance intensified; that in fact the revolutionary element and the spirit of nationality will enter on the scene of strife, and that so we may find ourselves fighting in a cause which we were not prepared to maintain, and with allies and associates whom we did not bargain for;—with the prospect moreover . . . of some disagreement with France weakening our cordiality of action, or of some dispute with America coming in to complicate our position. When the question of peace or war comes before our Ministers in this perplexing and insidious shape; . . . is it reasonable to fear that they may be led to entertain the perilous proposals, and to sacrifice future and enduring tranquillity for the sake of present and immediate peace,—to think that "sufficient to the day is the evil thereof" . . .? Yet such a decision would surely be most unworthy and unwise. It would be stultifying our enormous preparations. . . . It would be letting go our grasp of our adversary when we have him at a disadvantage. And what is worse, it would be postponing a struggle which sooner or later *must* come, to a time when we may be far worse prepared than now to meet it; when the odds may be on the other side; when France may be alienated from us; . . . when in fact we may be utterly unable to aid and save Turkey, however much we may desire it. For, be it remembered, the time when the "Eastern Question" shall come up again will be chosen by Russia, not by us—and she will not make a second mistake.

The Economist

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Last Week at Geneva

HOW much longer can Mr Eden play at Geneva the role of chairman, go-between and peacemaker? When he was in London a fortnight ago for consultation he let it be known that he would persist in his lonely and thankless task for a week or two—and he did not mean three weeks. That is a position from which he cannot now retreat; and it is a pledge that may have to be redeemed during the coming week. If so, if the present negotiations to redispose troops and secure a cease-fire in Indo-China turn out to be nothing more than a snail's progress towards another Panmunjom, then public opinion in the free world will confront once again the questions from which it has so often turned away. The end of talking might mean the intensification of fighting, and for this the victorious Vietminh are more ready than the French. France's allies might then have to decide quickly and firmly whether they could afford a debacle in the Red River delta or watch impassively a Dunkirk at Haiphong. It is one thing to accept Vietnam's partition; it is quite another thing to accept the rout in Asia of one's principal ally in Europe. In such circumstances even Sir Winston Churchill would have to crook his trigger finger.

It may, of course, not come to such a climax. Perhaps the Communists want to meander indefinitely somewhere between deadlock and agreement; they have everything to gain by procrastination. The Vietminh may, therefore, delay a full assault on the French perimeter around Hanoi, whether for political or military reasons; there may be a breathing-space during the rainy season from July to October. Meanwhile endless haggling could go on in Geneva between military representatives about the details of lines to be drawn, units to be moved, roads to be used, and so on. It may, in fact, become quite difficult to say at any given moment whether peace is closer or farther away. There could be just enough progress to cause people in Britain and France—if not in America—to relax, and just not enough obvious danger to make their leaders take decisions.

Already the Geneva conference is having this effect. To many Americans it is made by their newspapers to appear so futile that they ridicule the whole business without suggesting an alternative; while to many British it is made to appear by their newspapers so promising that Mr Eden is weighed down with garlands that have been thrown without any thought of what happens if he fails. This process cannot be allowed to go on indefinitely, for it is doing nothing to improve the military situation and morale of France, and is doing much to debilitate every common venture in which the western allies are engaged. Not for years has the flag of the Atlantic alliance hung so listlessly.

If the verdict next week on Geneva is that Mr Eden has failed, then it is essential that there should be no reproaches between allies. The Foreign Secretary's effort was clearly worth making; indeed, it had to be made by one western statesman once the proposal for a conference on Asia had been accepted at Berlin. Mr Dulles would be wise to be generous about this, for he has been spared some most embarrassing experiences. And if American reproaches to Britain are out of place, so are British reproaches to America. That Mr Dulles had first to bluff and then to sulk was due less to clumsiness than to the confused state of opinion in Congress and in the United States generally. If the Americans went too far in their scepticism about Geneva the British went too far in their optimism; it is a pity that staff talks about what could be done in defence of Indo-China should not have begun until this week, and that the British Prime Minister should have shown in his statement so much more concern with the uncertain views of Mr Nehru than with the determined appeals of M. Bidault. The ideal at Geneva would have been a united Anglo-Franco-American front, negotiating in all sincerity but also planning, in all seriousness, military precautions in case of a breakdown. That is still the ideal—a combination of arms and diplomacy.

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For the moment the most important thing is that British policy should be ready, in case of failure, to keep the initiative and the lead it has taken. Mr Eden cannot turn to Mr Dulles and simply say "I have done my best; you must take over now." Someone in London should be thinking out the kind of aid to France that this country is ready and able to give, the line in South East Asia for which in the last resort it would be ready to fight, and the kind of declaration of policy that would be required in case of a collapse of French resistance in Indo-China. And someone in Washington should be thinking out what part the United States will play, what tone it will adopt, what credit it shall claim if—after all—a cease-fire is secured at Geneva. If both the major partners were thinking of alternatives, re-insuring themselves against the failure of their present policies at Geneva, and making the fact known—then the effect might be decisive for peace. Rather more humility in Mr Dulles and rather more boldness in Mr Eden is probably the right prescription for the fever that grips China and the palsy that shakes France. If it fails with the Communists it will at least help to restore confidence in official relations between the United States and Britain. These, in their present state, are a standing inducement for Communist governments to delay, manœuvre and take dangerous risks.

Cities and the Bomb

IT was a ludicrous scene in Coventry last Saturday. The civil defence exercise organised by the regional authorities, complete with loudspeaker and commentary, met a hostile demonstration of the city council, also with loudspeaker. To a descant of screaming "casualties" the rival broadcasts fought for the souls of the citizens—most of whom had decided to stay at home. But this was no laughing matter for the Home Office. Coventry's decisions to disband its civil defence committee and to stop recruiting are bound to increase the cynicism with which civil defence is widely regarded. More than one local council is talking of following Coventry's example.

They will be keeping queer company if they do. The pompous purpose of the Labour councillors of Coventry has been to "strengthen the hands of international statesmen in their efforts to ban the hydrogen bomb"; and their counter-blast to the Home Office demonstration was provoked mainly by wounded *amour propre*, because the official commentary pointed out that help for casualties would be slow in coming since "the council's attitude has deprived us of local forces." The Coventry councillors' eyes are on world politics; they think they are helping to prevent the hydrogen bomb from being dropped on anyone anywhere. There is no connection between this woolly-minded arrogance and the much more justifiable urge that many other people feel to drop a blockbuster on the different sort of woolliness now evident at the Home Office itself.

Last week, eighteen months after the first hydrogen device was exploded in the Pacific and nine months after the Russians exploded theirs, the Home Secretary made his first statement to the House of Commons about the way in which civil defence plans would have to be revised. He said nothing that any layman who is not a member of Coventry council could not have worked out for himself. It is incontrovertible, as Sir David Maxwell Fyfe explained, that local training for civil defence is as necessary as ever. The hydrogen bomb increases the area of total destruction in which nothing can be done, but it also increases the area of partial damage in which fires have to be fought, the trapped have to be rescued and the wounded succoured. The same knowledge is needed about shelter and first aid, and about the use of geiger counters (if there were any). It is nonsense to abandon local organisation. But it is also nonsense to think that it is enough.

Sir David's statement suggested two main changes of policy. One arises from the realisation that, if all but the outskirts of a town are destroyed, it is from outside that help will have to come. He declared:

> It will be necessary to place an even greater emphasis than hitherto on a mobile organisation based so far as possible outside the main areas of population but available to help them.

"An even greater emphasis than hitherto" is a curious phrase in this context. For years there has been verbal emphasis on these mobile columns, composed of rescue workers, fire fighters, ambulances and so on, which are to stand ready to converge on the scene of destruction. Yet there is still only one mobile column—or rather, half of one, an experimental affair staffed by servicemen. The first step towards establishing more was taken this week. A Bill was introduced into the House of Lords to provide that reservists of the Royal Air Force, who would not otherwise be called up for training during the period when they are liable for part time service, will be trained with the mobile columns. The system, however, is not due to begin until next summer, and will not reach its full output of 30,000 trained men a year until 1956-57.

The other main change of emphasis described in the Home Secretary's statement concerned what he delicately called "dispersal," which, he said,

> clearly has a greatly increased relative importance. The plans already made need to be revised. Particular attention must be given to the disposal of stocks and equipment and to our emergency feeding organisations, and this may involve giving other measures a lower priority.

Present plans are for the tidy evacuation of children and pregnant women—although perhaps it is not too much to hope that provision has also been made to shift the seat of government. But have the planners taken stock of the circumstances in which this dispersal is likely to take place? As soon as the hydrogen bombardment of London seems imminent, about half its inhabitants will probably try to get out. If the bomb falls, the rest—those who survive—will be fleeing from the radioactive dust. The few narrow roads leading out of London, which at present are hardly able to cope with the rush hour traffic, would be in indescribable chaos. How would the mobile columns (if they existed) get to the devastation? To spend money on enlarging the exits from big cities would have a direct bearing on civil defence, and would have peacetime advantages as well. Another need would be to provide camps and relief services on a far bigger scale than has so far been contemplated. Sir David pointed out that "with the shift of emphasis to dispersal there goes an increasing importance for the work of women in civil defence." But there seems little hope of getting them except by compulsion. The Government should consider seriously whether the time for this feminine counterpart to national service has not arrived.

The Home Secretary's last point was that changes and improvements would have to be made in organisation and control "for the purpose of giving effect to the principle of mobility." Changes are also needed for the purpose of giving effect to the principle of efficiency. Civil defence should have a recognisable head; and, to give him real status and authority, he should rank with the chiefs of staff. The "Fourth Arm of Defence" today is the preserve of nameless civil servants, the cud of countless committees. Last December sharp criticisms of its organisation were made in the report of the Select Committee on Estimates; yet six months later these criticisms are as valid as they were then. Nothing has yet been spent, for example, on capital works to ensure that the railways, and the electricity and gas industries could be kept going in wartime, and almost nothing on water supplies and sewage disposal; a mere handful of control rooms has been built.

It is true that active defence is more important than passive preparations for patching up, that guided missiles are more important than geiger counters, that the best form of defence against air attack lies in attack itself. But, as it shelters behind these truisms, the Government still gives the impression that it does not really believe in civil defence at all, that it is setting up a façade to give the population an illusion of protection. So long as this is so, the Government can expect at best the apathy with which civil defence has been regarded hitherto, and at worst the reckless kind of revolt that was staged in Coventry last week.

One Pakistan or Two?

BENGAL has long been known for its profusion of politicians and its dearth of good administrators. The recent drift towards anarchy in the eastern part of the province, the Pakistani half, is not therefore surprising. What is remarkable, however, is that the disorders should have increased so sharply since the April elections, and that the central government, over a thousand miles away in Karachi, should then have had the courage to step in as resolutely as it did last week-end. Acting without warning, Mr Ghulam Mohammad, the Governor-General of Pakistan, declared a state of emergency, dismissed the new United Front government of Mr Fazlul Huq, and replaced the Governor, Mr Chaudri Khaliquzzaman, by the former Defence Secretary, Major-General Iskander Mirza, who has been given complete powers. The new Governor, one of Pakistan's best men, has a reputation for being tough. The Legislature, the Provincial Assembly, has been indefinitely suspended.

There can be no question of treating these disorders in East Pakistan as mere labour rioting, whether the Communists have had any effective part in fomenting them or not. Not only have several hundred people been killed, but the underlying causes of trouble constitute a serious political crisis, the biggest since Pakistan came into being nearly seven years ago. They revolve round two distinct but connected themes: the complete rout of the Muslim League in the recent East Bengal provincial elections and the sudden explosion of a Bengali provincialism which had long been known to be rumbling beneath the surface. For months before, the Muslim League administration in the provincial capital of Dacca had been postponing even by-elections, for fear of being proved to have lost ground; it was inefficient and known to be unpopular, but no one expected that its defeat, when the moment came, would be so overwhelming. Out of 309 seats, it won only ten. The elections, the first to be held throughout East Bengal, were on the whole fair; and the fact that 40 per cent of the voters went to the polls was encouraging, considering that most of them were doing so for the first time.

Compared with the Muslim League, the party that had created Pakistan under the leadership of Mohammad Ali Jinnah, its United Front conquerors looked a motley group. They consisted of discontenteds and independents—of Muslims, Hindus and Socialists who enrolled themselves for the election under the banner of two former premiers of pre-partition Bengal, the 82-year-old Mr Fazlul Huq and the elderly Mr Suhrawardy. This group, fighting mainly on the platform of Bengal for the Bengalis, won on three chief counts. There was strong personal antipathy to the outgoing ministers, who had a melancholy record of ineptitude and indifference to public opinion, and a reputation for feathering their own nests that was excessive even by local standards. It was also a vote against the government at the centre, that remote, non-Bengali, overweening, central government in Karachi; even the Prime Minister of Pakistan, Mr Mohammad Ali whose reception during the campaign was mostly good—he is himself a Bengali—was driven into the position of associating himself with the provincial Muslim League and its unpopular leaders. Thus the vote was above all for a much greater measure of provincial autonomy, with control only of defence, currency and foreign affairs to be retained at the centre. The United Front had, in fact, produced a 21-point manifesto, of which the main points were that Bengali should be made one of the national languages; that the all-important jute trade should be

brought under the direct management of the East Pakistan government by nationalisation (Karachi's trade and foreign exchange policies were bitterly resented as excessively favourable to West Pakistan); and that East Pakistan should be made militarily self-sufficient, with its own ordnance factory within the province.

If these and allied measures were all put into effect, little would be left of the Pakistani state. That, indeed, must have been one of the considerations that prompted the central government to intervene so abruptly and so decisively. But such action would not have taken place when it did, if the deterioration of law and order in East Pakistan since the elections had not been so real and so rapid. Whatever the constitutional or political intentions of the various members of the new government, they had not had time to carry them very far; but they had demonstrated that, either by design or through their own lack of a sense of public responsibility, life and property were being put in increasing danger. Under new management, in fact, East Bengal had jumped from the frying pan into the fire.

The full and exact reasons for this development are still somewhat obscure. There is real discontent in Bengal, and neither of Mr Mohammad Ali's two accusations against Mr Fazlul Huq and his followers really probes far beneath the surface. He accuses Mr Huq himself of being a traitor to Pakistan, and he lays the blame for the riots and killings mainly at the door of the Communists. Mr Huq, it is true, rejected Karachi's urgent pressure for more drastic action against "subversive elements" after the Narayanganj riots a month ago. And he is recently reported to have said in Calcutta: "I do not believe in the political division of India. India to me exists as a whole." But his crime is that he was ineffective rather than wicked. There is no evidence that he actively betrayed Pakistan. No doubt some people in East Bengal—where there are several million Hindus—would like to join India. But most of the members of the United Front are not out for any such radical change as that. What they want is much greater provincial autonomy, and it is now clear that they will do almost anything to get it. They may even have deliberately allowed conditions in the province to deteriorate, with some idea in their minds that they could thus force the central government to make concessions.

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As to the Communists, although Mr Mohammad Ali has greatly exaggerated their importance and has produced no evidence for his charges, it is reasonable to suppose that they have in fact made the most of the reigning confusion and bitterness. The opportunity would be too good for them to miss, particularly at a moment when Pakistan has committed itself more openly and more thoroughly than ever before to friendship with the West and close contact with America. But it would be a great mistake for either the government in Karachi or Pakistan's many sympathisers abroad to regard what has happened in East Bengal as primarily Communist-inspired. To take refuge in a parrot cry of that kind is to evade the problem, and to allow the situation to deteriorate to the point where Communism might in fact become the worst danger.

The real problem is the relationship to be developed between East and West Pakistan. They have little except religion to bind them together and plenty to drive them apart. From the first, the bizarre lay-out of Pakistan has looked like something that could not last, unless its two halves could find a sustained common interest in supporting a central head which only historical accident had imposed upon them. The Muslim religion hardly seemed enough to bind them together, if politics, regional nationalism and economics were driving them apart. In the beginning these forces had not time to become important; now they have, and that is the main lesson of recent events. The Bengali has always regarded himself as someone rather special; for years he smarted at the removal of the British capital from Calcutta to Delhi. Today he feels it an intolerable insult to be ruled from even further away in Karachi.

Some solution has to be found if Pakistan is not to run into further trouble. There are in fact three possibilities: that East Bengal should break away and form a separate Muslim state on its own; that it should join up with India; or that it should remain part of Pakistan. The first is by no means impossible, though it is unlikely. It is true that East Pakistan is stronger from the economic point of view than West Pakistan, since cotton is a less important foreign exchange earner than jute. But East Bengal by itself would find it hard not to be drawn eventually into India's orbit, which would be at best a disturbance of the uneasy balance between India and Pakistan, and at worst a cause of conflict. The third possibility is obviously still by far the most likely and the most desirable; together, East and West Pakistan form a bigger and more viable economic unit and a more effective international force than either could do alone. Moreover, from the point of view of both Middle Eastern and Asian politics, it would be a tragedy if Pakistan broke up just at the moment when it is beginning to play an increasingly important role. But the problem in front of Mr Mohammad Ali and his colleagues in Karachi is by no means easy to solve. Though the United Front has so far proved itself incapable of exploiting its victory at the polls in a constitutional manner, much that it stood for—though by no means all—will have to be conceded if a lasting settlement is to be achieved. For the only form that such a settlement can take is a greater measure of special autonomy for East Bengal—which should not be treated by Karachi as a province on a par with Sind or the Punjab—than any seriously considered so far. It will be the new Governor's task to lay the foundations for this major constitutional change and then withdraw.

Proof of Need

THE effect on Australian politics of Mr Menzies's narrow victory in the general election last Sunday is discussed in a Note elsewhere in this issue. But there is one feature of it that has an application in every democratic country. Dr Evatt's bid for votes turned essentially on his promise to abolish the means test for old age pensions. Many people in this country will have been surprised to learn that Australia, which has had so many years of Labour government, still has a means test. In any case, the significant thing is that the bid, though it attracted some votes, did not attract enough to serve its purpose. The means test is evidently not so unpopular in Australia that the promise to abolish it could produce a stampede.

Perhaps this will lead the world of politics to do some more thinking about means tests—about the principle, that is to say, of requiring some proof of need as one of the basic conditions of the welfare state. Hitherto there has been a tendency—certainly in this country and in greater or less degree in others—to take it for granted that a test of an individual applicant's means or needs was by definition a detestable thing that public opinion will always instinctively reject and that no minister will dare to propose save under the severest financial pressure.

But there is no inherent reason why this should be so. Perhaps in the old days, when there was a sharp distinction between "the people," who were the beneficiaries of welfare schemes, and "the rich," who paid for them, there was a certain logic in it. But those days are long since past. Nowadays everybody bears the load of taxation and knows he bears it. The welfare state is financed out of taxes that fall on the poor as well as on the rich, and if public money is wasted, it is every individual's money. It would be very strange if the average elector positively wished to be taxed in order to provide benefits for those who do not need them. Yet that is the undeniable effect of a full-grown welfare state that hands out its benefits without test of need.

Is the means test, in fact, a dog that has been given a bad name? It is true that the particular form of means test that was applied to unemployment relief in the thirties caused a great deal of individual humiliation and misery. But is the idea behind it necessarily a bad one? If the definition put upon it were a more generous one, might it not even be positively popular? After all, everyone who fills in his annual income tax return submits to a very searching enquiry into his private resources. There is no objection in principle to this means test—which is not confined to the individual but brings in his family. In the educational world, searching tests into the means of the families of scholarship winners are now universal, and though many people think they are inequitably conceived in detail, few people object to them in principle. "From each according to his means, to each according to his needs" is an old socialist principle. It would be a very odd state of affairs if one half of it were to be consecrated and the other forgotten. Indeed, the morality of the matter is surely that the two halves stand or fall together.

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This may seem to be an abstract discussion. But it is really of urgent practical importance. It comes up, for example, every day in housing policy. Anybody who lives near a postwar housing estate is familiar with the private cars parked outside, and with the television aerials that festoon the roofs of houses and flats whose occupants pay only a half or even less of their cost. Resentment is building up (as can be seen from the local press) at the lavish benefits that are being enjoyed by people, some of whom so evidently do not need the help they get. Another immediate and practical example can be found in the pressure for an increase in the rates of old age pensions. If all pensions are to be increased, the cost will be very heavy, and if the honest course is followed of raising the money by increasing the national insurance contribution, the ordinary worker will think himself very hardly used. But the needs of the really hard cases can continue, as at present, to be dealt with much more cheaply through the mechanism of National Assistance—provided the politicians will allow the assistance means test to be applied to steadily increasing numbers of people.

Any generalised test of need should, of course, be liberal and humane. It is probably politic (though it is not strictly logical) to confine it to the individual and not to extend it to the means of his relatives. And it would certainly be wise (though again not strictly logical) to give people an absolute right to any benefit for which they have made specific contributions. But with qualifications of this order, the principle of requiring proof of need is as morally sound as it is financially imperative.

The politicians will answer that it is easy for those who do not have to face elections to be bold. But to say that is to miss the point, which lies in the question whether it really takes courage to advocate the simple principle that no one should live on the taxpayer unless he needs to. The stakes are very high. For, with the numbers of old people rising inexorably year after year, it may soon prove to be quite impossible to reconcile the welfare state with national solvency unless there is some check to expenditure on benefits that are not needed. The alternative to the needs test may well be constant inflation. And one of those who suffer most from inflation, as the last few years have shown, is the beneficiary of the state. Unconditional benefits for all mean adequate protection for none.

Notes of the Week

No More Neutrals?

It is generally agreed, at Geneva, that neutral supervisors must play a key part in the realisation of any settlement in Indo-China. The military and political situation there is so confused that the task confronting such neutrals will be even more difficult than in Korea. They may have to undertake executive responsibilities as well as mere observation; and whereas in Korea neutral supervision has been flagrantly obstructed without a resultant new outbreak of fighting, in Indo-China any such obstruction might wreck the flimsy structure of a ceasefire. Two things are therefore vital: the choice of trustworthy neutrals, and their willingness to do the job thoroughly.

Neutrals with these qualifications are almost as hard to find nowadays as bluebirds. The uncompromising lines of division that Communism has drawn across the world have left very few nations so placed that they are acceptable to all parties. In Wednesday's debate at Geneva, M. Bidault quoted Mao Tse-tung as having written that "Neutrality is only a term to deceive the peoples"; and even free Asian countries with declared policies of non-alignment are classed by Moscow as dependent or at best "semi-dependent" prisoners of imperialism. Thus Mr Gromyko, who proposed this week that Poland, Czechoslovakia, Pakistan and India should supervise an Indo-Chinese armistice, was quite logical, in his own eyes, in balancing two nations from the "sphere of British imperialism" against two from the sphere of Russia's. But this is an odd conception of neutrality.

Are neutrals of what one might call the professional type dying out altogether? The Swiss are so angry at the way their team of supervisors in Korea was both hamstrung and used as a piece of camouflage by the Communists that they are little inclined to accept any new tasks of the same kind. The South Koreans have been arguing at Geneva, and not altogether without reason, that India inclines to favour China as against Mr Rhee, and that Burma will all too easily be subjected to Chinese pressure. It is a gloomy outlook for a world in which the services of genuinely neutral nations are so badly needed.

Siam Rings a Bell

The mixed feelings aroused, in France as well as in Britain, by Siam's appeal for United Nations consideration of the danger so near to its frontiers, are easy to understand. If a heated debate takes place in the Security Council—and it may take place while this issue of *The Economist* is in the press—it is all too likely to prejudice the remaining chances of a settlement at Geneva without visibly advancing the cause of security in South East Asia. Neither the casting of another Soviet veto nor the convening of a special UN Assembly would improve the atmosphere at the moment, and few people are inclined to take seriously the Siamese hypothesis that Vietminh troops may cross the frontier openly and at an early date.

But this does not imply a lack of sympathy for Siam's position, or any criticism of its action except as regards its timing. Nothing is more important than that a small country which feels itself threatened should be able to appeal, through the United Nations, to the conscience of the world and for the assistance of all peace-loving nations. Moreover, if Siam's move appears premature, there is some justification for that in the cumbrous nature of the machinery set up by Uno in 1950 to prevent paralysis by veto. The "uniting for peace" resolution passed by the Assembly on November 3rd of that year created a fourteen-nation peace observation commission, which is still in being and has even given its muscles a little gentle exercise by taking over the work of observation along Greece's northern border. Siam has asked that the commission should send similar observers to its Mekong frontier. The Soviet Union is a member of the commission but it wields no veto there. However, the commission can enter a new field of work only if authorised to do so by the Security Council or the Assembly; and if a grant of such authority is vetoed in the council, the only remedy is to summon the Assembly.

There is, therefore, much to be said for getting through the first stages of a rather complex procedure so that quick action could be taken as soon as the danger to all South East Asia showed itself more clearly. The Siamese have made their first moves soberly and with restraint; if the whole discussion is maintained on this level, it may yet do more good than harm.

Pointsmanship at Geneva

Since Woodrow Wilson's day, Geneva has been familiar with the technique of presenting a complex policy in the simplified form of numbered points; but there has never been such an intensive bout of it as the present conference has produced. General Nam Il's six points have been countered by Mr Pyun's fourteen, and Mr Dong's eight points followed by Mr Molotov's five. Mr Eden introduced a pleasing variation by asking five questions; but M. Bidault, who built up a set of seven points by the simple process of taking Mr Molotov's five and adding two

of his own, must be credited with having given a lead towards the higher pointsmanship.

Is this the shape of the new diplomacy? It seems eminently suited to what Unesco so horribly calls "mass media of communication" although it was foreseen by Clemenceau in his comment on President Wilson's famous programme: "Quatorze? Le bon Dieu n'a que dix." Numbered points not only relieve the eye of the newspaper reader; they also give him a satisfactory, if deceptive, feeling that a tortuous problem has been dissected into intelligible slices. And they make it possible for the ordinary citizen to discuss complex situations impressively without keeping all the details in his head. "But surely you agree that Dinh's seven points are at least a reasonable basis for discussion?" is a ploy that will reduce most antagonists.

If every meeting of statesmen from now on is to take the form of a point-to-point, there will be no room for the older diplomatic methods. No settlement, in the age of fair shares, will be acceptable unless it includes a fair quota of points contributed by each party, and diplomatic communiqués will be couched in the form, "the free world is leading by three points to two."

Lords in Labour

The ten-day Whitsun recess that begins this week-end will offer the Government a final breather before what is always the most anxious period of the year so far as the legislative programme is concerned. Most Governments find themselves in time-table difficulties during June and July, and this one is proving no exception. It has learnt much since its first, disastrous session; but it still seems to have forgotten, until late in the day, that the British Parliament is a bicameral institution. In the seven weeks, at most, between the end of the Whitsun recess and the beginning of the summer recess, the House of Lords will have to deal with seven major or highly complex Bills, as well as with several minor and easier ones. Even with a Conservative Government, this is straining their Lordships' goodwill, not to mention their legislative digestion.

The most complicated measures with which the Lords have still to deal are: Housing Repairs and Rents (Scotland), Landlord and Tenant, Long Leases (Scotland), Television, Mines and Quarries, Town and Country Planning, and Town and Country Planning (Scotland). The Television Bill is perhaps the only one of these over which the Lords will cast a controversial as well as a critical eye. But they will have an important revising function to fulfil with many of the others. In particular, they are better qualified than the House of Commons to consider the minutiæ of landlord and tenant or town and country planning legislation. To attempt to rush the Lords through these technical Bills might lead to sloppily-drafted statutes, giving endless employment to lawyers but only irritation to private citizens.

Even in the House of Commons the Government will not be free of time-table worries. Several of its Bills are still in committee or awaiting the report and third reading stages; in due course all of these will presumably be amended by the Lords, and the Commons will then have to consider the amendments—a process that, on past performance, will give the Opposition opportunities for making a nuisance of itself. To lighten the load the Government has tossed overboard first the ill-conceived Industrial Organisation and Development Bill and now, for this session at least, the Teachers' Superannuation Bill. But there is not much more top-hamper to be shed; the Finance Bill must be allowed to grind its leisurely way through the machine, and the Opposition cannot be defrauded of the several Supply Days still remaining. It must be galling to the Government to know that the real cause of its difficulties is that the House has spent so much time looking at Television—about which not all Tories, perhaps not even in the Cabinet itself, are equally keen.

Mutiny for Less Pay

The one hundred and sixty-six Tory MPs who voted against any increase in their own and their opponents' pay have split into three groups. One group secretly recognises the force of the case for an increase, largely on the grounds that the present low scale of pay and high rate of expenses put some Labour members at a disadvantage and therefore offend against the principle that politics should be played like cricket. They voted against the increase mainly in order to be able to defend themselves in their constituencies, and are not eager to carry the battle further at this time. A second group has no very clear opinion about the ethics of a pay increase; but it thinks that the Government has thrown away a fine debating point by giving in to Labour pressure, instead of carrying on a popular and country-wide resistance to it. A third group genuinely believes that to increase MPs' pay now will be to resort to government by the worst sort of example, and is determined to carry on the fight to the bitter end.

The second and third of these groups have proved stronger than the Government had expected, and they have mounted a mutiny against the Prime Minister in the past week. The problem has been made more awkward by the fact that some members of the front bench may feel some sympathy with the mutineers. In addition, one mutineer, Sir John Mellor, the member for the safe Tory seat of Sutton Coldfield, has cast himself off in a small boat; he has declared that he is no longer willing to accept the leadership of the Prime Minister "who is prepared to override the objections of the majority of Conservatives" on this matter, and that he will henceforth sit as an independent Conservative without accepting the party whip. Since Sir John will almost certainly continue to vote against the Socialists on every conceivable issue, his gesture has no wide political importance. The Prime Minister made a difficult but correct decision when he determined to put this matter to a free vote of the House; he should not be deterred from his chosen course by the thunder behind and around him.

Boycott in Buganda

THE troops are out and a state of emergency has again been declared in Buganda. This bad news should not be taken to mean that the quarrel between Sir Andrew Cohen and the traditionalist forces in Buganda over the exile of the Kabaka has flared up again. The emergency has had to be declared because other elements, which care nothing for Buganda's traditional institutions, have been making every effort to exploit the confusion arising from that quarrel for their own purposes.

These elements are led by the extremist Uganda National Congress, which recently declared a boycott on the buying of all goods except bare necessities as a protest against the rustication of its leader, Mr Kiwanuka. This boycott was designed to hurt African and foreign commercial interests, but it was not fully effective until Congress began to use intimidation against people ignoring it. When this happened, the Legislative Council (including its African members) urged the Governor to take action. Sir Andrew has, in fact, delayed longer than some of the Africans themselves would have liked.

There is thus no contradiction between the declaration of the emergency and the compromise reached last week between the Governor and the three members of the Buganda delegation which is to discuss constitutional reforms with Sir Keith Hancock when he arrives in three weeks' time. The misunderstanding that had arisen over the terms of reference of the Hancock mission has been cleared up ; and the Governor has withdrawn his objection to the inclusion on the delegation of Dr Kalibari, a prominent expatriate from Uganda now working in the United States (the question of the other proposed delegate from America, Dr Ralph Bunche, has been tacitly dropped). In return, the three Buganda leaders, all of whom came to this country last year as part of the delegation that negotiated unsuccessfully for the Kabaka's return, have agreed to co-operate with the Hancock inquiry. If they stand by this decision the conference should now go forward in an atmosphere free from intimidation ; the danger is, however, that the new and unhappy train of events may exert still more pressure on even moderate Buganda politicians to compete before the public to show what good nationalists they are.

The Bomb at Lancaster House

THE five-power disarmament talks in London have now run their discreet and outwardly uneventful course for three weeks. They are likely to continue for another three. Unfortunately, however, there is no reason to interpret the quiet and courteous exchanges between Mr Malik and the western representatives at Lancaster House as a sign that any real progress is being made. The report of this United Nations sub-committee will, presumably, register once more the familiar deadlocks: Soviet insistence on dealing with nuclear weapons separately, western insistence that disarmament must apply to tanks and artillery as well as to atomic and hydrogen bombs ; Soviet rejection of effective international controls, western rejection of plausible paper plans that merely handicap the more honest nations without inhibiting the more ruthless.

For exactly six months, a faint hope of breaking the deadlocks has been kept alive. President Eisenhower's suggestion last December of an international pool of atomic energy for peaceful purposes indicated a way in which mutual distrust might be partly dissolved by practical co-operation. A long and patient effort has been made by American diplomats, in Moscow, in Washington, in Berlin and in Geneva, to lead the Russians to the brink of this pool ; but Mr Molotov has been an unwilling horse from the beginning, and now he has made it finally clear that he will not drink. Last Saturday *Pravda* devoted a major article to the Eisenhower proposals. The writer was not content with the futile charge that they " bypass the main question " —it was precisely because the proposals held out hope of bypassing the major deadlocks that the President made them —but went on to build up a weirdly distorted and sinister picture.

> . . . The attempts of US diplomacy to reduce the solution of the atomic problem to the creation of a certain international agency which would use for peaceful purposes only a certain part of the stocks of atomic materials are arousing growing distrust. . . . The US ruling circles would like to seize control of atomic research in all capitalist countries. . . . In Western Europe there has already been created an international association whose aim is to prepare the ground for a new cartel of traders in atomic death. We have in mind the so-called European Council for Nuclear Research. . . .

It will be remembered that the Russians originally turned down Mr Eisenhower's offer the moment it was made, but agreed to negotiate when they saw how bad an impression they had made on world opinion. *Pravda* has now paved the way for a new retreat by Moscow. The object of its wild charges is simply to help Mr Molotov back out of the negotiations, in which the Americans have proved maddeningly patient and generous, by making obscure suggestions that the United States is somehow to blame for the breakdown. It is not a convincing performance.

Iran Must Decide . . .

A WESTERNER who married an Iranian recently wrote of her new compatriots that though their bodies might be idle their minds were always working overtime. Imaginations spent much time laying plans but devoted even more to conjuring up the pitfalls inherent in any action taken. Thus it usually seemed safer to do nothing at all. This national predilection for letting matters take their course has for decades worked out fairly well. Some outsider—usually Britain or Russia—has always proffered a way round the next bend; more recently, the United States Government, with its successive grants-in-aid, has removed all need for decisions on, for instance, how to fill the Treasury. The Zahedi Government's chief trouble over the current oil negotiations is that there is now no room for indecision. It must take a plunge.

For weeks, Teheranis have been hoping not to have to do so. They have cherished the illusion that the British would like to see the consortium fail, so as to get a deal for London

out of its wreck, or that they would be able to discern some chink in its structure and thereafter do a deal with its American members. They cannot believe that it will remain united or firm about the two or three items that are a *sine qua non* of its return to Iran. One advantage of the present interim talks in London is that they offer a fresh chance of proving to Teheran how much the consortium is at one.

The state of the negotiations is that each side has laid upon the table certain cards that the other cannot accept. The Iranians, for instance, want what they have always wanted—a body of Iranian nationality to restore them, on demand, to their proud position at the top of the list of producing countries, and to leave all decisions, including technical ones, to the whims of an Iranian governmental body. The consortium, which must invest a very considerable sum in Iran if it is to restore the damaged industry, wants greater security for its investment: for security, it wants western control of the technical body that will be acting on behalf of the National Iranian Oil Company, and of the volume of oil produced, so that the latter can be related to the world markets available. In London, the chief topic of discussion is whether a pattern can be devised that will meet these requirements while also meeting the National Iranian Oil Company's susceptibilities. If in Teheran the same kind of pattern-cutting is afoot the prospects for settlement are fairly bright. It is there that the real decision lies.

The Glass Falls in Tunis

ANY Parisian who still cherished last week the notion that all was quiet in Tunisia has had his hopes shattered. On the night of May 26th five French settlers living in the rolling hills of the Tunisian-Algerian border were murdered by *fellaghas* or bandits. *Fellaghas*—outlaws who hold passing cars up to ransom—are a south-Tunisian institution ; but there is now evidence that the distinction between a bandit and a nationalist has grown thin. Some of the men were said to be wearing flashes labelled " Tunisian Army of Liberation " and on one corpse the police found a written note saying that the band was combating *un colonialisme dévié*.

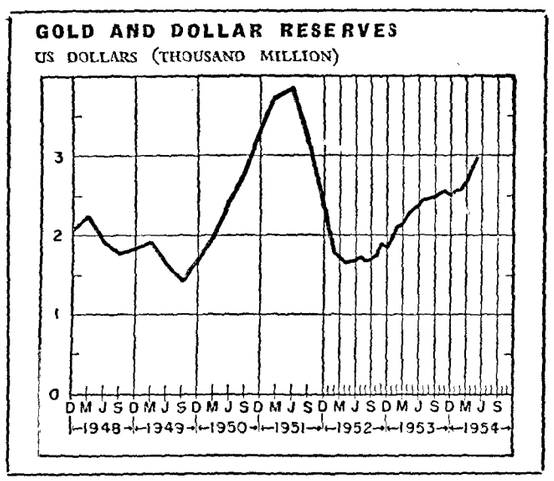
Two days later when M. Voizard, the Resident-General, returned from his mission to Paris in search of support for his policy of clemency, he was met by a crowd of angry settlers shouting that he was incompetent to protect their wives and children and had best go home. By a coincidence, a Tunisian nationalist was simultaneously attempting to murder the Tunisian Prime Minister on the ground of his being a French stooge. The moderates of both sides were under fire.

The perennial trouble in Tunisia is that middle courses please no one. This was true when M. Voizard promulgated his latest reforms in March: the settlers shouted them down because they increased the powers of the Tunisian premier and the Tunisian proportion of cabinet ministers ; the Tunisian nationalist did likewise because, though the reforms provided for an all-Tunisian advisory Assembly they flanked it, for purposes of handling the budget, with an all-French body that would join it when financial questions were under review. Tunisians saw in this proviso a surviving element of the " co-sovereignty " that they will not tolerate. Perhaps they would have felt differently had the subsequent amnesty to political prisoners been extended to include their hero, M. Bourguiba ; but all possibility of taking this bold step has been rendered remote by the fresh murders. Instead, the French settlers have asked for and received an issue of arms. Possibilities of reprisals abound, and the prospects of a settlement are more remote than ever.

Test in British Honduras

THE Colonial Office has decided to take the loyalty of the People's United Party in British Honduras at slightly above face value. In spite of the fact that the party has had affiliations with the Communist-dominated government of Guatemala, it was allowed to take part in the elections in May, in which it won eight of the nine elected seats in the new legislative assembly. Now Mr Lyttelton has decided to go ahead with the second stage of constitutional advance, by appointing four of the newly elected members to take their places on the reformed executive council alongside the three official and two nominated members. The question of whether these heady nationalists can be turned into responsible reformers will now—very wisely—be put to the test.

The ground has been carefully prepared beforehand. The PUP leaders have given the Governor an assurance that they will co-operate fully in trying to work the constitution " in a spirit of loyalty and good will." They are willing to take the oath of allegiance without reservation, and they are to visit Britain for talks with Mr Lyttelton later this year (probably in August). All this amounts to as frank a pledge of good faith as could be desired—and the PUP leaders are unlikely to be so foolish as to ignore the lesson of British Guiana. There would be little reason to worry about the political future of British Honduras (a territory, after all, with only 73,000 inhabitants) if it were not for the menacing attitudes struck by its neighbour: PUP's former allies in Guatemala, have recently been importing arms from behind the iron curtain.



Which Plan for Clydeside?

GLASGOW'S planning problems have become enmeshed in a web of complications and contradictions. Overcrowding in the older parts of the city is worse than anywhere else in Britain; in one area of 90 acres, no less than 37,000 people are herded together. One current proposal for the main redevelopment area is that the population should be rehoused in blocks of flats ten to fifteen storeys high; even so, many families in this area would have to be accommodated elsewhere. Flat construction on this scale would be exorbitantly expensive. On both financial and social grounds, it would be wiser to rebuild more modestly and to transfer a larger number of people to new communities, where they can be housed at reasonable cost.

Unfortunately, there are two barriers in the way. The first is that there is still no adequate machinery for carrying through the necessary dispersal of population and industry. The new town that is being built at East Kilbride can make only a modest contribution to the programme. There is increasing pressure to secure for Scotland the special assistance for expanding towns that the Town Development Act makes available to English local authorities; but—whether or not this measure can be adapted to Scottish conditions—its enactment would take time. The only immediate relief that Glasgow might be given is the creation of a second new town at Cumbernauld.

The other problem is that while the planners are trying to lure some people away from Glasgow, the Government is trying to lure industry to it. Clydeside is designated as a development area. As such, and with Government aid, it has attracted the great bulk of factory construction in Scotland since the war. In addition, the Secretary of State recently insisted on giving unsuitably located firms in Glasgow a greater security of tenure than the city council wanted. It is hopeless to talk about moving people out of Glasgow if their jobs are to stay behind. The authorities should becide whether they want the population of Clydeside to grow bigger or smaller; at the moment they seem to be planning that it should do both.

Mediocrity is Safer

THOSE who want to live to a ripe old age should climb some way, but not too far, in their calling. The improvement in standards of living, which used to be the reward of success, is no longer sufficient to counteract the strain of more responsible work. This, at any rate, seems to be the conclusion of the first statistical study for twenty years of comparative death rates for different social classes of the population.* In the early 1930s the risk of death declined steadily as position in the social ladder rose. Today men in the top "white collar" occupations, loosely classified as the professional classes, and those doing skilled manual work, may expect to die younger than their somewhat less skilled colleagues—although mortality is still highest among unskilled labourers.

These generalisations, of course, hide many exceptions; for instance, open air jobs seem healthier than indoor jobs in each category. Some of the other findings from this new study are illustrated opposite. Deaths recorded in 1950 are related to the numbers in each occupation, as shown by a representative sample from the 1951 census of one out of every hundred. The sample is small enough to introduce some errors, but they should not affect the broad conclusions. The lower chart shows which diseases are more prevalent among professional men, and which among unskilled workers. The figures do not compare deaths from different causes but only the number of deaths in each social class from one particular cause, expressed as a percentage of the deaths that would have been expected if occupation had no effect on mortality. Suicides, for example, were 34 per cent above the average among professional men, but 11 per cent below the average among skilled workers.

* The Registrar-General's Decennial Supplement, England and Wales, 1951. Occupational Mortality. Part I. HMSO. 7s. 6d.

Mr Menzies Scrapes Home

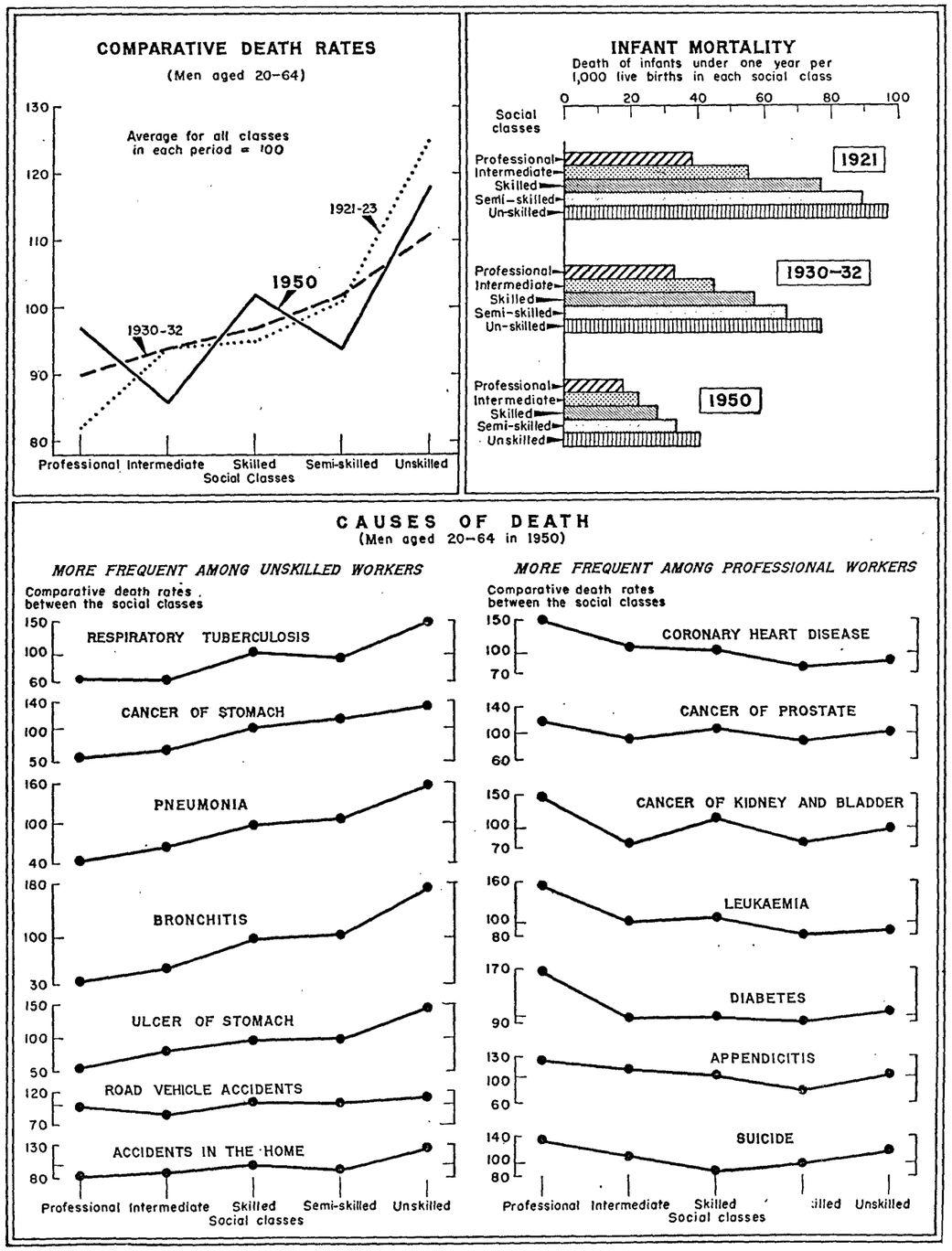
IT was generally agreed that the general election in Australia last Saturday would be a close contest, and the results have borne out this prediction. Mr Menzies has scraped home again, but only with a majority that has shrunk, according to the latest incomplete figures, from 15 to 7. In the new House of Representatives the Liberal-Country party coalition will probably have 64 seats instead of 68, while the Labour party will probably have 57 instead of 53. The Communists, who polled just over one per cent of the votes, gained no seats and lost most of their deposits.

The election campaign was a disappointing affair, in which discussion of important issues of policy, both foreign and domestic, was swamped by argument about how much the Australian citizen could get out of the state's coffers and how much he would have to contribute in return. Mr Menzies, however, has said that the election was a real test of the judgment and character of the Australian people—that is to say of their ability to see that Dr Evatt, the Labour leader, was promising far too much far too quickly when he made them magnificent offers of a bigger and better welfare state. The Prime Minister seems to think that they passed it with flying colours; in fact they have barely scraped through, for even after allowances for uncontested seats, Labour seems to have secured a majority—even though only a bare majority—of the popular vote.

*

Moreover, this issue was obscured by others that told in Mr Menzies's favour. There was the reflected glory from the immensely popular Royal Tour; there was the Petrov case, which seemed to justify all the Prime Minister's well-known fears about the Australian Communist party; there was the country's undoubted prosperity; and there was a popular budget which had included substantial cuts in taxation. In his next term of office Mr Menzies may find he has not such good cards in his hands. The Australian economy is now running on a fair tack; but it is not so long since it was contending with dangerous squalls, and it might find itself doing the same again. Next year the government will face the task of maintaining its slender majority of two in the Senate. With the latest election results before him Mr Menzies may feel it necessary

Death and the Social Classes



to woo the electors with slices of Evatt pie; but he should resist the temptation of promising more than the Australian economy can stand.

German Travel Shows the Way

GERMANS are having personally a taste of "convertibility" long before that term has acquired any meaning for the British man-in-the-street. Travellers abroad from the Federal Republic to any countries of the European Payments Union this summer find that there is practically no trace of exchange controls over them. The allowance is now so high that it is beyond the means of any but the richest family man to spend it on pleasure. It is now, for non-business travel, DM 1300 (£110), though DM 500 (£42) is reserved for winter sports. German travellers can also take DM 300 (£25) with them in cash and can bring back as much as they like. The large German surplus on the European Payments Union provides a justification for this liberality that the British cannot claim. This is true. But it must be said that the German authorities began to be generous to their citizens long before they had such a surplus. For years now the British traveller has been tolerating greater restrictions on his holiday travel than the Germans.

The spirit of "convertibility" and free trade in a new Europe has been shown by the Germans in a number of ways that might well be copied by the British. Customs examinations on trains are now almost entirely a matter of pleasant greetings from officials who have changed the old Prussian or Nazi bark for what might be called "Schumanners." The form which travellers to West Germany fill up on entering and leaving the country is extremely brief and its heading shows that it is merely used for statistics; whereas the British, like the French, still demand personal details that appear to be intended for the police. The inference is that every traveller is a potential criminal. Moreover, the Germans have not made the incredible psychological blunder of the British, who make every traveller leaving the country by air pay what seems like a fine to the government. The irritation caused, especially to Americans, by this imposition is out of all proportion to the small sum of five shillings involved. In the matter of tourism the British have few laurels to look to; but they had better guard the miserable leaves they have against unimaginative officials.

The Bulgarians Behave

ONE more step to lower tension in the Balkans has just been taken. Bulgaria has already resumed trade relations with Greece and a joint border commission has re-drawn a disputed sector of the frontier. Now, after five months of negotiation in Paris, the two countries have agreed to resume diplomatic relations; Bulgaria thus becomes the first of Russia's satellites to take this step.

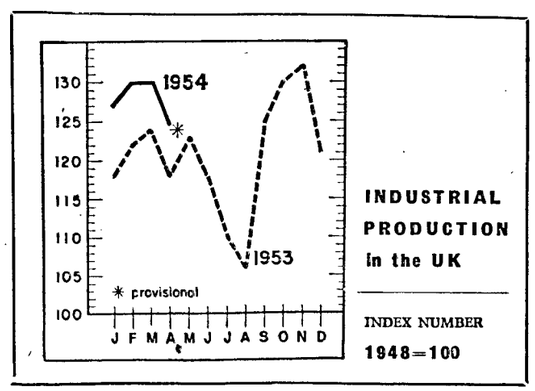
The initiative came from the Bulgarians, who would have liked—presumably as part of Moscow's "peace offensive" in the Balkans—to resume diplomatic relations without further ado. The Greeks, however, would not exchange ambassadors without first getting at least some firm assurance that their serious grievances would be removed, and have in the end won their point. The Bulgarians have professed willingness to carry out the terms of the 1947 Peace Treaty, which they have so far openly defied. Whether they will reduce their armed forces to the numbers stipulated in the treaty seems most unlikely, but in other respects they may be more sincere. At any rate, a committee of experts is to meet later this month in Paris to decide how Bulgaria is to pay Greece $45 million in reparations; and it has been agreed that other matters, such as the return to Greece of rolling stock and other property removed by the Bulgarians, shall be settled through normal diplomatic channels. The Bulgarians, moreover, have agreed to take steps through the International Red Cross to organise the return of the Greek nationals, including probably several thousand children, who were abducted to Bulgaria during the Greek civil war. That amends should be made for this outrage is of paramount importance to the Greeks.

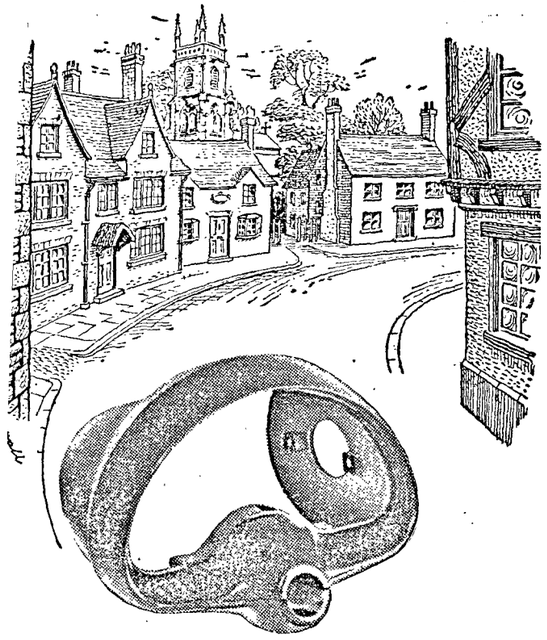
In spite of the long months of diplomatic slogging in Paris, much remains to be done before Greco-Bulgarian relations become satisfactory, from the Greek point of view. Athens has no illusions that its rapprochement with Sofia does away with the need for defence planning in the Balkans. As is pointed out in an article on p. 809, the Greeks are more convinced than they have ever been of the importance of a definite military agreement with their neighbour, Jugoslavia, and their Nato partner, Turkey.

Hold-up on Cleaner Food?

ONE of the measures outlined in the Queen's speech that has still to come before the House of Commons is the Food and Drugs Amendment Bill. This Bill, which is intended to put into effect all that has been said in recent years about the need to improve standards of cleanliness in Britain's catering establishments, had passed through all its stages in the House of Lords by the end of March. Has anything happened to delay its introduction to the House of Commons?

When Mr Crookshank was taxed on this point last week





Economy drive

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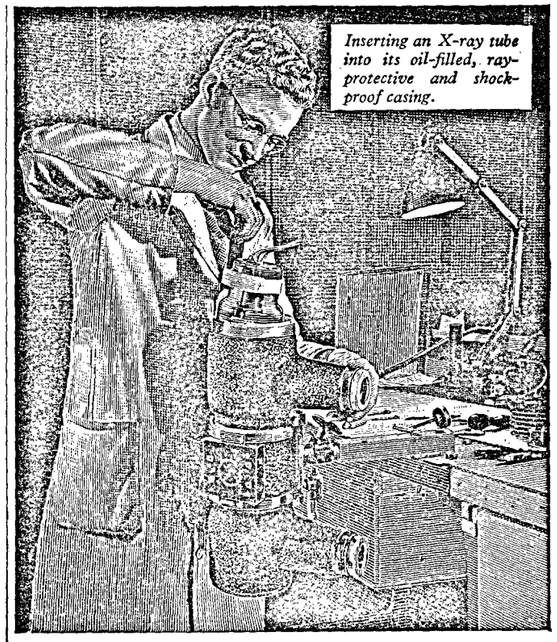
Inserting an X-ray tube into its oil-filled, ray-protective and shock-proof casing.

PROGRESS IN ELECTRONICS

IN 1895, Röntgen startled the world with the discovery of an entirely new form of radiation. Whilst engaged in the study of electric discharges in vacua, he detected an invisible ray which had the remarkable property of penetrating human tissue to present a shadow picture of bone formation on a photographic plate.

The radiations, which became known as X-rays, were at first used primarily to produce medical radiographs. In those early days such radiographs required exposure times of about fifteen minutes; but today, with the aid of modern X-ray tubes, diagnostic radiographs of extremely high definition are obtainable in less than 1/80oth second.

A significant contribution by Mullard to this outstanding progress is the rotating anode diagnostic tube. Providing a high X-ray intensity from an optically sharp point source, these tubes produce radiographs of high quality and definition in very short exposure times.

The latest Mullard achievement in this field is the development of a rotating anode tube of such high power and short exposure time that it enables motion-picture studies to be made of internal bodily functions. This tube is already proving of immense value in the diagnosis of diseases of the heart and circulatory system, as well as of the stomach and the brain.

The scope of X-ray science is continually expanding. In addition to medical radiography, X-rays are being applied to the treatment of cancer, the study of the structure of matter, the non-destructive examination of materials, and the detection of foreign particles in foods. The Mullard organisation, with its extensive research and manufacturing facilities, is contributing to further progress by the production of X-ray tubes of the highest quality.

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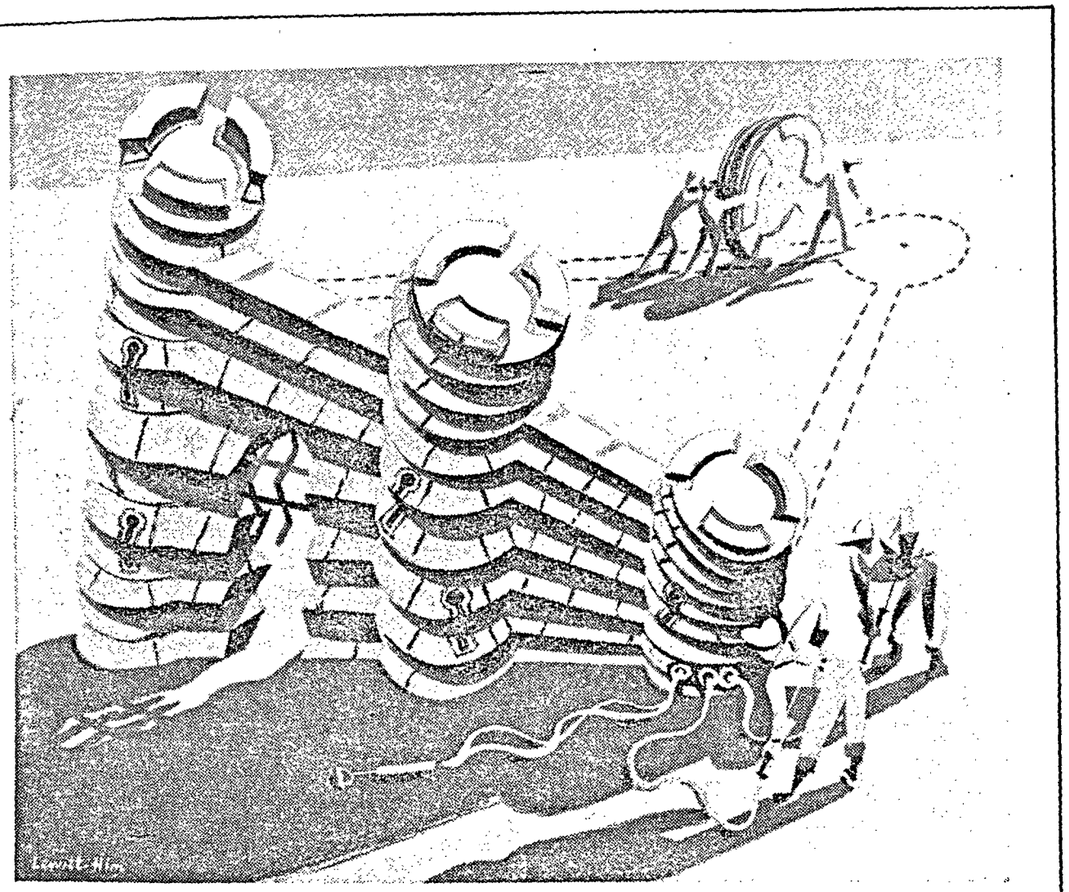

The Schweppshire Way of Life

4 THE SCHWEXPORT DRIVE

It has been well said (Bricey: *Yarns of an Old Economist)* that exports are not exportable unless they are portable. It will not surprise many to learn that Schweppshire provides its own typically individual answer to this typical problem.

ENGLISH HERITAGE CO., LTD., (write Room D, 619 Beltane Road) gives this message from the Old World to the New. In former days the need was met by taking to pieces very old Suffolk barns and putting them together again in exact replica, with the rats' nests pasteurised, somewhere in the U.S.A., often Florida.

Occasionally, extremely ruined castles were treated in the same way. The picture shows, we hope, an advance. Rather small, light, pneumatic thirteenth century castles are put up in England and immediately taken down again. Deflated, they are shipped in

slim wrappers across the Atlantic to, say, Baltimore. Here they can be pumped up and filled, for authenticity, with genuine English air which has been flown over in canisters similar to those we employ for delivering Genuine Club Atmosphere to West 44th Street.

Dummy Countesses, family ghosts (see inset), splendid old butlers and trustworthy old gardeners in a range of six colours, can be supplied as extras. AND DO NOT FORGET our Daisies Pied made of specially treated indiarubber with genuine Warwickshire soil at the roots and packed by our subsidiary Little Hedgerow Flower Co.: AND our genuine Sussex thatch suitable for telephone booths or very low skyscrapers: or our Easy-to-Pack White Cliffs of Dover in sections made of Plastic Nuchork — can be cleaned with the wipe of a cloth.

Written by Stephen Potter, designed by Lewitt-Him.

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

he refused to admit that any but technical considerations were responsible for the delay. Yet there is reason to suspect that when the Food and Drugs Bill is considered in the Commons it may not be granted the general welcome and smooth passage that it was given in the Lords. In preparation for its becoming law, the Ministers of Food and Health have issued proposed draft regulations for comment by the organisations representative of those who will mainly be affected. Consultation of this sort, before regulations are made, is provided for in the Food and Drugs Act of 1938—the principal measure, which the new Bill amends and strengthens. These draft regulations have not been published; but the clause in the Bill referring to food hygiene shows how far-reaching they can be. The Ministers may impose requirements for "the construction, layout, equipment, maintenance, cleanliness, ventilation, lighting, and use of premises" in which food is sold or prepared, and for "the maintenance and cleanliness of sanitary and washing facilities" and of "apparatus, furnishings and utensils" used in such premises. It is not surprising that some of the associations representing caterers and hotels and restaurants are reported to be up in arms against the regulations proposed under this clause. The Ministers, it is said, propose to tell each caterer how many sinks he must have in his kitchen; and may in consequence drive hundreds of small cafés out of business.

Most measures of preventive medicine interfere with individual liberties in the interests of the community, and it is to be hoped that the Government will not be frightened by these protests to the extent of calling off the Bill. There is certainly a danger that under the guise of hygiene the measure will be used restrictively to prevent new catering establishments and food shops from being opened; and the Catering Wages Act stands as a monument to the mistake of pursuing uniformity at the cost of common sense. But against these possible dangers should be set the known danger to health that arises from the insanitary way in which much food in Britain is prepared and sold. Neither the Ministries concerned nor the local authorities should be too tender-hearted once the Bill becomes law.

Laws to Themselves

THE tendency of Government departments to exempt themselves from rules of their own devising is one of the more vicious habits of postwar bureaucracy. A particularly bad example has just been pointed out in the annual report of the Council for the Preservation of Rural England.

In 1947 it was laid down that any land requirements of the service departments should be examined, first, by an interdepartmental committee and, secondly (if there were many objections), at a public local inquiry. After holding such an inquiry, the Government decided in 1950 that the Ministry of Supply's tank factory and testing site on Chobham Common should be dismantled within five years. Nearly four of those five years have passed; and the Ministry has now baldly stated that the establishment cannot be moved "in the foreseeable future." The excuse offered—that the cost of removal is too great—was examined and dismissed during the original proceedings. No new facts have since been produced. Decisions in these cases are final and irrevocable so far as private objectors are concerned; but a department, it seems, can coolly ignore them—and make a mockery of the whole proceedings.

Mr Costello Leans Left

As had been expected, Mr Costello has been able to form a Government in the Irish Republic with the support of the Labour and Farmers' parties. The most significant point about his new Cabinet is that he has clearly had to pay heavily for Labour support. The Labour leader, Mr Norton, is to be Minister for Industry and Commerce as well as Vice-Premier; from this post he will presumably try to industrialise Ireland as near to his heart's content as economic circumstances will allow. Since Mr Dillon, of Mr Costello's own *Fine Gael* party, returns to the Ministry of Agriculture, where he will be trying equally vehemently to expand Irish farming, these economic circumstances may pinch both men very hard. It is perhaps significant that Mr McGilligan, the able and conservative Minister of Finance in the previous Costello Government of 1948-51, has declined to return to his old post; he will be Attorney General instead, and leave the embarrassing finance portfolio to Mr Sweetman, a younger member of the *Fine Gael* party with a reputation for conservatism but a need to win his own spurs. Another newcomer is Mr Cosgrave, the son of a famous father, who will be Minister for External Affairs. Mr Sean MacBride, a former incumbent of this office, has declined a seat in the Cabinet; his small *Clann na Poblachta* party will therefore enjoy the advantages of irresponsibility, although it will give the Government general support.

More About Uniscan

THE economic secretary to the British Treasury, Mr Maudling, is now in Copenhagen for informal talks with the Danish economic ministers. From Copenhagen he will go on to Stockholm and Oslo. High on the list of questions to be discussed is the EPU problem which was also the principal subject discussed at the recent Uniscan meeting in London. The Scandinavian countries are concerned over mounting German surpluses and it is clearly to everyone's interest that any arrangement reached by Britain and Germany bilaterally, as well as the general treatment of Germany's future position in the Union, should be fully explored with the Scandinavians and receive their support. In this connection, *The Economist* was apparently in error in stating that the British failed at the last meeting of Uniscan to inform the other countries of the proposal that up to £35 million in gold might be offered in partial settlement of outstanding debts. Events were moving rapidly and some important features of the eventual proposal had not been worked out at the time of the meetings. Mr Maudling's visit should serve to clear away any misunderstanding which may have arisen from the fact that the final British proposals differed somewhat from those earlier discussed.

Books & Publications

Western Mind on Eastern Oil

OIL IN THE MIDDLE EAST.
By Stephen Hemsley Longrigg.
Oxford University Press for the Royal Institute of International Affairs. 318 pages. 25s.

THE story of twentieth century oil development in the Middle East has been—and still is—fit stuff for Hollywood. When an "eastern" is made to match the "westerns," here are the ingredients ready-made: years of frustration ending in last-moment success; rival speculators wondering whether to ogle the Sultan or the Young Turks; sudden transformations from poverty to wealth; sleek Armenians, relentless Sheikhs; and even a small quota of gas blazes to provide a pillar of fire by night and of smoke by day. Its dramatic qualities have tempted several authors into writing over-lurid books about it, and there was room for one written in Brigadier Longrigg's dispassionate tones. For the second time in six months, he has produced for Chatham House a work of reference that is essential to any good Middle Eastern library. (The first was his history of modern Iraq.)

He deals with the subject chronologically and, from the breakup of the Ottoman Empire onwards, also by countries and, roughly, in decades, so that anyone wanting to look up the effect of Rashid Ali's rebellion on Iraqi output or how many dry holes have been drilled in Israel can turn up the point without need to use the index. As a work of reference, the book is a mine of accurate information and is splendidly arranged; as a record of technical development over fifty years it could, at its length, hardly be bettered. Its appendices give full details of ownership, production, refinery location, and the nature of the oil found in each field, and it has five useful maps.

But the system of division by countries has one serious drawback. Lodged all over the book are paragraphs on subjects that are important enough to have warranted a section on their own. The reader armed with existing knowledge notices, as he goes along, that almost every topic of present or future importance gets its mention somewhere, but the student would find the wood easier to see for the trees if he had been furnished with some chapters or sections on topics that are common to several parts of the area.

To give examples: the problem of wayleaves—permits for pipe-lines to pass through lands of transit—is mentioned when Iraq baulks the idea of a pipe-line from the gulf to the Mediterranean, again when Tapline is being built, and again when Syria and Lebanon, in their jealousy of their oil-rich neighbours, seek to share the spoils by bouncing the pipeline companies into paying transit dues greater than those originally agreed. But nowhere is this important subject given a section to itself so as to make the point that, as a result of the uncertainties thus created, companies now hesitate to double their pipe lines. The possibility of trans-desert pipes to carry natural gas—at present running to waste in huge quantities—is also mentioned, but is unlinked to the thought that such investment will never be made until the lands of transit learn that the way to secure new lines and more dues is to keep old agreements.

Similarly, the differing social policies of the different companies are described country by country, but in isolation. They too need grouping because, unhappily for the companies, they are no longer isolated now that both Sheikh and labourer are paying rounds of visits and making invidious comparisons. Any book intended to show the student his way about the industry needs to make the point—here unmade—that each company which concedes a round to local pressure tends to inch the carpet from under the feet of all its neighbours. The effect of a sequence of unco-ordinated jerks can be costly for all.

The book's great merit is that in giving a picture of the industry from the western angle, it dispels some illusions that Arabs and Persians have spread. It shows how risky was the enterprise and how great the losses at the cost of which success was bought; it shows that though international rivalry as between oilmen has been great it has never been overwhelming; its picture of Middle Eastern feelings about the industry is sketchy, but it gives a deservedly creditable picture of western activity.

Brilliant Coterie

THE BLOOMSBURY GROUP.
By J. K. Johnstone.
Secker and Warburg. 393 pages. 25s.

IT must be hard to write at length about a brilliant coterie, upon which first-hand chit-chat is still abundantly available, without admitting the persuasion that one has oneself, somehow, come within the ambience and gained the right to sound the knowing note. Mr Johnstone, a young Canadian graduate who produced his book while holding a scholarship in the University of Leeds, has intelligently guarded his advantages as an outsider, making no claim to other than a student's intimacy with his subject, and writing (one feels) precisely as he would have written had he been called upon to examine the Cambridge Platonists or the Scriblerus Club. The result has little charm but considerable interest. It is a piece of careful literary history set against an adequately sketched background of ideas, together with judicious biographical information, a précis of important books, and intermittent critical appraisals, mainly appreciative in tone. One may suspect that some of the highly sophisticated persons documented and discussed might feel impatience with this honest diffusing of useful knowledge. But Mr Johnstone's pedestrian methods are more successful in distancing his scene than a work of much greater literary art might be. What does this distancing enable us to see?

Chiefly we see the importance of G. E. Moore, explaining to a talented, exclusive and essentially high-minded circle of young Cambridge men that their concern must be with the Good. Or rather (for is not ethics turning scientific at last?) it must be with good states of mind. And there is no doubt how these are to be achieved. They will come only through an unintermittent frequentation of the fields of love, friendship and aesthetic enjoyment. What doctrine could be more agreeable? Presently we see it carried with enthusiasm to town. And the history of the Bloomsbury group—Maynard Keynes, Vanessa and Clive Bell, Duncan Grant, Roger Fry, and the three major writers Lytton Strachey, Virginia Woolf and E. M. Forster—is essentially that of how Moore's doctrine fared in the face of complications unforeseen in Cambridge (for example, actual young women and real artists) and the extent to which it continued to influence the mature work of individuals of very various temperament and talent.

In the sphere of aesthetic speculation the doctrine produced confusion, for the theory of Significant Form—essentially an attempt to vindicate art in the concrete as all that Moore had claimed for it in the abstract—sees artistic constructions now as autonomous and self-contained, and now as exploiting our responses to formal relations in order to communicate some idea or vision of the very largest reference—the artist dealing (in Roger Fry's positively Shelleyan words) with "impassioned thought and feeling" and representing "the articulate soul of mankind." Upon literature Moore's influence was very varied. Lytton Strachey appears to have gained from him no more than an irresponsible attitude to knowledge. Mr Forster judiciously compounded aspects of his teaching with more ancient and prescriptive wisdom in order to form a sort of working creed for the liberal imagination. Virginia Woolf, the most important artist of the group, was perhaps most trammelled by the doctrine as it ramified through the thought of those around her. Its esotericism straitened her sympathies in a manner peculiarly disabling to a novelist, and the paradox—once more—

that a work of art is both a self-contained construction not standing for anything else and a tool for exploring "reality" appears to have had a harassing rather than a stimulating effect upon her work.

Black Mischief

ECONOMIC DEVELOPMENT AND TRIBAL CHANGE: *A study of immigrant labour in Buganda.*
Edited by Audrey I. Richards.
Heffer. 316 pages. 30s.

IN some ways Buganda bears much the same relation to Uganda as the White Highlands bear to the rest of Kenya. It is a rich country of rich landlords, the envy of surrounding tribes. But in this case the landlords are black. Other resemblances, too, make nonsense of the superficial lumping together of all blacks as the despoiled and all whites as the despoilers. Buganda is an ancient imperial power; its people inherit many of the legacies, good and bad, of their past. They are proud, independent, hospitable, traditionally conservative—so much so that they often seem to regard themselves and the British as the only respectable people in the Protectorate. Today they have to make the doubly difficult adjustment of democratising the internal structure of their tribe, and also of democratising their relationship with the other black peoples of Buganda.

Dr Richards and her colleagues are to be congratulated on producing so detailed and authoritative a study of one of Buganda's most difficult problems. Immigrant labour gets little mention in press accounts of the present crisis, but potentially, if not actually, it represents a great trouble-maker. With the abolition of slavery and the gradual emancipation of the Africans' traditional servants—their wives—the Baganda have come to rely on labourers flocking in from other less fortunate parts of Uganda and beyond—a large contingent comes from over the border of the Belgian Congo. The immigrants already number a third of all the inhabitants of Buganda. They come trekking over the long, dusty roads on foot or in crowded and ramshackle African and Indian-owned buses because there is money to be made away from the ties and obligations of kinship. They work as casual labourers for the Buganda farmers (who have a reputation for treating them well), and, in lesser numbers, on European plantations and in industry; or they raise cotton on land rented for the season. Many of them end by settling permanently. Buganda law is unusually favourable towards tenants and does not discriminate against immigrants—indeed landlords often prefer foreigners as tenants because they are more willing to perform traditional services.

But, socially, it is exceedingly difficult to become naturalised and, politically, the immigrant is still beyond the pale. The democratisation of local councils is almost certain to increase rather than diminish these latent tensions. Progress, both economic and political, is a two-edged weapon in Africa as everywhere else. Industrialisation, for example, may sound fine to the white man, but it encounters all the traditional hostility of the Buganda landlord. With his cheap labour drained off elsewhere, he will have to pay the workers higher wages—and perhaps work a little harder himself.

People who like to denigrate the British administration would find, on reading this book, that things are often more complicated than they seem. As befits a serious work of sociology, it is mainly concerned, not with judgments, but with elucidation and analysis. More work of this kind is urgently needed, for until we have made a better job of charting the still dark continent of African minds and habits, we shall continue to make silly political blunders out of sheer ignorance.

Natural History of Instability

THE FRONTIERS OF ECONOMIC KNOWLEDGE.
By Arthur F. Burns.
Princeton University Press for the National Bureau of Economic Research. 376 pages. $5.00.

THE central theme of this collection of essays is the relationship of economic growth and fluctuations; their raw material is, for the most part, the mass of factual and statistical matter accumulated and analysed under the auspices of the National Bureau of Economic Research, of which the author is Director of Research. (At present, on leave of absence, he is chairman of the President's Council of Economic Advisers.) Eight of the sixteen papers are annual reports of the Bureau, each organising an account of work in progress, or recently carried out, around a single leading idea. "Economic Research and the Keynesian Thinking of Our Time" is a salutary reminder of the unexplored complexities behind the Keynesian aggregates; it should hold much the same place in the economic literature of the mid-century as did that famous essay of Professor Clapham's, "On Empty Economic Boxes," in the 1920s. "Stepping-Stones Towards the Future" deals with the bearing of current research by the Bureau on the possibilities of economic prediction; "The Cumulation of Economic Knowledge" and "New Facts on Business Cycles" are progress reports embracing not only the work of the Bureau but that of other investigators; "Looking Forward" discusses the Bureau's programme (in the critical year 1951) in relation to such politically significant topics as the distribution of incomes, the size and structure of the federal budget, and the economic role of Government. "Wesley Mitchell and the National Bureau" is a biographical tribute to the Bureau's first chief; "The Instability of Consumer Spending" highlights its researches into the consumption function and "the

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vertical transmission of cyclical impulses"; "Business Cycle Research and the Needs of Our Time" is a telling apologia for fundamental inquiry not limited to matters of obvious current urgency.

In Part II of the book Professor Burns hangs his material on a different set of pegs—mostly introductions to, or reviews of, books dealing with his major theme. There is the introduction to Wesley Mitchell's posthumous "What Happens During Business Cycles"; an essay on "Railroads and the Business Cycle," originally the introduction to a Bureau-sponsored study of American transportation by Dr Thor Hultgren; there is a return to Keynesian controversy, in which Professor Burns crosses swords with Professor Hansen on some basic matters of interpretation; there is a review of Professor Hicks's "Contribution to a Theory of the Trade Cycle"; there is a discussion, from the proceedings of the American Economic Association, of two papers illustrating the rival historical and econometric approaches to business cycle research; there is a technical appraisal of the work of Professor Frickey on time series; there is part of a long review of Dr Nourse's "America's Capacity to Produce"; and there is—for once without a peg—an essay on "Long Cycles in Residential Construction."

Evidently this is not a book to be reviewed in the ordinary sense. Each of these compactly written and closely reasoned papers represents, from the reviewer's point of view, virtually a book's worth of material. It must be enough to emphasise the common factor which binds them all into a manifesto of empiricism—the concern with hard factual evidence, the insistence that theory may be either working hypothesis or organising principle, but never self-sufficient explanation of what really happens—and to note that these specimens of plodding inductive method are as intellectually exciting as the most farflung speculations of abstract logicians.

Valuable Reprint

EARLY ENGLISH TRACTS ON COMMERCE.
Edited by J. R. McCulloch.
Cambridge University Press. 678 pages. 35s.

THIS collection of seventeenth century pamphlets is reprinted from that made almost exactly a century ago for the Political Economy Club by J. R. McCulloch. Believing as he did in absolute standards of truth and error and confident in the law of progress, these eight pamphlets had for him a double interest. Some illustrated the mercantilist doctrine of the balance of trade, a delusion so powerful that for its sake "treaties and alliances were entered into and set aside, fleets were sent to sea, armies were embodied, and sanguinary conflicts waged in every quarter of the globe." So long did this doctrine retain its ascendancy that, as McCulloch put it, "Even in our own times Parliament was annually congratulated on the excess of the exports over the imports." But other pamphlets were selected to show the beginnings of saner views. Sir Dudley North, the author of "Discourses upon Trade," published in 1691, is warmly acclaimed by McCulloch as "an Achilles without a heel, he has no vulnerable points, no bounties, no duties, no prohibitions."

Few historians would now read the course and causation of economic thought and changes in quite such simple terms; and yet the collection remains of great value. Inded it was this very collection that Sir William Ashley used to examine the connections between political groupings and economic theories. The pamphleteers whom McCulloch selected as forerunners of Adam Smith had one important factor in common besides the economic liberalism that McCulloch exaggerated. They were all Tories. Sir Dudley North had, after all, an Achilles heel. He was one of the best-hated Tories of the times. If for these reasons McCulloch's collection is of particular interest to the historian, it has also a wider and a more topical relevance. For these pamphlets are concerned with the familiar themes of export balances, gold reserves, exchange depreciation and the relations between interest rates and business activity. Lord Keynes wrote in 1936, "As for earlier mercantilist theory, no intelligible account was available; and we were brought up to believe that it was little better than nonsense." Intelligible accounts do now exist, and the reprint of this collection is therefore the more welcome.

Letters to the Editor

Queen Beyond the Seas

SIR—Here is an extract from a news agency message which was prominently displayed in the first column of the front page of the *Hindusthan Times* of New Delhi on May 22nd, and which received, I am told, equal publicity throughout India, Pakistan and Ceylon:—

QUEEN ACCUSED OF IDOLATROUS WORSHIP

Inverness. May 21st. The Free Presbyterian Church of Scotland has told the British Government that the Queen and the Duke of Edinburgh committed an act of "idolatrous worship" by taking off their shoes to visit Ceylon's Buddhist temple of the Tooth during their royal tour. "Had Her Majesty refused to attend this ceremony, the vast majority of her Protestant subjects would have rejoiced."

Friends of the Commonwealth in Asia may see the Free Presbyterian Church of Scotland's resolution in better perspective if it is realised that it received scant publicity here. It would be interesting to know whether the Free Presbyterian Church of Scotland thinks that the President of the Indian Republic visiting Westminster Abbey on an official occasion should remove his hat as a mark of respect to the feelings of his hosts, or would better promote Commonwealth solidarity by refusing to attend in order to demonstrate publicly his attitude towards beliefs other than his own?—Yours faithfully,

JOSSLEYN HENNESSY

Hopeman, Moray

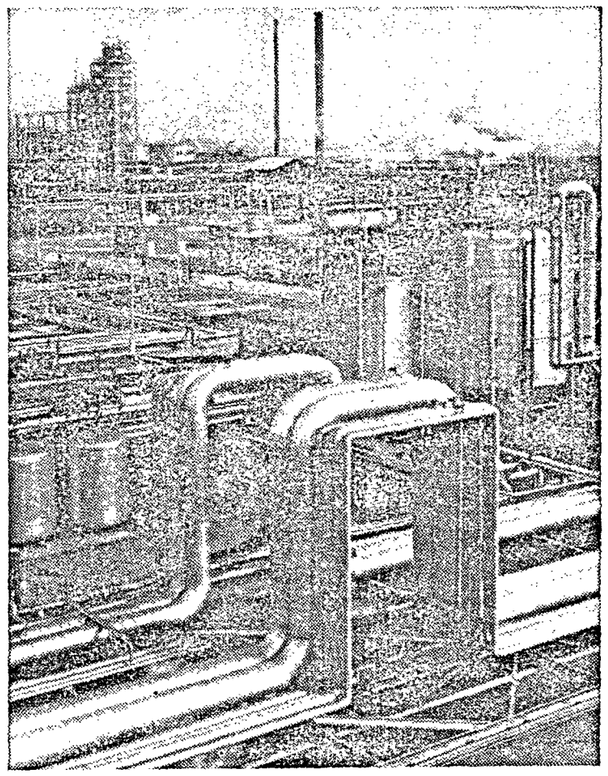
Masters and Men

SIR—In the review of my book "An Introduction to the Study of Industrial Relations," which was published in *The Economist* of May 15th, your reviewer states that the author "does not mention the British Employers' Confederation." This is incorrect. Although the purpose of my book is to discuss the general principles and problems of industrial relations, and does not attempt to describe the systems of industrial relations in Britain or in any other country, the British Employers' Confederation is mentioned five times (see index), and references are made to participation by the confederation in the work of various national advisory councils and of the International Labour Organisation.—Yours faithfully,

J. HENRY RICHARDSON

The University, Leeds

[We apologise for the error. Our reviewer writes that the five references, added together, would not cover one page out of 430. He adds, however, that this is not a criticism of the author, who explains that the lack of information regarding employers' organisations (as compared to the wealth of information concerning trade unions) is due to the secrecy with which their affairs are conducted.—Editor.]



Oil Refinery at Coryton

Civil engineering and building work for this important project has been carried out by the company for Vacuum Oil Company Limited at Coryton. Heavy concrete foundations, reinforced concrete structures, piling, roads and drainage, and the water intake works and jetty were all completed on schedule time. The water intake was constructed in reinforced concrete on the Mulberry harbour principle at Gravesend and Tilbury and floated down the Thames to the refinery.

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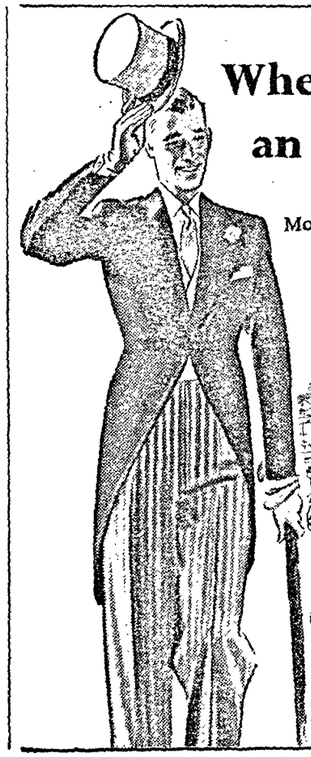

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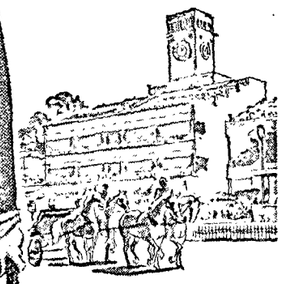

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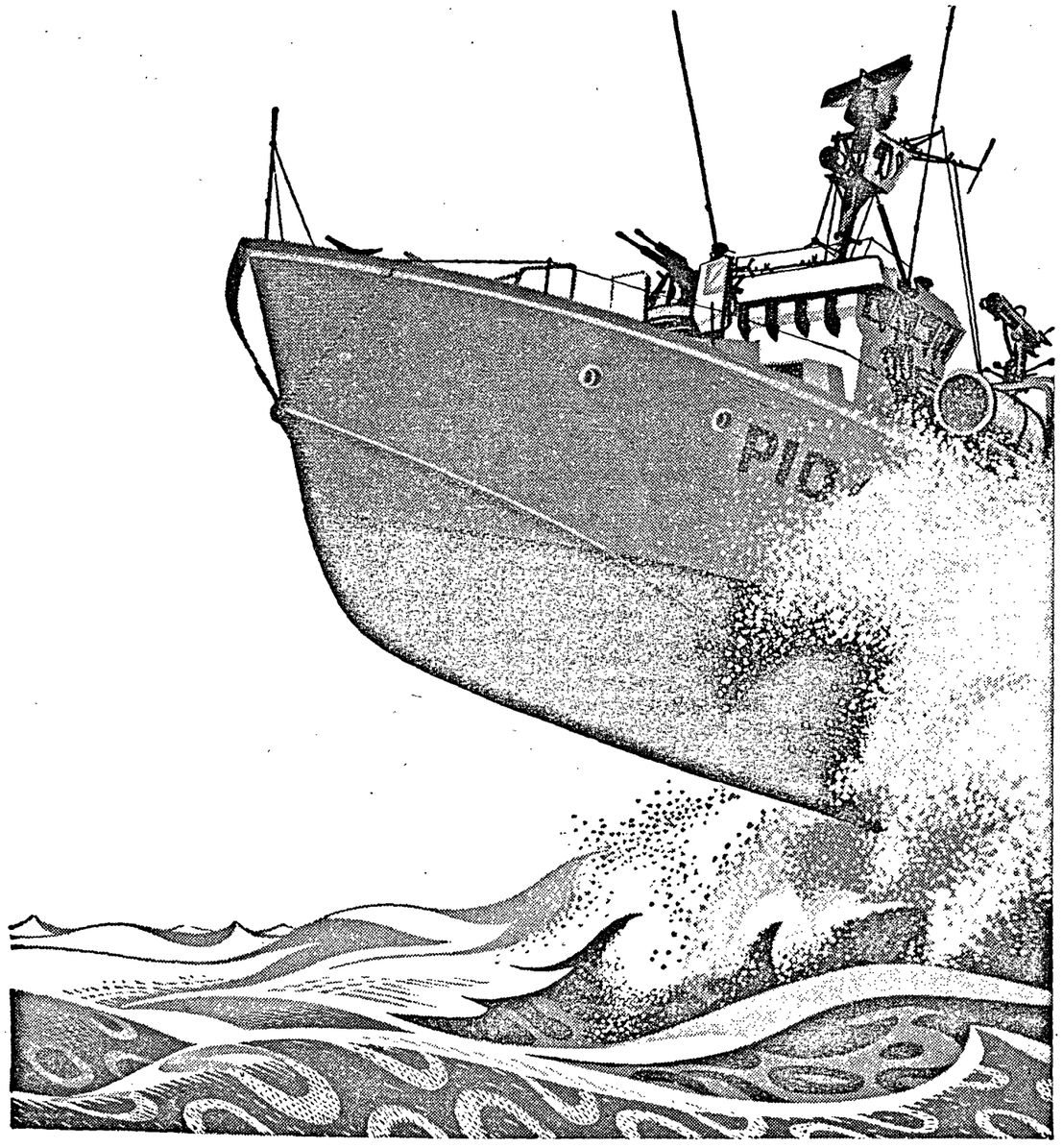

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American Survey

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

Schools Without Segregation

Washington, D.C.

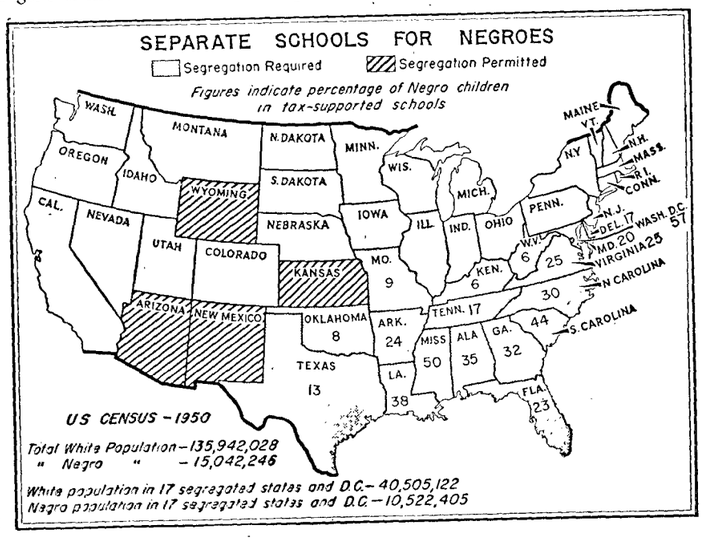
THE Supreme Court's ruling that racial segregation in tax-supported schools is in itself unconstitutional has been wholeheartedly praised, except in the southern states, both for being right in itself and for removing a serious embarrassment to American foreign policy. Particularly welcome were the unusual unanimity of the nine Justices and their sensible decision to separate the establishment of the straightforward principle—that in public education the doctrine of separate but equal facilities for Negroes has no place—and the complicated process of implementing something which upsets the educational pattern and social tradition of the South. The Court will hold further hearings in the autumn before deciding how its ruling is to be applied, but a second series of findings, issued last week, on six other cases concerned with racial discrimination in colleges and elsewhere, underlined that a basic interpretation of the Constitution had been established.

In the South this has been received with regret, but not with united bitterness. The Attorney General of Georgia aroused no great enthusiasm when he summoned the law officers of the other states where Negroes are required by law to attend separate schools to concert opposition. The nearest approach to a general mood was found in Representative Brooks Hays's weekly letter to his constituents in Arkansas; a southern Democrat who has been swimming with the current against racial prejudice, he says of the Court's argument that schools separated by the barrier of colour, however well staffed and equipped they may be, cannot by their nature be equal:

> It is a very difficult kind of reasoning for Southerners to accept. But we are a law-abiding people. We share a proper reverence for the Supreme Court of the United States . . . we can take some comfort from the fact that the Court is giving us time to work out a transition in our schools.

When, in the autumn, the Court begins to formulate the decrees that will govern that transition, the United States Attorney General, Mr Brownell, and the attorneys general of the states requiring or permitting segregation in tax-supported schools, have been invited to participate as "friends of the court" in the discussion. Mr Brownell is expected to repeat the advice he has previously given —that the lower federal courts, from which the test cases originally came, should be directed to enjoin the school boards involved to abandon segregation. If immediate action appears inequitable the lower court should have discretion to order reasonable postponement, in the first instance for a year. One of the Associate Justices of the Supreme Court, Mr Jackson, has predicted, however, a "generation of litigation" before the decision is universally applied, and even the National Association for the Advancement of Coloured People, the skilful organisation which has pressed the test cases, anticipates two or three more years of hard legal fighting on many fronts.

The main difficulty is that education is traditionally not so much a function of state as of local government and, although an increasing amount of state supervision has been exercised through strings attached to subsidies, the system is not really centralised except in West Virginia, North Carolina and Delaware. The Supreme Court's decision only applies immediately to the five school districts involved in the test cases, and there are 11,173 other districts in which segregation has been legal and usually practised. If none



of the local boards chose to co-operate individual suits would have to be brought against each one.

There is, fortunately, not much likelihood of that. Co-operation will almost certainly be forthcoming in the border states and probably in many of the others. Already, since the Court's decision, two instances have been reported from Arkansas and one from North Carolina of local school boards which are permitting Negroes to enter senior classes in the secondary schools next term. In the District of Columbia the school board is debating a plan which will mix some children next September and will put an end to all segregation in the capital by September, 1955. That state governments can help if they will, even when the local authorities have the maximum of autonomy in education, is shown by the example of New Jersey. In the southern half of this state the schools used to be segregated. However, in 1948, after the new state constitution had banned segregation in the schools, a special commission was able to bring about local compliance by persuasion, without having recourse to the courts.

*

But this example is unlikely to be followed in the states of the Deep South, the area of the old plantations, where the Negroes are numerically at their strongest, forming the majority in many counties. The most dramatic attitude of defiance has been struck by Mr Herman Talmadge, the Governor of Georgia, who declaimed: "We're not going to secede from the Union but the people of Georgia will not comply with the decision of the Court." Much the same position is being taken by South Carolina, though the pronouncements of the Governor, Mr James Byrnes, have become somewhat more moderate since his legal advisers took a closer look at his scheme for abolishing the state's system of public education altogether. Rather more faith is now being placed in the solution proposed by the Mississippi Legislature: that school boards be instructed to take "emotional factors" into account in assigning children to the appropriate schools. In some areas, too, segregation will in practice be prolonged by the careful redrawing of the boundaries of the school zones, to divide Negro residential districts from white ones even more completely than they are at present.

Outside the Deep South inertia rather than obstruction is likely to be the main cause of delay, while for many people in states like Kentucky, where the Negro population is not very large and where it is highly uneconomic to support a dual school system in thinly populated rural areas, the decision has come as a relief. The Supreme Court has taken on its broad and remote shoulders the responsibility, and the unpopularity, for doing something which the state authorities had been preparing to do for some time. In many ways Kentucky offers a good example of the gradual breaking down of prejudice and the growing recognition that the end of racial discrimination is inevitable; these are the factors that made the Supreme Court's decision possible and they have now isolated its last-ditch opponents.

Once the issue of segregation has been settled, the ground will be cleared for a general attack on one of the most serious problems of the South: the backwardness of its educational system whether for Negroes or for whites. The southern states have not been standing still in recent years: as a whole they spend a higher proportion of their lower incomes on education than do states outside the South. South Carolina, which is one of the poorest of the 48 states, ranks tenth in the percentage of income devoted to education. Particularly since Mr Byrnes has been Governor, it has been pouring money into the Negro schools in order to support its claim that separate schools can give genuine equality of education. It is said that the gap in current expenditure for white and Negro schools has been practically closed in the large cities in the South, although it still exists in a number of country districts. The gap in terms of physical plant is, however, usually much greater. But the real gap in southern education is between rural and urban schools, whichever race they are for; everywhere there are to be found country schools for white children which are inferior to the worst Negro schools in the cities.

It is the South, therefore, and above all the rural areas in the South, that would benefit primarily from the federal financial aid for school construction that Congress is always being asked to approve. But it has also been representatives of the South who have hitherto held up this approval; they feared that the northern opponents of educational segregation would be able to slip an anti-discrimination clause into the annual appropriation for school aid. Now that sentence has been declared on segregation by the Supreme Court, the Southerners may not be so suspicious of Congressmen bearing gifts.

Loyalty is Not Enough

IT is a tribute to the responsibility, thoroughness and humanity of the members of the Atomic Energy Commission's special security board that they resisted the temptation to come to a clear-cut decision at all costs on the security case of Dr Robert Oppenheimer, America's leading nuclear scientist. Much as they would have liked to use this opportunity to blow away the "uneasy mixture of fear, prejudice and arbitrary judgment" that has come to surround such enquiries, and convinced as they all were of Dr Oppenheimer's loyalty to his country, the board nevertheless regretfully decided, by a majority of two to one, that it could not recommend the restoration of Dr Oppenheimer's clearance for access to secret information. This clearance was suspended, on the President's personal order, at the end of last year. The final decision on whether it should be renewed rests with the AEC itself, but it seems unlikely that the board will be over-ruled.

The reasons why the board felt that Dr Oppenheimer's reinstatement would endanger the defence and safety of the United States, even though he had "a high degree of discretion," were that he had shown disregard for the requirements of security, a susceptibility to influence that amounted to bad judgment and incomplete candour in giving evidence, and had acted in a disturbing manner in connection with the hydrogen bomb programme. The importance which the majority members of the board attached to this last consideration is in itself disturbing: their complaint against Dr Oppenheimer seems to be that, having opposed the programme on moral as well as scientific grounds before it was definitely undertaken, he did not later go out of his way to foster enthusiasm for the hydrogen bomb among those working on it.

The threat to ethical freedom and scientific progress implied in this complaint against Dr Oppenheimer makes it hardly surprising that it was the scientific member of the board, Dr Ward Evans, who dissented from the majority decision. But he based his dissent on the fact that Dr Oppenheimer had been cleared in 1947 and that, as he had improved from a security point of view since then, he did not now deserve to be denied clearance. What has unfortunately deteriorated since 1947 is the international situation, particularly in the atomic field, and risks to security are now assessed by more stringent standards than they were then, a point for which Dr Evans does not seem to have allowed. But it may still be asked, however much one may agree with the board's decision in this case, whether those standards have not become so stringent that the basic democratic liberties are being undermined.

Resisting McCarthy

THE President is no longer an immovable object in the face of Senator McCarthy's sustained infiltration of the independence of the executive; while he still refuses to dignify the Senator by naming him, Mr Eisenhower is now moving out to counter-attack. As a result the Senator's force is looking less irresistible than it did, although he himself appears more defiantly self-confident than ever. Hardly a day of the enquiry into his controversy with the Army can pass without the Senator repeating to the television cameras his invitation to government employees to do their duty, put their loyalty to their country before their loyalty to their superior officers, and give him any information they may have about treason in executive departments.

Last week the Attorney General, on the President's authority, pointed out that

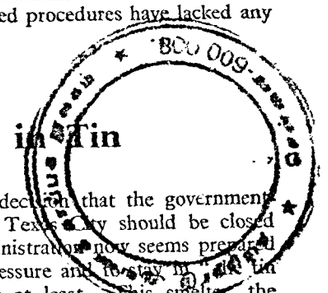
> the executive branch of the government has the sole and fundamental responsibility under the Constitution for the enforcement of our laws and presidential orders. They include those to protect the security of our nation which were carefully drawn for this purpose. That responsibility cannot be usurped by any individual who may seek to set himself above the laws of our land or override the orders of the President of the United States to federal employees.

The only acknowledgment made of this rebuke by Mr McCarthy was to include the present Administration in his famous "twenty years of treason" by extending the period to twenty-one years. He is also now trying to divert attention by returning to his charge, frustrated last year, that the Central Intelligence Agency has been penetrated by Communists. On Monday the President continued his attack at one of Columbia University's bicentennial dinners, by announcing, amid the cheers of his audience, that

> we will drive from the temple of freedom all who seek to establish over us thought control—whether they be agents of a foreign state or demagogues thirsty for personal power and public notice.

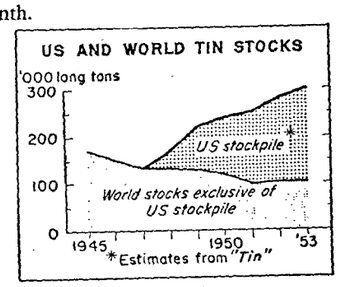
And Mr Eisenhower has now on his side followed this up with an impressive survey of the legal action taken against Communists and subversives in the sixteen months since his Administration took office.

Meanwhile the Senate, spurred on by the Democratic members and by the public reaction to a prolonged television dose of McCarthy methods, seems at last to be drawing near to effective regulation of its committee procedure. Senator Knowland, the Republican leader, has promised to back such a measure early in the next session and before long the Senate is expected to discuss, even if not to act upon, a new code that combines a number of earlier proposals. Under it witnesses at congressional hearings would be told the charges against them before they were published, at least two members would have to be present at each session, and a special committee would report to the Senate on any violations of the code. Previous recommendations for improved procedures have lacked any provision for enforcement.



Foiled in Tin

REVERSING its earlier decision that the government-owned tin smelter at Texas City should be closed down on July 1st, the Administration now seems prepared to give way to senatorial pressure and to stay in the tin business" for another year at least. This smelter, the largest of its kind in the world, was built during the war to process the low-grade ores from Bolivia and elsewhere which had previously been smelted in Europe. It is operated under an agreement with the Reconstruction Finance Corporation, which is itself finally to be wound up at the end of this month.



In the 1953 fiscal year, which ended last June, the plant's output of refined tin accounted for one-half of the total new tin made available in the United States, but its operations for the year ended in a net loss of $1,869,000. Certainly from an economic point of view the government would be well rid of this investment, even if it could only sell it at a heavy capital loss. Moreover, the United States could, it is estimated, live off its current stocks of tin for from 5 to 8 years, and in case of war it could build, in little more than a year, a new and more efficient plant to make the western hemisphere again self-sufficient. A compromise —to end operations but maintain the plant in working order—was rejected as too costly in view of the rapid deterioration that would take place in the warm sea air on the Gulf of Mexico.

The Administration's proposal to sell immediately, or lease, the $13 million plant was well received by the House of Representatives, but was foiled in the Senate by the strong opposition of Senator Lyndon Johnson of Texas, who had, of course, local as well as national interests in mind. The Senator scored a tactical success when he got the Administration's Bill referred to the Armed Services Committee, of which he is a member and which has now voted unanimously against the closing of the smelter. His arguments have been strengthened by the general concern at the deteriorating situation in South-East Asia which might threaten the free world's tin supplies. In addition, a shut-down at Texas City would have an adverse effect on Bolivian tin production, and would therefore create a difficult diplomatic situation. These political and international considerations have evidently tipped the balance against the economic ones and the smelter has already been allowed to rebuild its depleted stocks of tin ore.

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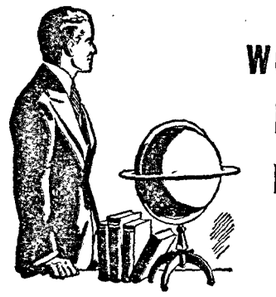

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Liberal Victory

IN 1950 in North Carolina the liberal invaders of the conservative Democrats' southern stronghold suffered a smashing rebuff, with the defeat of Dr Frank Graham in the primary election for the Democratic nomination for Senator, a nomination which, in that state, means victory in the general election. Dr Graham lost because the Supreme Court's verdict against the segregation of Negroes in the graduate departments of universities, coming during the campaign, gave his die-hard opponent an opportunity, which he exploited ruthlessly, to appeal to racial prejudice and the traditional southern fear of outside interference. Last week the Democrats of North Carolina were again electing a senatorial candidate and their choice lay again between a liberal, Mr Kerr Scott, who had originally sponsored Dr Graham, and a conservative, the incumbent Senator Lennon. Once again the Supreme Court intervened, with its much more far-reaching verdict against the segregation of Negroes in elementary and secondary schools, and once again the decision was exploited to the full by the right-wing candidate. But this time the liberal won.

Mr Scott, it is true, deplored the Court's ruling as sincerely as did his opponent, although less rebelliously. Moreover, Senator Lennon was little known, while Mr Scott is a famous vote-getter, who had challenged the party organisation successfully before, and a farmer who, when he was Governor, made the state spend lavishly on roads to get rural voters "out of the mud." He promised, if sent to Washington, to be more active than Senator Lennon had been in seeking antidotes for unemployment, falling farm prices and McCarthyism, all of which are anathema to the citizens of North Carolina. While all these factors certainly contributed to Mr Scott's victory, it has nevertheless provided welcome evidence not only that the South is accepting the Supreme Court's decision far more calmly than could have been expected even a few years ago, but also that the conservative Democrats are not going to be able to use the emotional reactions to that decision to turn their party's clock back in the South. One reason for this lies in the growing importance of the Negro vote there, as a result of the disappearance of poll taxes and other restrictions which discouraged Negroes from going to the polls. It is estimated that in 1940 in eleven southern states there were only 244,000 registered Negro voters, while in 1952 there were 1,130,000. And it is widely believed that Mr Scott, like Senator Sparkman in Alabama a few weeks earlier, owed his victory to Negro support.

Picnics for Shareholders

New York

IF the confidence of Mr Robert Young, supported by the war cries of his Texan friends, is borne out by the final count of votes, and if his success is upheld in the courts, Mr White and his fellow directors on the board of the New York Central Railroad will be the third major railway management to be unseated this year by the votes of dissident shareholders. To the 2,200 of the New York Central's owners, who were transported to the company's annual meeting in special trains and regaled with box lunches of fried chicken, the proceedings were more reminiscent of a political convention. Indeed, few voters have been courted as assiduously—or at such expense—as the Central's 40,000-odd shareholders. The rival campaign managers, professional solicitors of proxy votes and public relations counsels operated on budgets of which their political counterparts might well be envious.

The tactics employed in this railway battle provided a sensational example of the enhanced role of the individual shareholder in America today. Each year company meetings are better attended and new ways are devised to encourage more shareholders to come and to satisfy and entertain those who do. This year they have done better than ever; they have been treated to free colour films, seen closed-circuit television programmes of their company's operations, received token gifts of its products, or been taken on free tours of airports, luxury liners or of the firm's best plants—with, of course, free lunch and transport to the "picnic."

On the other side, there has been a marked tendency for shareholders to question more frequently, and effectively, the activities of their managements. But it would be wrong to conclude from this that widely scattered, minority shareholders can even now effectively organise their collective strength to ensure the efficiency of the management they have appointed. Successful challenges have been few, outside the railways, and although some of these have been made by shareholders who are genuinely dissatisfied, in many cases—the New York Central affair offers an example—the personal ambition or financial speculation of opportunists has provided the leadership of the insurgent group. Moreover, the pattern of revolt is often set, not by the collective action of the original shareholders, but by an outside group, which is buying its way into the company, soliciting support from the remaining shareholders in order to make its newly acquired interest a controlling one.

Foundations of Socialism?

REPRESENTATIVE CARROLL REECE'S investigation of tax-exempt charitable foundations which concern themselves with education is following the anti-intellectual and anti-international pattern set by a similar inquiry held two years ago, which however ended by commending the foundations. Now Mr Reece, who managed the Taft campaign in 1952, has a political as well as a philosophical motive for trying once again to discredit the foundations; for on their staffs are, or have been, a number of prominent supporters of President Eisenhower who were among those responsible for his nomination in 1952 and for encouraging him to pursue a liberal Republican line since then.

Mr Reece's particular targets are the "big three" among the foundations—the Ford, the Carnegie and Rockefeller funds, names not usually linked with socialism. Yet the sensational charges which the Republicans on the investigating committee and their self-styled expert witnesses are levelling at the foundations include the following: that they educated the electorate in such a way that it voted for the New Deal in 1933; that they bear some responsibility for the loss of China to the Communists; that they introduced Communist practices into the schools; that they promoted radicals who designed the federal income tax as

a "socialist plot"; that they fostered "Fabian Socialism of a kind that destroyed Great Britain"; and that they support world government, and have failed to support "pro-American" activities.

The three Republican members of the committee are receiving some unexpected support from disgruntled academicians. Many of these have long felt, but feared to say anything lest they themselves be denied a grant, that the foundations have wasted money financing "empiricism," or "comptometer compulsion," as a sociologist witness defined it; he apparently meant the type of research which relies on statistical data without due regard to such intangible factors as "devotion, honesty or patriotism."

THE FORD FOUNDATION became active after the war; its assets are $518,865,000. Its purpose is "advancement of human welfare, world peace, and the strengthening of freedom and democracy." Two of its subsidiaries are *The Fund for the Advancement of Education*, which gives grants to schools and colleges for experimental projects, management surveys, and improvement of educational methods, and *The Fund for Adult Education*, to develop adult education in the liberal arts, and to provide further training for those unable to complete their formal education.

THE CARNEGIE GROUP: *The Carnegie Corporation*, with assets of $178,861,599, was founded in 1911, for advancing knowledge and understanding among the people of the United States, Britain, and the Commonwealth and for promoting research in higher education, social science, and international relations. *The Carnegie Endowment* exists primarily to promote international understanding by research, student tours, and educational exchange. *The Carnegie Foundation* was founded to provide retirement pensions for university professors and grants for educational programmes.

THE ROCKEFELLER FOUNDATION was established in 1913 "to promote the well-being of mankind"; with assets of $350,000,000, it has given universities and other research institutions grants for the advancement of research projects in the fields of education and the physical and social sciences.

The defence of the foundations has come not from the Eisenhower Administration, but from the Democratic members of the investigating committee. They have been most forthright in their denunciation of "Republican dictatorship" in the committee proceedings, refusing to be "gavelled into submission and silence" while characters such as Senator Douglas, Mr Edward Murrow and other educational leaders are "assassinated at will," and while reactionary tax-exempt foundations, such as the notorious Facts Forum, are left unmolested.

Dockers Dig in

AFTER months of concentrated effort on the part of federal, state and local government officials and of labour leaders, to clean up and clear out the corrupt International Longshoremen's Association, the union seems to be almost as firmly entrenched on the New York waterfront as ever. The result of last week's election is still uncertain; it was the second in five months, to decide whether the ILA or the rival union established by the American Federation of Labour should bargain with the employers over the dockers' new contract which has been pending since last October. But it looks as if the AFL union has made little progress since the last vote, in which it did unexpectedly well, and as if the National Labour Relations Board may be forced to certify the ILA as still the official dock union in New York. For this election was conducted with complete orderliness, and the NLRB will have no excuse for invalidating it, as it did the last one, on the grounds that coercion and intimidation had been used to collect votes.

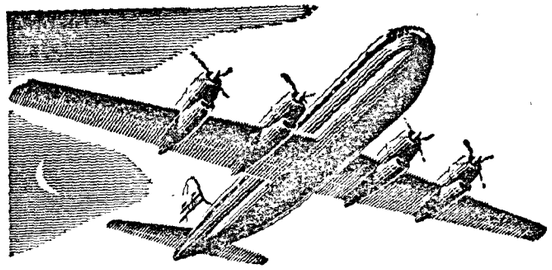
It seems, indeed, as if the attempt to discredit the ILA has been defeated by its own strenuousness. Longshoremen are naturally loyal; when they saw outsiders attempting to "bust" their union, they dug themselves into it, whatever its faults. When the establishment of a rival union and the invalidation of the election was followed by court injunctions against last March's long and officially unofficial strike, by the conviction of the union leaders, by the levying of bankrupting fines and by the impounding of union funds, it is not surprising that dockers reacted by voting for the union that was down. Their local branches are now coming to the financial rescue of the parent body, but when financial help is concerned there is also no objection to outside interference. Mr Harry Bridges, the west coast dock leader, has been offering dollars, and, it is suspected, Communist-flavoured advice as well, to the New York union, while Mr John L. Lewis is also taking advantage of this opening for union empire building on the waterfront.

What Price Surpluses?

THE realisation that this year's harvest is likely to exceed expectations, now that rain has fallen on the Great Plains, is cold comfort to Mr Benson, the Secretary of Agriculture, who must be praying for drought, pestilence and fire as the only sure way to reduce government-owned food and fibre stocks. He has already taken advantage of his powers to restrict acreages, and growers of wheat, maize and cotton have this year been instructed to take 30 million acres out of production—or else to forgo price support. But even with this 20 per cent cut in wheat acreages, production may exceed domestic requirements by 100 million bushels. Moreover, much of the land thus freed will merely swell the output of *alternative* crops, such as flaxseed, oats, soya-beans and barley.

It is against this background that the Eisenhower Administration has abandoned its former distaste for a two-price system and has offered butter, cheese, wheat, maize, barley, oats, rye and some other surplus items to foreign buyers at prices—in the case of grains—that are 10 to 15 cents lower than on the domestic market. The State Department, which is anxious about the political consequences, put up a strong last-minute stand against such a move; it has already received complaints from New Zealand butter interests. The Administration, while adhering to the scheme, is trying hard to prevent it from looking like dumping, or indeed from having a depressing effect on world prices.

Other channels of disposal are open to the Administration but Congress is still considering proposals for their



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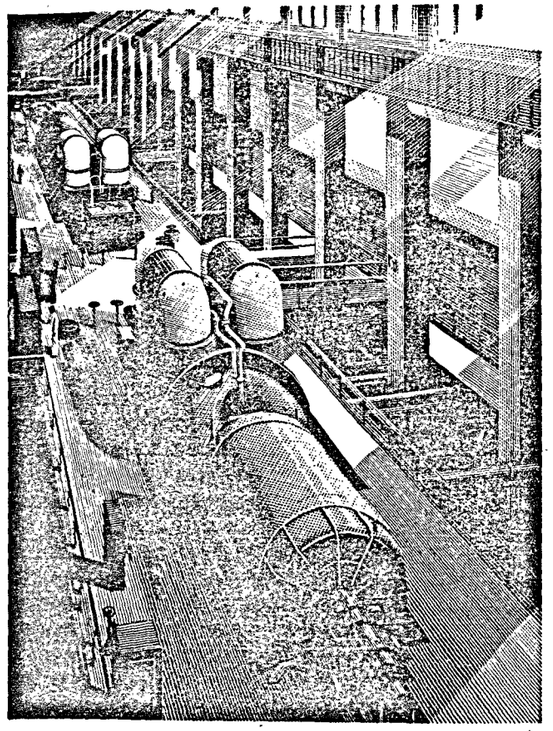

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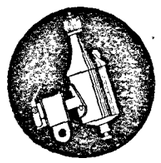

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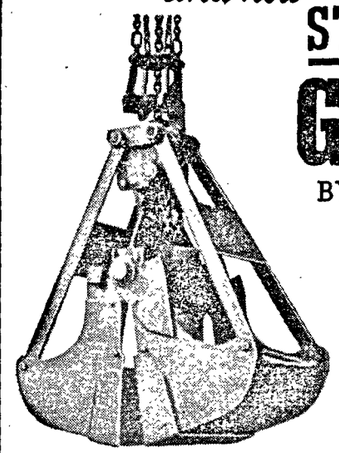

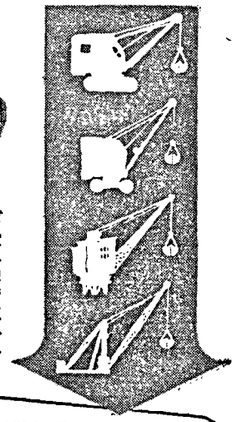

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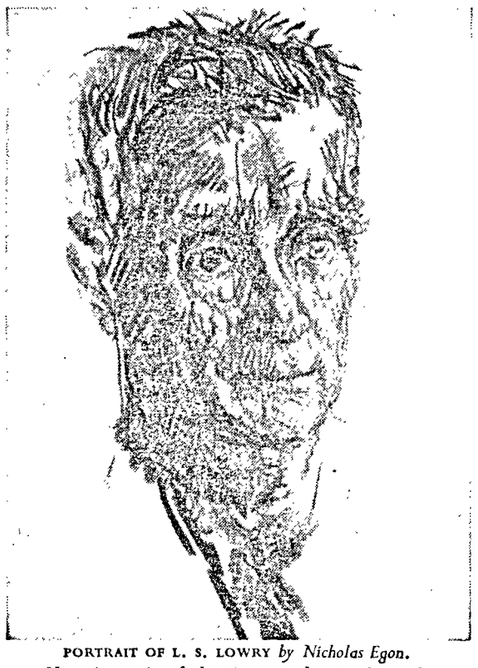

PORTRAIT OF L. S. LOWRY *by Nicholas Egon.*
No. 1 in a series of advertisements showing the work of contemporary artists.

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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.

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B

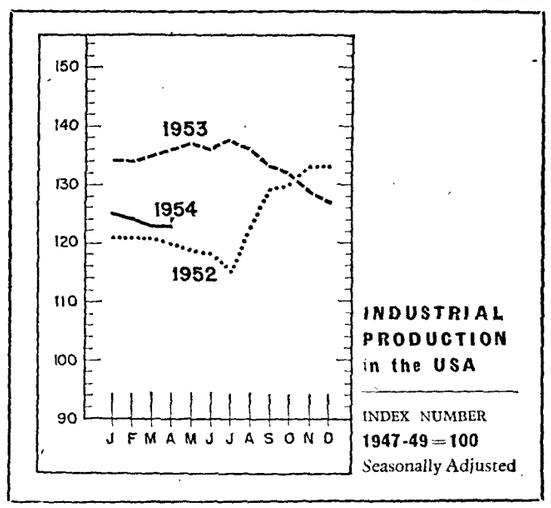
expansion. Direct barter provides one such alternative which could probably be extended—particularly with countries behind the Iron Curtain. A second outlet which might tempt European buyers is provided by a section of the Mutual Security Act, which enables the United States to sell its surpluses against non-convertible foreign currencies. Finally, it has been suggested that the President should keep $1 billion worth of foodstuffs at his elbow as "cold war" weapons, shipments of which he could dispatch—either as a sale or a gift—to meet humanitarian needs and also to confound the Communists.

Convenient Coffee

New York.

FOODS that are ready to serve or are easy and quick to prepare are always acceptable in the American kitchen and, when one of these "convenience items," as they are called by the grocery trade, also offers substantial economies, its sales are likely to soar. This is the case with "instant" coffee which is now used in one of every four cups of coffee drunk in American homes. Eventually, it is thought, more than half of all the coffee sold by grocers may be in this form.

Instant coffee, a powder to which hot water has to be added, is no novelty. Before the war, the product never captured more than 5 per cent of the market because it was usually made of coffee mixed with carbo-hydrates. The spectacular growth of sales awaited the introduction of "100 per cent pure" soluble coffee for which regular coffee is roasted, ground and brewed in the factory and then merely dehydrated; nothing is added to it and the makers claim that it loses none of its flavour in the process. Brewing it under ideal conditions, the manufacturer can extract more coffee from the roasted bean than can the housewife with her less efficient kitchen pot. For this reason and because distribution costs of the powdered product are lower, instant coffee can be marketed at prices well below those of the equivalent quantity of regular ground coffee; the higher the cost of the green coffee bean the greater the saving to the housewife.



Between November, 1953, and April, 1954, spot prices for a standard grade of coffee beans jumped from 58.5 cents to 95 cents a pound. The retail price of a pound of vacuum-packed regular ground coffee is now about $1.20, an increase since the beginning of the year of 30 cents a pound. A two ounce jar of instant coffee now sells for 65 cents, and while it may not make quite as many cups as a pound of regular coffee—a much debated point—the saving on one pound is conceded to be at least 25 per cent. Thus, while the conservative and the connoisseur alike may still disparage the flavour and aroma of instant coffee (they can if they wish buy a liquid "aroma enhancer"), sales are now 25 per cent higher than at the beginning of the year, even though total roastings for all types of coffee have declined by some 3 per cent. Instant coffee, which accounted for only 6 per cent of all coffee sold by grocers in 1948, increased its share to 20 per cent last year, now accounts for 25 per cent, and may well reach 30 per cent by the end of the year if the price of green coffee does not fall.

SHORTER NOTES

American trade unions have become serious competitors in the capitalist banking field as a result of Mr John L. Lewis's victory in the battle for control of the Hamilton National Bank, which will be merged with the National Bank of Washington dominated by the United Mine Workers since 1949. Under Mr Lewis's guidance, the UMW cash deposits and welfare funds have so increased the resources of the National Bank that it has risen from thirteenth to third place in the Capital's banking hierarchy; and with the new purchase of the Hamilton, Mr Lewis becomes the second most important banker in Washington. But the mine workers' leader may not long remain satisfied with second place, even in the financial world; already there are indications that he aspires to control of the American Security and Trust Company, which would in fact make him the leading banker in the nation's capital.

★

The House of Representatives has taken the first step toward authorising for 1954 a long delayed new census of business and manufactures, which Congress had approved in 1948 and scheduled for 1953. In spite of the evidence from the Department of Commerce that lack of up-to-date detailed statistics severely hindered business and government, in last year's economy drive Congress appropriated only $1½ million for preparation of the survey, instead of the $10 million requested for the actual count. This year's new Bill again only authorises the census in 1954; a separate Bill must still provide the money.

★

Life is being made easier, and cheaper, for the American railway traveller, who may now roll his own luggage to and from trains by means of lightweight metal luggage carts, which are being experimentally provided by the Pennsylvania and New York Central railways to supplement regular "red cap" (porter) service in their Pittsburgh and Boston stations. To obtain the metal cart, which can accommodate three or four average-size pieces of luggage, the passenger puts twenty-five cents into a coin machine and gets a refund of ten cents for returning the carrier to the racks. If the response to the new device is favourable, the carts will be available in other cities as well; it should be, if only because of the rising cost of tips.

The World Overseas

Reflections from Lake Leman

FROM OUR SPECIAL CORRESPONDENT

A SINGLE peacock lethargically patrols the gardens of the Palais des Nations at Geneva. He pays special attention to the delegates' door and, according to a popular belief supported by much eye-witness evidence, he heralds the end of each daily session with a rather anguished cry. He is not alone in having created a routine, indeed a ceremonial, for the present conference. It is already six weeks old; those members of delegations who brought only a fortnight's wardrobe have had plenty of time to meditate on their rashness; and Genevan hoteliers are fretting over the prospect that the conference will run on into the very middle of the summer season, and then leave them with empty rooms because tourists have decided to steer clear of a now crowded little city.

But meanwhile the hotels along the lake and the river Rhône remain full. There are twenty-three delegations now present, not to mention those that have also gathered for a meeting of the International Labour Organisation, and some delegates have had to take up relatively unpretentious quarters near the railway station, where the South Koreans, for instance, have settled comfortably into the Hotel des Familles. (The Viet Minh, on the other hand, although latecomers, somehow found themselves a place on the lake front, with excellent views of Mont Blanc, in the Hotel d'Angleterre.) The Americans are installed, tightly but aptly, in a modernistic hotel of steel and glass, at the approach to which the local bus company has placed a sign reading "*Arrêt provisoire*"; the symbolic relevance of this sign to current United States policy is heightened by the fact that it is held down by two heavy stones, one of which is said by observant passers-by to resemble the wrinkled face of Mr Syngman Rhee.

The Russians, apparently fearful of new defections from their staff, insisted on having a disused hotel fitted up for them to occupy in dreary isolation. Much coyer than the Chinese in this respect, they have even corralled their large team of journalists. Their Tass agency booked an office in the communal press building, presumably for prestige reasons, but it remains empty and unused except by western newspapermen occupying adjoining rooms, who occasionally work there when in need of privacy and silence. One of them was doing so a few days ago when he was startled by the sudden entry of a French Communist journalist, who addressed him enthusiastically in Russian.

Little attempt has been made to paper over the gulfs that yawn between the delegations by meaningless social gatherings. This congress does not waltz, it merely bows —perfunctorily, and at a safe distance. The embarrassments of the American delegation are well known, but the Australians feel themselves in an even odder position; while General Bedell Smith can dine with Mr Molotov, Australia, which does not recognise Communist China, North Korea or the Viet Minh, is itself invisible to Russian eyes as a result of the Petrov espionage case. Between the contending sides as a whole, personal gestures of contact (apart from those of the struggling British) are so rare that the conference at times resembles an exhibition of the more monumental school of statuary.

Active wooing is pursued only in one sector, and that is outside the conference proper. The Communists have marked down as an obvious prey the large number of Asian newspapermen who have gathered at Geneva—Indians, Indonesians, Pakistanis, Arabs, Japanese, and non-Communist but possibly susceptible Chinese and Indo-Chinese. Discreet little notices go up in the press building, inviting "all Asian journalists" to meetings called by persons unnamed. Films extolling the new China are shown, glossy pamphlets distributed, and "objective Vietnamese" deployed in the lounges to engage the unwary in conversations that lead gently round to the justice of the cause of Ho Chi Minh, Souvanouvong and Son Ngoc Minh. The Indian press is a particular target. The same men who have made it impossible for Indian newspapermen to work in Peking woo them zealously here, and not without effect. But a clear division may be seen between those journalists from free Asian countries who recognise that the Chinese government has deliberately sealed its subjects off from their Asian neighbours, and those who refuse to face this fact. The latter group, once in the majority, seem to be dwindling down to a hard Marxist core.

Any conference that lasts as long as this one breeds its own customs and rites. The most stylised events are the North Korean press conferences, at which a "spokesman" with the rapt air of an officiating priest reads out an interminable account of the day's proceedings—in Korean, which is intelligible only to those of his hearers who are already in the know—and can hardly wait for his unhappy interpreter to get through snatches of summary in English before resuming the recital of the holy words; he gives the impression, as do some priests, of being quite indifferent to the reactions, indeed to the presence, of the barbarian mob facing him. His acolytes, fidgeting with microphones, floodlights, ciné-cameras and other delightful toys in the corners of the room, all dressed in heavily double-breasted suits apparently cut from the same bale of bright blue serge, have the air of a dance band tuning up strange instruments.

What do the Genevans themselves think of it all? They are distressed by the necessity to bring so many policemen and solders into their quiet city to satisfy the Communist delegations' hunger for security; they recall regretfully how Litvinov used to stroll alone along the roads where Molotov and Chou En-lai now make quick dashes in bullet-proof cars. They look with foreboding at the dingy Soviet Dakotas that have become a semi-permanent feature at the airport. They were touched by the suffering of a Vietnamese journalist who fasted, praying for peace, in the grounds of a villa near the Palais des Nations until, after three weeks, he was removed to a local hospital. But they have come to accept the strange faces and occasional exotic costumes in their streets; and the event that excited them most of all during the first six weeks of the conference was a brief visit by the Abbé Pierre.

Greece and the Balkan Alliance

FROM A CORRESPONDENT IN ATHENS

MARSHAL TITO'S visit to Athens this week takes place in highly propitious circumstances. Not for years have responsible Greeks felt such need for rapprochement with their northern neighbour, or had such support from public opinion for their view. It is a measure of the change that has taken place that only a short time ago it was being argued in Athens that a military alliance with Turkey and Jugoslavia would need the prior consent of Nato; but by mid-May both Mr Stephanopoulos, the Foreign Minister, and General Papagos, the Prime Minister, had told the press that the alliance in question did not need Nato's consent. This does not mean that the Greek government has made up its mind to press on with a Balkan alliance without heeding the ill feeling in Rome or the reservations of several other members of the Atlantic Council. What it does mean is that Athens will do its best to bring about this alliance and will try to find the formulas needed to reconcile these new regional engagements with the interests, not to mention the susceptibilities, of all its Atlantic allies.

The reasons for the government's attitude are compelling and are being more and more clearly understood in this country. Without a Jugoslav alliance Greece's strategic line of defence must be brought far south of its actual northern frontier in order to prevent an outflanking of its defence line on its eastern side as well as on the side of the famous Monastir gap. Without the Jugoslav alliance, Bulgaria would make an excellent jumping-off point for an offensive in three directions—towards the Aegean Sea through the Stromnitsa Valley; towards Monastir and Albania; and towards the Straits; given the alliance, enemy forces in Bulgaria run the risk of being caught like rats in a trap. For Greek diplomacy, therefore, a Jugoslav alliance has long constituted a kind of dogma inspiring the statesmen in Athens throughout a series of treaties and agreements ranging from 1913 to 1938.

During the recent civil war this dogma was still constantly in the minds of the Greek leaders. As soon as Jugoslavia's break with Moscow created more favourable conditions, indirect contacts were re-established between the "democrats" of Belgrade and the "monarcho-fascists" of Athens. The Greek government did its best to encourage the patient and subtle efforts by western diplomats in Belgrade; at the same time, the Moscow leanings of leading Greek Communists like Zachariades, made Belgrade more aware of the repercussions of an eventual Communist victory in Greece, not to mention the intrigues that a "popular government" in Greece would conduct with Moscow and with its Jugoslav friends. The closing of the Greco-Jugoslav frontier in the summer of 1949, which cut off the retreat of Greek rebels into Jugoslavia, was the inevitable outcome of all these reflections and pressures. Its effect was both to hasten the end of Communist activity in Greece and to make plain to Tito's Communists the inter-dependence of Greco-Jugoslav interests. In any case, Jugoslavia could not afford to have on its southern frontier, which is exposed on the Greek side as well as on the Bulgarian and Albanian, a neighbour of whom it had doubts.

Seen from an Atlantic viewpoint, a Balkan alliance would fill a diplomatic and strategic gap, stretching from the Dinaric Alps to the Straits; and in view of Italian-Jugoslav differences, it is hard to see how the gap could be filled in any other way. But there are here discernible the clouds that could mar the atmosphere of Marshal Tito's visit to Athens. Greece cannot be impervious to Italy's reactions to its diplomacy. In 1934, during the negotiations for the

first Balkan pact, the Greek government, under pressure from the opposition, insisted on "the Italian clause," which automatically prevented the pact from being put into effect if Italy were involved in any conflict. This clause had consequences which were scarcely happy for the members of the Balkan alliance. With the new Italy, however, and in the new circumstances created by Nato, Greece's scruples with regard to Italy carry greater weight than they did.

It is fully realised in Athens that if a military Balkan pact were to come into force, it would have repercussions on the other Nato partners; although these would not be parties to a conflict started by an attack on Jugoslavia, they would inevitably find themselves involved because of Greek and Turkish participation. Therefore, for the other Nato members and notably for Italy, the conclusion of a Balkan pact would be tantamount to a guarantee of Jugoslavia's independence and this without any assumption by Jugoslavia of corresponding obligations. This difficulty is more apparent than real. For an attack on Jugoslavia would in fact represent a direct threat to Italy. The Athenians nevertheless feel some sympathy with Italian nervousness about what must appear to be a strengthening of Jugoslavia's diplomatic position in the midst of the Trieste crisis.

Marshal Tito has worked hard, and to good purpose, to

improve his positon. He has gone as far as he can along the path of military consultation with the West. He has "normalised" his diplomatic relations with the Soviet Union and with the satellites, and on January 28th openly proclaimed his desire to begin negotiations for the settlement of all differences with the countries of eastern Europe. His journey to Ankara also strengthened his diplomatic position.

These developments have undoubtedly awakened Roman suspicions about Balkan diplomatic activities; Signor Piccioni's statement of May 12th was a faithful, if somewhat immoderate expression of Italian feelings. In Athens there is a readiness to respect these feelings not only because of the niceties of good manners within the Atlantic Council, but also because the ultimate association of Italy with Balkan affairs would present several advantages for Greece.

The Greeks, who have always had the "slav peril" lurking at the back of their minds, cannot afford to neglect any means of consolidating their position; they must take all possible steps to smooth out all the longstanding problems that face them in the Adriatic. These, besides Trieste, include the Italian minorities along the Dalmatian coast, Albania, and Northern Epirus. The signature of a military pact would not in itself solve all these; they will also entail a great deal of hard work by diplomats.

The Greeks, who have experienced the Communist danger at close hand, know the need for sticking to essentials. They are therefore unlikely, during the present talks in Athens, to rate consideration for Italian susceptibilities above the military organisation of the region.

Kenya Under New Management

FROM A SPECIAL CORRESPONDENT

KENYA'S new multi-racial council of ministers is busy learning its duties, its files, its departmental know-how and—rather gingerly—the hard doctrine of collective responsibility. Mr Welwood, for example, is apparently ready to say in public that he will not let the government do this or that; but the other ministers seem resolved to act as a team and not as the representatives of communal or racial interests. Thus Mr A. B. Patel is taking a firm line with the Communist wing of the Indian Congress, and put over the big increases in taxation contained in the budget very successfully in Mombasa; Mr Havelock wryly told his constituents why he was now committed to the export tax on coffee which he had—amid their applause—opposed effectively for the past five years; Mr Ohanga is preparing to put into operation schemes of community development and rehabilitation which commit him to much that is exceedingly unpopular with Africans; while Mr Michael Blundell declares he feels a different man since he found himself committed to a policy, a job of departmental co-ordination, and a crusade to convert his own constituents to a liberal view of race relations—though opinions differ as to whether he was wise to relinquish his leadership of the European elected members.

To call Kenya's "cabinet" multi-racial, when only three out of its eleven members are in fact non-Europeans, is perhaps only literally true. African opinion is convinced that the influence of Mr Ohanga will be almost nil and there is still bitter disappointment over Mr Lyttelton's refusal to fight for two African ministers, and some resentment that any African should show himself ready to take the job, the salary and the house (in the European area) simply to be a minority of one. But Mr Ohanga may be tougher than they think; while the importance of Mr Patel's and Mr Nathoo's views can hardly be questioned. For if their resignation were forced on them the alternative would not be a different cabinet, but almost certainly a reversion to colonial rule. It is more likely that the first minister to resign will be a European.

So far as is possible the "standstill agreement" (that the white highlands policy, the common roll, multi-racial schools, etc., shall not be raised till 1960) takes the most disruptive issues out of the council's long list of political problems. But the Report of the Royal Commission on East Africa is almost certain to force the land issue back into politics, even if the hardening attitude of the Kikuyu did not. The conduct of the emergency itself, however, promises to provide the council with endless opportunities for taking highly unpopular decisions. Though some Europeans suppose that "Operation Anvil" has cut the tap-roots of the Mau Mau rebellion and that the end of the emergency can be expected sometime this year, others are less sure, especially when they see their trusted servants of 15 or 20 years standing, carted off for incarceration with terrorists and collaborators in detention camps for an indefinite (though one hopes short) period. Nor is the attitude of thousands of wives who are being sent "back" to the reserves (which quite a number have not visited for years) altogether reassuring. It is known that the women sustain Mau Mau in the forests, supplying food and stolen ammunition, and that they are teaching Mau Mau to the rising generation; or, if not Mau Mau, they are inculcating the basic idea that the white man's land (even up to Eldoret) was all stolen from the Kikuyu, and that there is no prosperity or hope for the black man in Kenya till the white man is somehow forced or starved or frozen out.

It will in any case be some months before the effects of emptying Nairobi of its Kikuyu population, and the work of the screening teams at the detention camps can be estimated in terms of the reduction of terrorist activity. Nor can the stimulus given by the Mau Mau to normal African nationalism among all the tribes in Kenya (and possibly Uganda also) be yet assessed. But many unpleasant and very expensive things remain to be done. The police force has yet to reach the greater strength in men, mechanisation and specialised training which will enable it to take over the operations of the Kenya Police Reserve, which, it may be surmised, Colonel Young, the new police commandant, would like to do. The reorganisation of the relations between the Kenya Regiment, the Kikuyu Home Guard and the British regular forces also lies ahead; the maintenance of a large British contingent for a long time seems inevitable, even if terrorism should wane.

If, however, the forest gangs survive Operation Anvil, many of the settlers will call for "greater firmness," as indeed they are already doing, though their caution about the exact meaning of this term exasperates Colonial Office officials who indeed now largely conclude that it means shooting practically at sight and dispensing with even the most elementary rules of evidence in law. Their determination that this shall not happen, however, is strengthened by the far greater sensitiveness of Kenya opinion to British opinion—partly brought about by Mr Lyttelton's blunt speaking—which has made it possible to set up a watch committee to which complaints about the security forces can be sent for investigation. And they are investigated.

More Bills than Funds

The emergency has now cost Kenya £20 million and emptied its revenue balance, making it a supplicant for British aid; but while the cost of operations (according to the Financial Secretary, Mr Vasey) is still rising, the bills for detention camps and rehabilitation centres are beginning to be made up. A camp will cost £1 million, and £500,000 a year to run; nobody knows quite how many will be needed. Mr Ohanga's department is looking at plans for the regular education of Kikuyu youth in civics and self discipline which, if they covered the whole young male population, would cost immense sums. Closer administration would involve finding hundreds of district officers, with experience or training, from Britain; the appointment of young settlers for these jobs has also started—not without some qualms on the part of the African Affairs department.

Expenditure is now running at nearly £30 million a year on a national income (including subsistence incomes) of a supposed £100 million. After raising taxation by nearly £2 million Mr Vasey has had to budget for a deficit of over £8 million. Development is going ahead fast, perhaps somewhat stimulated by the first signs of inflation, but many commercial people fear that the emergency cannot go on indefinitely without at last frightening off the capital which has hitherto come in so usefully. British aid is bound to play a large part in the agendas of ministers' meetings.

How long Mau Mau can hold out under the battering it has had can only be guessed. It is also a guess how far settler opposition will frustrate the work of the new government—for though there is plenty of denunciation, and some scurrilous writing, Kenya remains a land of individualists who find combination difficult even in opposition. The importance in Kenya of opposition leaders such as Mr Humphrey Slade and Colonel Grogan, is probably as much exaggerated in Britain, as Mr Fenner Brockway's importance in Britain is exaggerated in Kenya. But recent defections from the elected members' organisation indicates that opposition is tending to become more extreme, more personal, more bitter. It is clear that the new government, under the Governor's leadership, will need all its resources of courage and leadership.

Kenya's Council of Ministers

The Kenyan Council of Ministers consists of eight official members, including the Governor, the Deputy Governor, and the Chief Secretary; two nominated European members, Mr E. A. Vasey, Minister for Finance and Development, and Mr F. W. Cavendish-Bentinck, Agriculture; and the following six unofficial elected members:—Mr M. Blundell, European Minister without Portfolio; Mr. A. B. Patel (Indian), Asian Minister without Portfolio; Mr. W. B. Havelock, Local Government, Health and Housing; Mr L. R. Maconochie-Welwood, Forest Development, Game and Fisheries; Mr I. E. Nathoo (Moslem), Works; Mr. B. A. Ohanga (African), Community Development.

Big Business in Backward Areas

IN left-wing circles aid to backward areas is nowadays considered the highest mission in life; yet when money and technical assistance are channelled into an underdeveloped region through the agency of a business enterprise they are regarded with the darkest suspicion. In prejudiced minds the distinction is made between "exploitation" on the one hand and "selfless, disinterested aid"—to use the Communist terminology—on the other. But the distinction is false. No external aid can or should be disinterested; the donor has a duty to see that it is well used. Naturally, what is good and sensible use depends on the identity of the giver: a British or American government would want to be satisfied that, among other things, the aid strengthens the cause of democracy; the Kremlin, no doubt, calculates the gain to international Communism. Is it so reprehensible, therefore, that an international firm judges its overseas investments in terms of the contribution to its balance sheet?

Just how much of the quiet work of economic development goes on in the ordinary commercial operations of the many large international firms, was well illustrated in the recent speech of the chairman of Unilever, Sir Geoffrey Heyworth. The far-flung activities of the Unilever subsidiary, the United Africa Company, which with its 3,500 European and 101,500 African employees provides wholesale and retail merchanting services to several millions of West African customers, is an interesting and underpublicised example of the contribution to the development of an under-developed region made by a commercial firm. It illustrates, moreover, the growing understanding by business interests of their role in this vital task.

Technical Skills for Africans

Like many other firms, the United Africa Company has come to realise its role in training indigenous African labour in managerial and technical skills. Whereas in 1939 there were only thirty-nine African managers representing one-twelfth of its management staff, by 1953 there were 160, that is one-quarter of the total. Again like many other firms, the company, finding itself faced with a shortage of technically trained Africans, has steadily followed a policy of introducing European technicians into West Africa, whose function is in part to pass on to the African new skills and techniques.

In the field of social services the company, like many other firms in similar fields, has given more and more attention to the health and welfare of its African employees. Besides employing doctors and nurses, it has in the Belgian Congo a fully equipped hospital of over a thousand beds. It has also introduced contributory pension schemes and has made provision for the recreational activities of its staff.

Not the least interesting of the points made by Sir Geoffrey, because it strikes a blow at the theory of "exploitation," is the relative profitability of Unilever's African operations compared with its activities elsewhere. In recent years the net return on the average capital employed in tropical Africa has averaged 9.6 per cent, compared with 11.3 per cent over the same period in the metropolitan countries of France, Belgium and Britain. In fact, as the chequered history of the United Africa Company shows,

far from amounting to exploitation, investments in backward areas are often for very long periods of time a considerable drain on the parent company's resources. Unilever, for instance, over the past twenty-five years has sunk £35 million in Africa, and to this must be added the enormous amounts ploughed back into capital development out of profits. By these means the capital employed in the United Africa Company has grown from £16 million in 1929 to £108 million in 1954.

But United Africa's experiences are not unique. All over the world, in backward areas in Africa, Asia, Latin America and elsewhere, big and little commercial firms are playing an important role. Of course, they make up only part of the story. Money and skills are required to build roads and power stations, and provide other public services. In these private enterprise is nowadays unimportant. But the ordinary commercial firms, particularly the big ones, like Unilever, which can draw on the enormous resources of capital and technical and managerial skills, have a no less important stake.

Mr Yoshida Sets Out

FROM OUR TOKYO CORRESPONDENT

THE Japanese Prime Minister, Mr Yoshida, has chosen a Pan American Airways instead of a Japan Air Lines aircraft to begin his world tour this week. This considered and characteristic indifference to the storm of political and nationalist criticism that his preference has of course aroused is at once a measure of the Prime Minister's strength and weakness. The dogged, uncompromising leader of Japan has held power during five terms of office—uncertainly and stormily, but decisively—despite, or perhaps because of, an arrogant, *daimyo*-like disdain for public opinion. But, tt must be conceded that he does now appear to be straining his luck.

His Cabinet has been shaken by the confused and confusing uproar of bribery and corruption charges, ranging from shipbuilding to house-building, which the curious Japanese procuratorial system is now cumbersomely and inconclusively investigating. No breath of suspicion has even lightly fanned Yoshida-san's own wrinkled cheek, and there is not the slightest known evidence that could sustain a libel-free reference in a British newspaper to the involvement of any of his ministers in the lurid scandal-mongering. Yet the Japanese press is howling for the mass resignation of the government—in what circumstances and to usher in what substitute is not clear—and the general impression is that the Liberal party, under American pressure, has debauched all the nation's democratic and traditional values.

It is extremely unlikely that any honourable government heads will finally be named, much less roll, as a result of the procurators' earnest inquiries and intolerable methods. But the government's collective prestige, as well as Mr Yoshida's personal standing, have undoubtedly suffered. And the Prime Minister, recklessly or indifferently, has now given his enemies a magnificent opportunity to use his choice of an American instead of a Japanese aircraft as a symbol of his bondage and subservience to American policy.

This is why the vital importance to Japan and the West of Mr Yoshida's London visit must be considered. Britain can do much to help the western cause in Japan; especially as, rightly or wrongly, there is an impression in *Gaimusho* (Foreign Office) circles that Sir Winston Churchill personally is still hostile towards, or—worse still, perhaps—uninterested in, Japan, that he has not forgotten or forgiven Singapore, the *Prince of Wales* and the *Repulse*.

The point is that, while Mr Yoshida is perhaps no Dr Adenauer, it is as much to the interests of Britain and the United States to keep him in power as it is to keep the West German leader in power. It is difficult to see any successor—whether Mr Taketora Ogata, his tough deputy of equivocal war repute; or the ailing Mr Hatoyama; or the brilliant but embittered anti-American Mr Tanzan Ishibashi; or the unsupported Mr Mamoru Shigemitsu—who would be capable of holding together the uneasy Yoshida-disciplined conservative, or so-called Liberal, front.

The Socialist alternative is highly perilous, both on a short-term and a long-term view. The left-wing Socialists have all the irresponsibility of the Nenni group in Italy; while the right-wing of the party are unsure of anything but their desire to gain office. Any shift to the left from what, in Japan, may be politely termed a reasonably conservative administration, would merely irradiate more brightly the mirage of pacifism and neutralism which the Communists would dearly like to see rise in dizzier splendour on the volcanic sands of Japan.

What Can Britain Offer?

The advantages of any successful requests for essential loans and aid that Mr Yoshida may present to President Eisenhower are double-edged. The more impressive they are, with the Washington seal superimposed, the more surely will they endorse the growing popular conviction in Japan that the nation is being exploited as an American colony and as a bomber springboard for an atomic war.

Presuming that the recent Anglo-Japanese sterling agreement heralds, at long last, some sort of positive and intelligent British policy towards the old enemy, it may therefore be hoped that Mr Yoshida will be given not merely honourable red-carpet treatment in London, but also some gifts, in the amiable Japanese fashion, to take home with him. Such elementary gestures of British goodwill, unencumbered as they would be by the real and imaginary dollar ties that are now fatally attached to all American aid, would give him the "face" which he needs at home and which all Japan pathetically longs for. These presents could well include the withdrawal of Britain's opposition to Japan's full membership of Gatt; an invitation to Japan to join the Colombo Plan as a modest donor of technical assistance; an opportunity for Mr Yoshida to explain Japan's case to top-level gatherings of textile, pottery and other nervous sectional interests in England, and—sad and trivial though it may seem—photographs of Mr Yoshida being received and welcomed as a world leader by Sir Winston.

Britain's success in postwar national recovery has been consistently, piously and almost tediously held up as a shining example of fortitude and austerity to the Japanese people by all Japan's leaders, including Mr Yoshida. His personal visit to London provides an admirable opportunity for capitalising to mutual advantage on that reputation, for filling the unhappy and dangerous vacuum in Britain's postwar policy towards Japan, and for helping politically the one known and available Japanese leader who will help the West.

A European Saar? II.

OF all the problems that faced the van Naters Committee when it drafted a European plan for the Saar, the economic problem proved the most difficult. This is not surprising, since failure to agree on economic matters has been the rock on which periodic Franco-German talks have usually foundered. For the Germans the issue is chiefly one of principle. While they acknowledge that the Saar is of little importance to the German economy, they argue that to German opinion Europeanisation means the principle of some degree of equality for all concerned and, therefore, the new Germany ought to receive some assurance that it will gradually be permitted to share the same trading rights in the Saar as France.

For their part, French spokesmen have tended to take an "all or nothing" position, and to regard any modification of the Franco-Saar economic union as a threat to vital French interests. These are the four national interests which France fears will be jeopardised if Germany is given economic parity in the Saar:

(1) France needs the Saar in order to maintain a balance of industrial power within the coal-steel community; with the Saar added to France, the share of total resources within the community is 32 per cent for France and 45 per cent for Germany, while if the Saar formed part of Germany the proportion would be 24 per cent and 53 per cent.

(2) France takes one-third of its coal imports and one-sixth of its coke imports from the Saar.

(3) The Saar is at present a net contributor to the French foreign exchange reserves, its contribution amounting to more than 10,000 million francs annually.

(4) The Saar is an important market for French agricultural and other products.

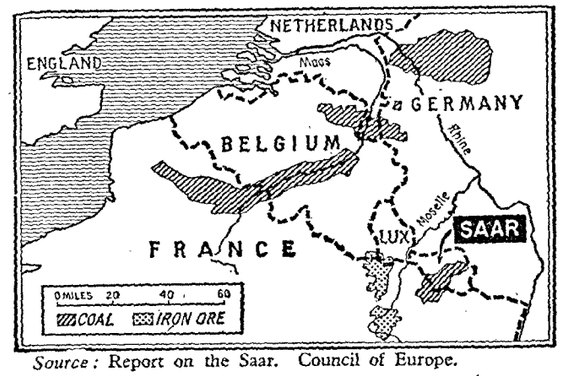
Problems of Ownership

The Saar itself favours greater freedom of trade with Germany, with one reservation; it wants some protection from German competition for its infant secondary industries. All three parties are disturbed by the possibility that an open frontier with Germany might turn the Saar into a paradise for smugglers who would use it to escape the Franco-German customs frontier.

The first principle on which the van Naters committee bases the economic section of its plan is the permanent dissociation of Saar heavy industry from the national control of Germany. Heavy industry accounts for more than one-half of the industrial production of the Saar and nearly two-thirds of its exports. The committee therefore reasons that if the plan maintains French interests fully and permanently in this vital sector, then France can hardly "expect permanently—and to the extent of 100 per cent—to maintain her present position in the remainder of the Saar economy."

Where the Saar's heavy industry is concerned, the key question is ownership—both of the coal mines and the steel works; in other important respects, such as production, marketing and conditions of investment, France is reminded that its interests are preserved by the existence of the coal-steel community. The Saar mines have long been publicly owned—either by Saarland authorities, or by Prussia or France. At present they are administered jointly by the Saar and France, but their ownership is unsettled. Of the Saar's five largest steel plants, one is controlled by the Luxemburg firm of Arbed, two others are French owned to the extent of 60 per cent, and the remaining two—Voelklingen (Roechling) and Neunkirchen—are largely German owned, but have been sequestered by the French authorities since the war. It is the future ownership of the latter two which is in question.

The van Naters plan suggests that the coal mines should be turned over to the Saar government. It is proposed that the future of the steel firms, together with the related problem of reparations, be settled by an international conference of west European powers, plus the United States. Informally, however, the committee advises some form of joint capital ownership, and Mr van Naters himself expresses the view that "in these concerns there should be Saar public ownership or joint Franco-Saar private ownership, subject to full compensation of the present shareholders."



Source: Report on the Saar. Council of Europe.

A third proposal is that the Saar should retain the French franc as its legal currency until "a currency having a European character has been created." In other words, France, which as a member of the coal-steel community has no tariff or quota handicaps to overcome in acquiring Saar coal, will also be able to pay for it without any foreign exchange difficulties.

All the remaining economic clauses have to do with the second main principle on which the committee bases its recommendations: the progressive extension to western Germany of equality with France where access to the Saar market is concerned. It is suggested that France and the Saar maintain their common market (to do otherwise would be a "retrograde" step) and that Germany, France and the Saar conclude a tripartite agreement "for the progressive establishment of corresponding relations, first for goods and services, and later for capital, between the Saar and the Federal Republic." Accordingly, all restrictions on the movement of commodities between Germany and the Saar are "in principle" to be abolished. In so far as Saar industry needs protection from German competition, "such abolition should be carried out gradually but as soon as practicable."

To prevent German goods from slipping duty-free through the Saar into France, and to overcome the reverse problem with French goods, the committee recommends that re-exports from the Saar be regulated. The precise nature of the trade controls is to be decided by the international conference. Finally, the plan calls on the conference to consider what measures are needed to ensure that no harm comes to the French balance of payments as a

result of freer trade between the Saar and Germany. Unofficially, the committee suggests that the Saar Rediscount Bank is quite capable of administering a system that will balance Saar trade or even ensure a surplus.

By writing into its plan such a wealth of safeguards the committee has shown the utmost sympathy for the fears of French and Saarlanders alike, but it is a sympathy which Mr van Naters tempers with a few hard-headed observations. There is nothing in the proposed plan, he says, that would stop the Saar from buying French agricultural products. And, moreover, "where industrial products are concerned, it would be no tragedy either for France or for the progress of European integration if there is a small experimental field where healthy competition takes the place of the hermetic protection of national industry." He concludes that since the German-Saar frontier is already open as regards coal and steel, and since these two products make up two-thirds of Saar exports, the economic problem "is one of modest dimensions." In short, none of the fears still voiced in France or the Saar are of such major significance that they should be allowed to wreck the prospect of Franco-German agreement on the Saar.

The Ban on German Parties

The final section of the plan deals with the Saar government's ban on the pro-German parties—an issue which is still the subject of bitter dispute. On the one hand, Germany maintains that the ban is a violation of political liberties. France and the pro-French Saar government, on the other hand, suspect that Germany's concern for political liberty in the Saar springs from a desire to use the pro-German parties as a spearhead for a *Heim ins Reich* movement. What would be the *raison d'être* of the parties, they ask, once a European Statute for the Saar comes into existence?

In these circumstances, the committee advocates the following middle-of-the-road solution. The Saar government should lift the ban immediately after the international conference adopts the European Statute and the referendum commission is appointed. It will be up to the international conference to decide what interval must then elapse before the Saar voters take part in the referendum on the European Statute. Meanwhile, any external attempts to influence Saar public opinion, in particular by means of subsidies to political parties, are prohibited. All of these provisions are to be guaranteed by the governments represented at the international conference. Once the European Statute is in operation, political parties may be suppressed only if they "aim to destroy democratic freedoms or to change the European Statute of the Saar by undemocratic means."

(*Concluded*)

Journal of Geneva—VI

MAY 27th. At a restricted session on Indo-China, M. Bidault put forward two principles with regard to a Vietnamese settlement:—(*a*) that no provisions for a cease-fire should be regarded as amounting to partition; and (*b*) that the decisions of the conference must guarantee the future security of the country. M. Bidault then made the following six proposals:

1. That representatives of the high commands of both sides should meet as soon as possible in Geneva to make recommendations on a cease-fire.
2. That they should examine zones for regrouping the troops on each side.
3. That they should make recommendations on this to the conference.
4. That they should agree on the basic principles on which regrouping should be arranged.
5. That they should keep in contact with the conference and seek its guidance.
6. That the conference should meanwhile study other problems.

Mr Chou En-lai made a speech in which he reiterated the proposals already put forward by Mr Molotov and of Mr Pham Van Dong of Viet Minh on May 26th. The texts of the various proposals put forward were handed over to a committee of experts composed of two members from each delegation.

May 28th. At a plenary session on Korea, six non-Communist delegates, including the American and the Australian, gave general support to the South Korean proposals put forward on May 22nd, without actually sponsoring them as the final United Nations offer.

The committee of experts on Indo-China met without reaching any agreement.

May 29th. At a restricted session on Indo-China agreement was reached on the following British proposals:—

1. Representatives of the two commands should meet immediately in Geneva and contacts should be established on the spot.
2. They should study the dispositions of forces to be made upon the cessation of hostilities; beginning with the question of regrouping areas in Vietnam.
3. They should report their findings and recommendations to the conference as soon as possible.

The preamble to this agreement speaks of a "simultaneous" cease-fire throughout the whole of Indo-China. Mr Bedell Smith afterwards issued a statement that he did not regard the British proposals as a departure from the principle that Laos and Cambodia are in a different situation from Vietnam.

Mr Molotov departed by air for Moscow, but said he would be back by June 1st.

May 30th. A day of private and informal contacts.

The High Commands Meet

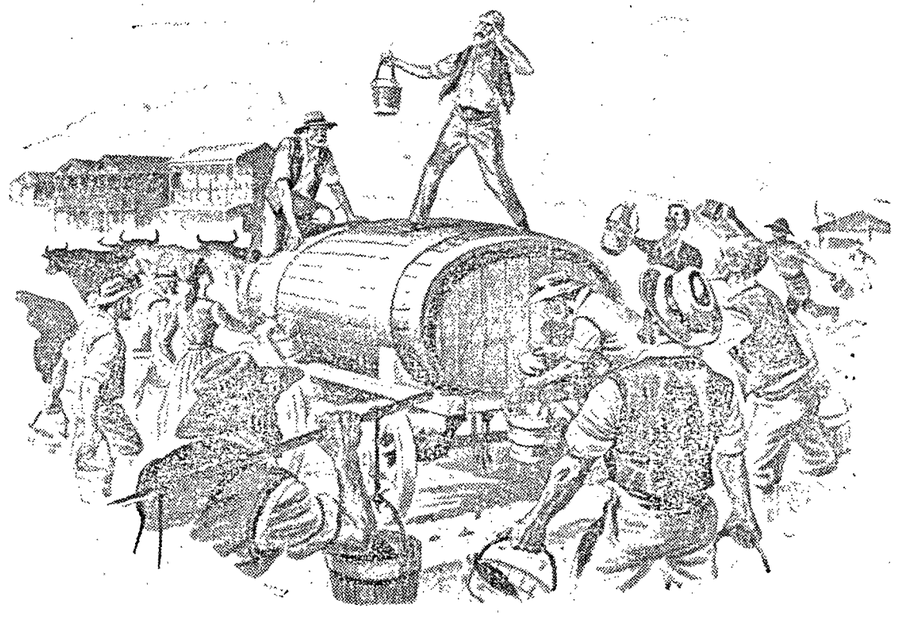
May 31st. At a restricted session on Indo-China, delegates discussed the composition, work and authority of the international commission that is to supervise the armistice. Mr Gromyko proposed that it should be composed of Polish, Czech, Indian and Pakistani representatives. Mr Bedell Smith said that the commission should be composed of "really neutral" independent states.

June 1st. Representatives of the two sides in Indo-China met and arranged for a meeting of the two commands to take place the next day; they also reached agreement on the exchange of correspondence belonging to prisoners of war.

June 2nd. This was described as a "day of hard bargaining and no progress" in the restricted session on Indo-China at which the neutral international commission was discussed. The non-Communist delegates were united in their rejection of Mr Gromyko's proposal of May 31st, but did not produce any agreed proposals of their own.

The first meeting of the high commands of the two sides took place in Geneva and discussed the question of regrouping areas in Vietnam.

The rains failed often



The fight to overcome water scarcity at Broken Hill.

The legend that there was a great sea in the heart of Australia had been handed down through generations of Aborigines. Captain Sturt, the explorer, is said to have taken with him on one expedition, a boat to sail on that sea. It could have floated, however, only on a mirage, for the desert is almost waterless. The average annual rainfall in the Broken Hill district is about nine inches and, in some years, as little as two or three inches; and the rain is evaporated almost as quickly as it falls. In the '80's and '90's, people at the Hill paid from eight to thirteen shillings for a hundred gallons of water. At times they paid a shilling for a large bucketful.

Although a water supply system constructed for the area was ready by 1892, the ever growing needs of Broken Hill showed it to be almost immediately inadequate, and water continued to be a major problem, even after the construction of two storage reservoirs.

Recently, however, largely through the initiative of the Broken Hill mining companies, the supply has been supplemented by means of a sixty-two mile pipeline from the Darling River. It is hoped that when arrangements now in hand have been completed to increase the capacity of the storage dams on the Darling, the sight of water trains in Broken Hill will be but a memory. At last there will be abundant water to meet the needs of this great industry which has brought so much prosperity to Australia and to Britain where, at Avonmouth in the west of England, there is the largest zinc smelter in Europe, processing the ores which come from Broken Hill. That smelter produces the entire output of primary zinc of the United Kingdom, as well as sulphuric acid and other related products.

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The formation of The Consolidated Zinc Corporation Limited in 1949 united the bond of common interest between Imperial Smelting Corporation Limited of Great Britain and The Zinc Corporation, Limited of Australia. The two companies have for many years been associated in the development of the non-ferrous metal production of the Commonwealth. Their activities are the mining of lead, silver and zinc ore in the Broken Hill Mines of Australia and the production of zinc metal, sulphuric acid, fluorine chemicals and zinc pigments in the United Kingdom.

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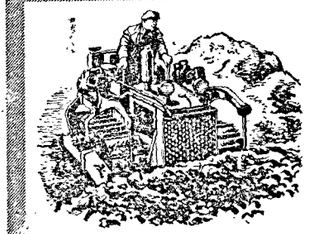

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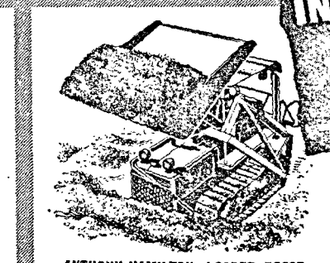

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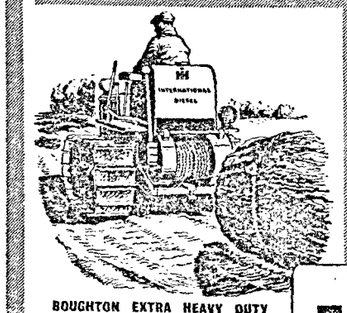

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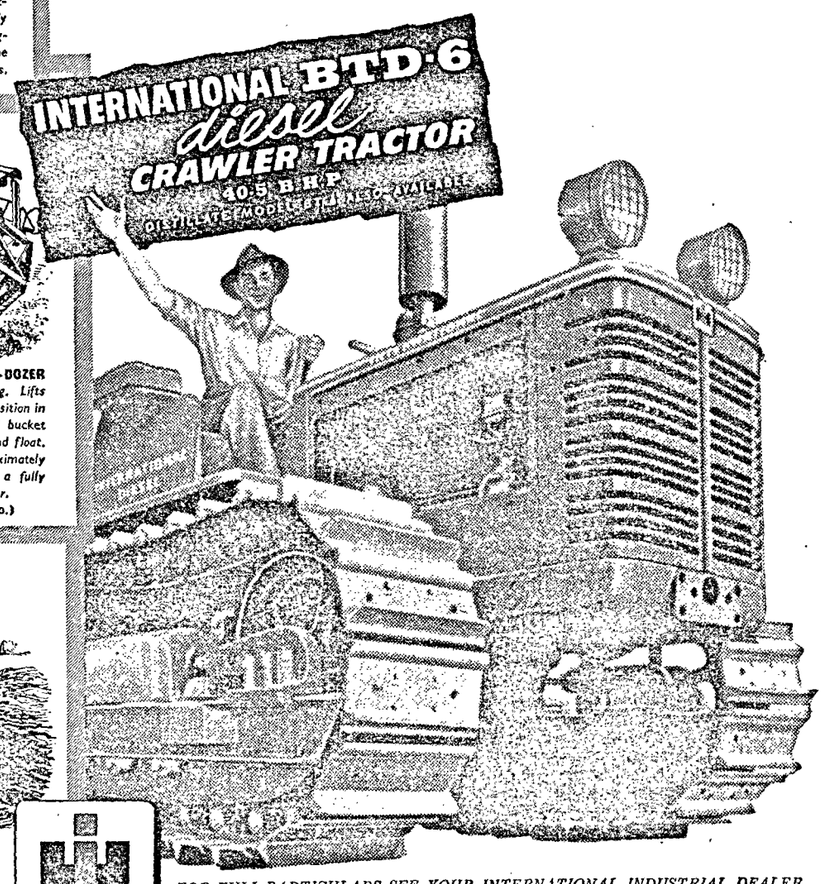

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THE BUSINESS WORLD

New Focus on Gilt-edged

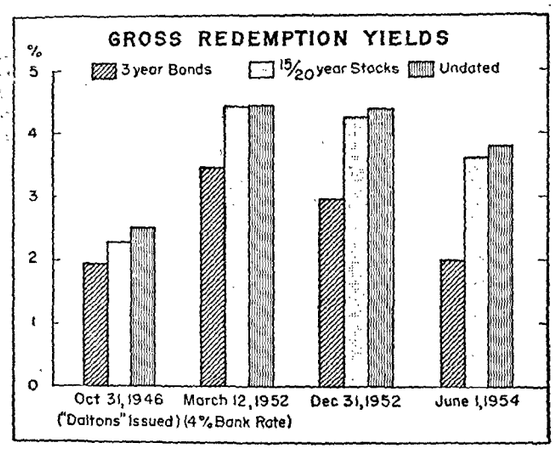
IT was all Lombard Street to a China orange that the Treasury would lose little time in launching another refinancing operation after Bank rate was reduced to 3 per cent three weeks ago. As it turns out, the answer for Lombard Street is a sourish lemon; to the discomfiture of the bond market, the authorities have called for repayment on September 2nd the £321 million of National Defence Loan, 1954-58, passing over the earlier maturing £824 million of National War Bonds, 1954-56, and ignoring the £101 million of 2¾ per cent Funding Bonds, 1952-57. They have chosen a recent favourite of the market (in the hope, now killed, that this issue might have a potential four-year life) and also an eccentric date for repayment, eleven weeks after the first option on July 15th; their action has put the market on double warning that no assumptions are safe about the tenor of a bond carrying widely ranged first option and final repayment dates, and that three months' notice to repay "at any time" from the first optional date means exactly what it says.

On both counts, the bond market has got over its initial surprise, and it has no feeling of grievance. If the action of the authorities has deflated the market, it had, after all, nothing else to complain of since the reduction in Bank rate; the mere fact that recent purchases of 3 per cent National Defence Loan have turned out to be a poorer bargain than had been hoped is in itself no reflection on the Treasury's strategy. In any event, the bulk of the issue outside the departments is probably held by the banks rather than by the discount houses, and it may well be that the banks are the principal target of the refunding issue. First, the holders of National Defence Loan are offered conversion at par on July 15th next into 2 per cent Conversion stock, repayable optionally from January 15, 1958, and finally on January 15, 1959, together with a cash payment of 13s. per £100 nominal. Secondly, a cash issue of £300 million of the same 2 per cent Conversion Stock 1958-59 will be offered at 99½. Thus the new stock, with its maximum life of just over four and a half years, is on the long side for discount market portfolios, though it is also at the shorter end of the banks' range. Conjecture therefore remains whether the banks, whose holdings may exceed £200 million of the National Defence loan, will be ready to convert and accept a leaner yield, and what other home the discount houses will find for the bulk of the £70 million or so that they are reputed to hold.

The strategy is, in one sense, clear; it is to put the shorts into closer order. Two per cent conversion will yield £2 2s. 11d. per cent to redemption over 3½ years, and £2 2s. 4d. for its full life of 4½ years. Apart from 3 per cent National Defence Loan, however, the banks are large holders of the £535 million of 1¾ per cent Serial Funding Bonds, which are due for repayment on November 14th next. This is the surviving member of a family of issues born at the time of the forcible funding of November, 1951; some of the others have been rejuvenated as Serial Funding Bonds 1955 and 1957, and their faces lifted to carry 3 per cent and 2¼ per cent interest. Is that the recipe for November next? Perhaps the banks will have seen certain advantages in switching from the 1¾ per cent Serial Funding Bonds—never precisely a favourite with them—into respectable amounts of the new 2 per cent Conversion. At a guess, the authorities might expect, say, about £150 million of conversion applications, having obtained the conventional oversubscription of £300 million of cash applications, part of which may have been effectively financed by using departmental funds to purchase 1¾ per cent Serial Fundings and a modest part, apparently, by genuine outside demand. The remaining refinanc-

ing problem later this year would then be partly resolved, and the way would be clear, if the authorities so wished, for another medium-term stock of the character of 3½ Conversion 1969, to look after the rest of the 1¾ per cent Serials. The 3½ per cent 1969 stock was issued last February in conversion of 2½ per cent National War Bonds 1952-54; it may have seemed too long for some bankers at the time it was issued, but its attractions of single date have prompted an increasing demand, which has been met at rising prices from the official "tap," particularly during the past week.

It would seem, therefore, that the bond market, having been brought somewhat sharply into line this week, should, if all goes well with this operation, have nothing alarming to fear later this year. But what of the reactions of the authorities' latest moves on the remainder of the gilt-edged market? One could



hear this week the occasional mutter that the authorities were trying to force the pace, and that this was difficult to reconcile with a flexible policy. It is doubtful indeed whether this argument holds much merit. The latest operation continues the policy, pursued since the end of 1951, of funding each maturing short-dated stock into a longer dated stock. There are signs, too, that the dates acceptable to the banks have been getting longer. At the far end of the scale, among the undated stocks, yields are close to 3¾ per cent and, lacking a Dalton with his cheap money pump, they may have some expectation, though it should not be an extravagant one, of a further fall. Therefore, attention is being concentrated increasingly on the medium-dated stocks.

Here, perhaps, it is possible to discern the renaissance of former habits in the gilt-edged market. Bank rate is at 3 per cent, with the chances perhaps of eventual rise rather than imminent further fall. The undated stocks are yielding roughly their long-term average return; the yield may go lower, but hardly dramatically so. The shorts have been trimmed to the new style Bank rate. Under such conditions the attractions of a date within 15 or 20 years are hardly to be gainsaid. The general factors in the market favour a continuation of tolerably firm conditions, in a period in which money has become naturally cheaper, and not artificially cheapened as in the Dalton era. Habits of saving are being renewed, and there is, as yet, no flood of issues to compete for funds. Firmness seems the answer, and the most that the authorities can be accused of is to have added a little influence in the scale by cutting the terms of the latest issue fairly fine.

In such circumstances, the middle range of the list should offer opportunities as the market advances and a fair degree of protection if later it should have to retreat. The accompanying chart suggests that the *echelon* of interest rates between the shorts, middles and longs is still conditioned rather by recent memories of higher interest rates than by the classical adjustments to cheapening money. There is no argument—and mercifully no likelihood—of the artificial concertina of 1946 when yield differentials were compressed to paper thinness. But there is a presumption that if interest rates continue gently to fall for some months, the relative yields of the middles should move more closely towards the shorts and somewhat further than they have already done from the longs. Other factors may emerge later; convertibility or preparations for it; a revival of industrial or public issues; a sudden dawning of the realities of the international situation—any of these could lead to a firmer trend in interest rates, even if none of them need be cast for a prompt appearance on the stage.

*

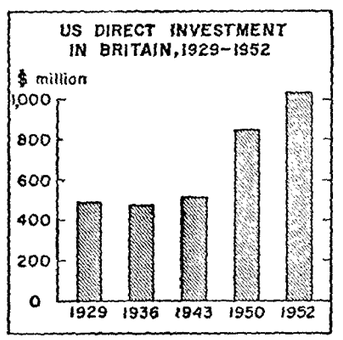
This is, perhaps, as clear an outlook as investors are entitled to expect, and they can at least fortify themselves with the presumption that the recent strength of 20 year stocks is not unwelcome to the authorities. The adjustments that have been proceeding so actively in the gilt-edged market this week have been pulling yields down into line with first dates, rather than second dates, and in this there are undoubted risks. It is disconcerting for a long-term investor who thinks that he has a stock with many years to run suddenly to find that he is clutching a short-dated bond. Three per cent Savings Bonds 1955-65 provide a neat illustration (though they are primarily of interest to the banks and not to the general investor). They have risen this week by half a point to within close range of par. Are they, then, to be regarded as a one year bond or an 11 year stock, subject after August next year to the Treasury's one-way option to repay? The embarrassment of big issues carrying such widely spread dates (2½ per cent Funding 1956-61 will in due course provide another example) will be increasingly felt by the discount houses as time goes on; they will have to employ a bifocal technique that concentrates both on what is genuinely short and at the same time can bring into view what is potentially short and yet conjecturally long. The institutions and the private investor will be concerned with dates beyond this mixed spectrum of "neither short nor necessarily long." And the present signs suggest that they are aware of the attractions of such longer dates, provided that they are not pushed out to extremes.

A Billion Dollars in Britain

ONE of the "virtually new" British exports whose rapid development since the war was recently celebrated by the Board of Trade is the dictating machine. In 1939, no more than a thousand pounds' worth of these appliances was sold overseas, and in 1948 exports totalled only £31,000. But by 1951 they had risen to £385,000 and last year they were £435,000. Dictaphone Company, Ltd., began to manufacture in Britain only since the war, but it records its own exports of dictating machines for those years as nearly 90 per cent of the small total exports in 1948, more than 60 per cent in 1951, and more than 80 per cent in 1953. It is seldom fair to attribute the development of any market to a single manufacturer, and there is at least one other significant British exporter of dictating machines; moreover, the figures may not be entirely comparable. But it seems clear that this wholly owned subsidiary of the Dictaphone Corporation of New York, the largest maker of dictating machines in the world, is responsible for the bulk of this new British export business.

As one of the first American companies to arrive in Britain since the war, and by no means one of America's giants, Dictaphone's experience contains much that is typical. Because overseas markets might be closed to it for lack of dollars, this corporation decided in 1945 to acquire its established British selling agency and build machines here to sell for sterling. It began negotiations with Government departments in the summer of 1945; by October, 1947, it had final blessing to start manufacture at Acton; its factory came into full production in 1949. It had to guarantee a minimum output and—sceptically—to try to export half of that; today it is producing four times the minimum and exporting some 70 per cent, with Canada as its largest single market. The primary reason for manufacturing outside the United States, the official delays, and the undertakings about outputs and exports, though hardly the location, would fit a large number of the American newcomers since the war. So, naturally enough, would the label of a "new British export"; many of these American branches or subsidiaries make products for which the United States dominated the world market before the war, and which Britain has begun to export in volume only since.

How many have come? The varying estimates are all American; no statistics appear to be kept in Whitehall, which is one aspect of a curious reluctance on the part of most departments to admit any special concern with the reception of intending American investors. A worldwide census of direct American investments overseas, carried out in 1950, recorded that of 650 "primary" corporations and branches in Britain, with total assets of $798.2 million, 134 were established in 1946 or later, with total assets of $49.9 million. At first sight, this figure seems to show perhaps too many companies arriving and too little capital. The assets of these "primary" companies may be compared with the total of $847 million given in the census as the total asset value of all American direct investments in the United Kingdom, a total that had increased to $1,035 million by the end of 1952 and is probably higher now. On the other hand, the census also estimated that between 1943 and 1950 American companies invested about $200 million of new capital and about $500 million of retained earnings in West European subsidiaries, and that direct investment in Britain rose by the end of 1950 to about half the total for Western Europe; from which American representatives here often infer that some $350 million of American capital has been introduced or ploughed into subsidiaries in Britain since the war.



The total amount, both arriving and ploughed back, would probably be the more significant figure, if it could be gauged accurately. The dollar shortage, plus the associated but separate phenomenon of a shift in the world's petroleum movement and marketing, has brought these new arrivals from American industry; but it has also greatly widened the manufacturing scope of American companies that had been established in Britain, for distribution or assembly, for years before the war. In the motor industry, the oil business, the pressed metal industry, and the domestic equipment industries that use its products, American companies have been British household names for years; and in chemicals, office equipment, industrial instruments, construction equipment and specialised engineering, many of the companies that have achieved leading positions since the war would fall at least into the census category of "established between 1931 and 1945." There are no adequate statistics to show clearly the ments overseas, carried out in 1950, recorded that of subsidiaries are concentrated in Britain; in 1950, about 65 per cent of the capital was in manufacturing and about 15 per cent in petroleum, which put Britain second only to Canada as a site for American manufacturing investment. Further investment by companies already here has been in response to the same trading circumstances as new investment, and it has to a considerable extent been subject to the same financial conditions and the same official scrutiny.

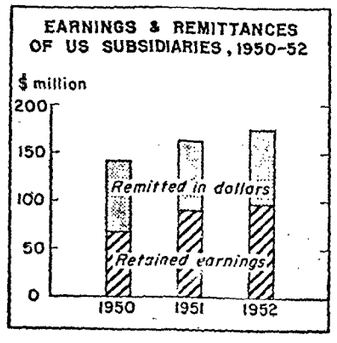
Those financial conditions, by

comparison with other countries in which Americans may invest, are hardly stringent; the scrutiny always has been and is. Current dividends require formal permission but are in fact remitted freely in dollars; and capital invested after January 1, 1950, can also be repatriated in dollars, including any capital profits, providing this was agreed when the investment was made. In fact, American companies operating in Britain have been remitting $70-80 million a year in recent years, or about half their earnings after tax; the remainder, retained in the business, has become a more significant factor in the growth of the total American investment than the investment of new capital. In 1952, indeed, while undistributed subsidiary earnings amounted to $98 million, there appears to have been a net repatriation of capital from Britain to the United States of $21 million.

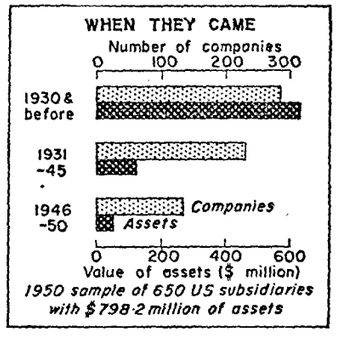
The principles upon which any proposal for new American investment in Britain is scrutinised, as set down by the Dollar Exports Council, seem reasonable:

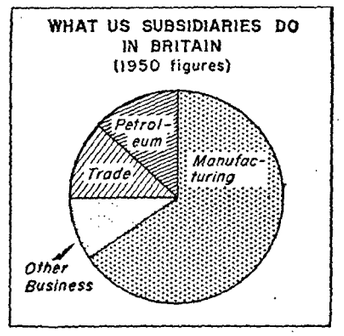
> It is necessary that the project should be of sufficient benefit to the British economy to justify such dollar expenditure (on transfer of dividends or possible repatriation of capital) either because it will earn or save hard currency, or because it is a valuable addition to the country's industrial efficiency. . . . New schemes (should) not involve unreasonable additional dollar outgoings for royalties, extra raw materials or components, payments to foreign technicians and similar charges.

Obviously, these principles leave wide fringes for official interpretation. The departments concerned are likely to be the Board of Trade and possibly some other production department, the Bank of England, working with or on behalf of the Treasury, and where British participation is desired, perhaps the Capital Issues Committee. With these the American investor is likely to be involved in tight and maybe protracted negotiation, which may touch upon his location, the structure of his subsidiary's capital, and other factors beside the output and the export possibilities or import savings of his product. Once this screening is over, the accepted investor is assured of official assistance through the thicket of regulations that he, like any British industrialist setting up a factory, has to penetrate.



A considerable majority of intending American investors, it should be said, complete this assault course quite successfully. The spirit in which it has been operated in Whitehall seems to have varied occasionally in accordance with shifting currents of political or official attitudes; the occasional complaints are not entirely from individual investors turned down and do not relate entirely to the past. Some companies, inevitably, have been frightened off—notably towards Holland. The date limit upon repatriation of investments still causes some fears that at some time in the future it might be shifted forward; moreover, dollar-saving or dollar-earning opportunities are today less easy to find. But it is fair to say that the investor will garner some good advice as well as frustration in his preliminary negotiations; and some interesting deals have been worked out in recent years, notably the arrangement by which Burroughs Adding Machine transferred the manufacture of two of its models for the American market entirely to Britain.





The contribution that these companies are making to the British economy, in technical example as well as dollars, has never been measured or sufficiently publicised by the British Government; some "Conditional Aid" counterpart money is now being spent to support a tentative survey. Nor have many of them (with notable exceptions, such as Esso at Fawley) set down their impressions and comparisons of the two industrial environments, which would be valuable. Costs are usually not easy to compare. The offshoots in Britain have a far smaller volume of output and their labour costs are a third or less of American; both factors may radically alter the production methods adopted here. Overheads for design and research may be negligible; where the company sub-contracts, it may find component costs high and will often find that parts obtainable as standard lines in America have to be made specially here. Most American executives here speak well of British labour effort and skill; but despite the advantage of lower British wage costs, few will admit to being able to bring the total manufacturing cost of their product below the American. Manufacture in Europe has considerable advantages for the control of an effective selling force in this hemisphere; and Britain is often the best European market for the product to begin with. It is often easier, too, to suit varying local needs such as electrical conditions into the shorter runs of a European factory. And Britain—in theory at least—offers no language difficulty.

Nevertheless, the one overriding reason that made high American direct investment in Britain and other industrialised countries advantageous since the war is beginning to fade. Discrimination against dollar goods is diminishing, and it is to be hoped that it will diminish more. In a growing number of markets, the American branded product from America meets its British counterpart on equal or nearly equal terms. This may already have reduced the flow of new investments to Britain; in future, any real advantages that can be offered by manufacture here, arising from cheaper skill and cheaper materials, will be weighed more carefully against the economies of volume production inside the United States. American businessmen still retain some reservations about the welcome that their capital will receive in this country. The political risks, perhaps, no longer loom so large; it may be significant that the guarantees of repatriation of dividends and capital available from American government agencies have been taken up by less than 20 companies arriving since the war. But competition for their favour, in comparison with the boosting of American factory sites or with the apparently more open arms of some other European countries, still seems less than enthusiastic here. The principles by which Britain measures potential American investment are, in the long run, the right ones for both parties. But their presentation, at least, lacks salesmanship; and the advantage of manufacturing in Britain is something that Britain now has to sell.

Business Notes

Boost for Britain

An apparently well-calculated speech on Britain's economic position came from the Chancellor of the Exchequer last week at a quarterly meeting of the National Production Advisory Council on Industry. His remarks included a most careful restatement of the Government's attitude on convertibility, following a review of the country's progress in recent months.

He summed up the record of success in the following juxtaposition: "Between July, 1953, and April, 1954, United States industrial production fell 10 per cent. Between the same dates sterling area gold and dollar reserves rose 19 per cent. If anyone in the middle of last year had forecast this combination of percentages he would have been written off as an optimist or an ignoramus—possibly both. Yet, there it is." The Chancellor offered four explanations: first, increased European demand had taken the place of falling American demand; second, the high production in the United Kingdom had not led to increased imports of dollar goods; third, US military expenditure abroad had remained high; and fourth, other countries had increased their working balances in sterling—partly "because they have been impressed by the ease with which the sterling area is riding out this patch of rough weather from America."

His references to convertibility appear as a direct answer to recent comments by Professor Erhard, who had made the move to convertibility appear a matter of early, almost immediate, probability. Mr Butler repeated the familiar three conditions for successful and lasting convertibility: sound finances within the sterling area, adequate reserves; and the adoption of sound creditor policies by creditor countries. All these, he said, remain important, "not least the third."

If or Unless?

When he turned to the country's internal position, the Chancellor described the current economic situation as one in which Britain might turn from thinking of the penalties unless it does this or that to think of the rewards if it succeeds in doing them. He was ebullient: "Why should we not aim to double our standard of living in the next twenty years, and still have our money as valuable then as now?"; though the familiar phrase "wages and dividend restraint" inevitably had to come. In the export field, Mr Butler described the past four months' record as "not quite as high as in the boom quarter at the beginning of 1952, but . . . much better balanced." At home, he had an industrial boom to boast in almost everything but coal output.

The official index of industrial production for March, revised to 130 (1948—100), the same as February, gives an increase of 5-6 per cent in the first quarter over the first quarter of 1953. The figure for April, affected by the Easter holiday, is expected to be 124-125, again 5-6 per cent up. Motor-car production, the Chancellor was able to report, is 42 per cent up this year, tractor output 21 per cent up, and commercial vehicles 6 per cent up. Figures for

machinery compare variously with output last year; but there are indications of healthy and growing business in many sections of engineering.

It is true that not all the auguries are equally inspiring. As Professor Cairncross has pointed out this week in the *London and Cambridge Economic Bulletin*,* trends in world exports of manufactured goods suggest that over the last few years, while Germany's exports have been showing a large and continuous increase, and American exports have at least paralleled the upward trend of world trade, Britain's volume of exports has failed to show any significant increase; its share, therefore, has fallen considerably. He thinks the best that Britain can hope for may be to maintain its share of trade in manufactures, with Germany and Japan gaining larger shares and America perhaps losing ground; to enjoy terms of trade as favourable as at present; and to rely on a general expansion of world trade to pay for a growing volume of imports. Some "ifs" seem to be implied in this conclusion, too; but unlike Mr Butler's, these could easily be replaced by "unless."

Banks Buy Gilts

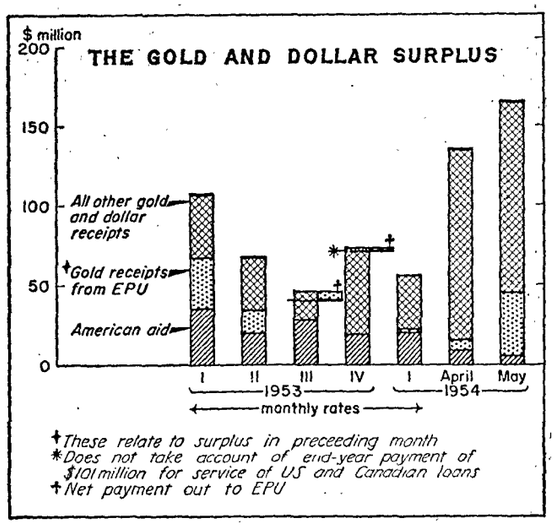
THERE is little sign, in the latest figures of the clearing banks, of the inflow of foreign funds that so significantly strengthened the gold and dollar reserves last month. In the four weeks to May 19th, net bank deposits rose by only £15.9 million, actually a notably smaller expansion than that in either the preceding (five-week) period or in the corresponding period of 1953, also of five weeks. Yet bank finance for the private sector expanded more rapidly this May than in either of those earlier periods. Advances rose by £21.2 million, bringing the increase since the beginning of the year to £86.6 million, whereas in the corresponding months of 1953 they rose by only £23.2 million—but at the end of that period they had been deflated by the repayments made by the British Electricity Authority from the first proceeds, amounting to £56 million of its public loan. The net demands of private trade, industry and personal borrowers for finance thus appear to have been only moderately greater this year than last.

This conclusion depends, however, on the assumption that one striking change this month—an expansion of bank investment portfolios by nearly £25 million—should be treated as providing finance for the public sector rather than the private. The flow of stock through the "departmental" taps during this phase of activity in the gilt edged market may justify such an assumption. And, unless it is made, the public sector would appear to have actually reduced its indebtedness to the banking system by appreciably more than the amount of its net receipts from other domestic sources — despite the strain put upon it for the financing of the current surplus on the external balance of payments, and despite the sterling sold by the Exchange Account to foreigners that were switching funds to London. Even after the banks' investment purchases have been brought into the reckoning, it appears that only a small part, if any, of these special Exchange Fun operations had to be financed on balance through the clearing banks. The conclusion seems to be that most of this finance was secured, in effect, either by sales of Treasury bills to foreign institutions or by more general departmental sales of gilt-edged.

Quite unexpectedly, therefore, there has been a tightening of the banks' liquid position. Their intake of Treasury bills was much less than the decline in their cash and call money (the make-up day was one of exceptional stringency), so that total liquid assets have dropped; their ratio to deposits fell from 33.1 to 32.9 per cent. At the same time, the substantial intake of investments—bringing their total rise since last September to £169 million, including the participation in the autumn funding operation—has raised the investment ratio to 36.4 per cent. Before the launching of the "new" monetary policy it was 25 per cent.

Heyday for the Reserves

THE inflow of foreign funds to London that took place in the last days of April and the first days of May has given a fine boost to the gold and dollar reserves of the sterling area. Those reserves rose by $135 million in April and again by $165 million in May. This rate of increase has been unequalled since the post-Korean boom. Moreover only $15 million of the increase of $300 million was derived from defence aid. Receipts from the European Payments Union amounted to $7 million in April and $39 million in May, so that the surplus with other areas came out at $119 million in April and $120 million last month—



easily records since monthly figures began to be issued in January, 1952.

It is officially estimated that about three-quarters of the "true" surplus achieved in May was earned in the first few days of the month—when the inflow of funds in response to rumours that the margin of the sterling rate was to be widened and to the increased scope for interest arbitrage necessitated heavy official purchases of dollars to prevent the sterling rate from breaking through its upper limit of $2.82. The rate of direct dollar surplus in the rest of the month, when these special factors were absent, was thus at the still respectable figure of about $30 million. The reassuring fact is that when the rumours of early May died away there was no sudden outflow of the funds that had come in. Neither the denial of the rumours nor the Bank rate change sent money out again.

Steadily this year the prospect for the sterling area gold reserves has improved despite all forebodings. The surplus with Europe, which normally declines at this time of year as the flow of tourists and purchases of fruit and vegetables begins, reached £10.8 million in May, and 50 per cent of this will be paid over in gold in the middle of this month enhancing the June gold figures. Sizable gold payments may of course be made to EPU in coming months as the British negotiations mature with the creditor members of EPU about the settlement of long standing claims. But the prospects for the current balance suggest that the autumn may see an improvement in the British position with EPU—particularly if sales of sterling area commodities to Europe continue to be as bouyant as in recent months. The gold figures in coming months are not expected to be as dramtic as those for April and May.

Stewarts and Lloyds

SIR JOHN MORISON, chairman of the Iron and Steel Realisation Agency, has decided not to let summer lethargy overtake the share markets without one more offer to the public. As foreshadowed in *The Economist* of May 15th the Agency will offer the plum of the steel equities—Stewarts and Lloyds. The offer for sale will comprise the 10 million £1 ordinary shares with an indicated 12½ per cent dividend, covered more than three times. Estimated maintainable earnings are £7 million before tax and prior charges. The price of offer will be fixed nearer to the prospectus date of June 21st. In fixing the details no one among the powerful City houses which is advising and least of all Sir John Morison himself is under any delusion another failure would be tolerable after the experience of United Steel, still at 5¼d. discount below the offer price of 25s. and of Lancashire Steel now 1s. 9d. discount below the issue price of 22s.

There is no doubt at all that the offer will be over-applied for; the very method of approaching the public with firm applications already in hand for the whole amount assures that technical over-subscription will be achieved from the start. It is again a question of what will happen afterwards. Preferential forms must go to all the former Stewarts and Lloyds shareholders. The public, if it has any faith in the City's big issuing houses, may decide to "stag" the offer. Whence will the flow of buying come when dealings start and "stags" wish to sell? In the City it is an open secret that Sir John Morison would have preferred conventional underwriting to the firm application technique had not the consortium of issuing houses persuaded him otherwise. He would also have preferred to limit public applications by making the amount payable on application large. Details are not yet completed but it seems possible that that idea, too, may be abandoned.

One other expedient can be used to simplify and expedite procedure—to limit the number of gilt-edged stocks which may be tendered instead of cash. This would shorten the number of days over which lists have to be held open and the complicated paper work which the Bank of England has to tackle on allotment. It is hoped that the Treasury will agree, as they did with Lancashire Steel, to limit the stocks to one—Treasury 1979-81 (the old steel compensation stock), and to keep the lists open a few days only.

Encouraging the Buyers

THE Iron and Steel Realisation Agency is thus faced with another offer of roughly the same form as its two previous unhappy efforts, but on which it dare not fail. The sale of 10 million £1 shares of Stewarts and Lloyds will presumably draw on something like £18 million of investors' funds. What steps can still be taken to ensure that buying power is in the market to give support?

First. It is essential to leave the investor something to go for. By choosing the blue chip of the steel equities something in that direction has been done. More has been done by basing the issue on a 12½ per cent dividend which will absorb less than a third of available earnings. The investor is left to assume that the rate can some day be raised.

Second. Since it has been agreed not to discourage the "stag" he will have to be propitiated. It may be assumed that the Agency has arranged that a reserve of buying power will stand behind the market after the issue.

Third. The Agency will do its best to limit the immediate drain on funds which might be available for investment in steel stocks. The Agency holds back for future sale the rest of the Stewarts and Lloyds capital comprising £10 million 4½ per cent unsecured loan stock, £5 million redeemable £1 preference shares and £5 million 5½ per cent £1 cumulative preference shares, all of which might have been quite acceptable to the institutions.

Do these precautions add up to success? The end of this month should provide an answer. The conclusion of another private steel sale gives further evidence of the agency's determination to push ahead. Arthur Lee and Sons announce the repurchase of Arthur Lee and Sons (Hot Rolling Mills) and Arthur Lee and Sons (Cold Strip) from the agency for £950,062. This is the same nominal sum as was paid in compensation, ignoring the loss which the parent suffered through the depreciation of its 3 per cent compensation stock. In connection with this deal Arthur Lee and Sons are arranging to issue £500,000 4¾ per cent 1974-79. The agency's advisers have evidently taken the view that the sum involved was too small to warrant postponing the issue until after the Stewarts and Lloyds offer. At least no one is any longer under the delusion that selling steel companies to the public under the renationalisation threat is easy. Nor can anyone work out the impact of that threat on Stewarts and Lloyds equity before the selling price has been announced and while the Agency itself retains the prior charges.

Lion in Retirement

THE time it has taken this Government to decide to cut the loss of public money in British Lion Film Corporation and the conviction with which the Socialist ex-Minister chiefly responsible for the loan voiced his

* London and Cambridge Economic Bulletin, in *Times Review of Industry*. June, 1954.

criticism of this belated decision in the Commons and later on the BBC are alike evidence of the obstinate fascination that British films retain for British politicians. The loan, of £1 million later increased to £3 million, was made in 1948 through the National Film Finance Company, later called a Corporation. It was the primary "matter of urgency" with which the committee set up to organise that company was charged; and it has indeed been asked whether the wider powers to finance British films in general given to the State finance company were not added to make this massive assistance to a single company look more respectable. Without the 1948 loan, British Lion's chairman said at a subsequent annual meeting, the company would have been in receivership. The Government's £3 million, of which at least £2 million is liable to be lost, has delayed this eventuality by about five and a half years.

The loan was made originally for three years, due in October, 1951. By March, 1950, the National Film Finance Corporation felt it prudent to make a provision of £500,000 against this loan, and in March, 1951, it increased this provision to £1 million. No repayment was made in 1951 or afterwards; in the Act last year that prolonged the life of the State corporation and extended its borrowing powers, it was authorised "to enter into special arrangements with respect to certain loans." It appears that the special arrangements envisaged that the loan would have been extended for a longer period with reduced interest charges and that the State corporation would have had a greater power of control over British Lion. During the negotiations, however, British Lion informed the Corporation and the Board of Trade that in the past year its losses had "assumed proportions which were beyond the hope of treatment under (this) plan." The National Film Finance Corporation, with Government approval, has now exercised its right to appoint a receiver and manager. A new company may be formed to take over its distribution activities, but British Lion will not continue to produce films; its subsidiary studio company may continue to offer facilities for independent producers to make films. "The policy issues arising out of this decision," says the NFFC in its annual report this week, "are under discussion with the Board of Trade." They may well be.

Angel on a Limb

WHATEVER the motives behind its inception, the National Film Finance Corporation has fulfilled the purposes of government and it has served the British film industry. Audiences like British films less than politicians do; even so, in five years the Corporation has financed a number of highly successful films, some of the best being made by British Lion. It can be expected today—Cinemascope perhaps apart—that of the half-dozen most successful films at the British box-office in an average year half will be British, though among the unsuccessful ones British films do far worse than American; after all, Britain sees all the feature films made here and only a selection of the larger American output. The Corporation has so far financed 262 feature films, about 60 per cent of all films made in Britain. Roughly half of those so far released have been profitable, and over the whole year's releases in 1953 the receipts recoverable may be about 13 per cent more than they cost.

"There seems to be a prospect" the Corporation therefore reports "of a small profitability from the making of films," in present circumstances. Unfortunately, this small profitability does not yield a profit to everyone concerned; and the Corporation is usually odd man out. It generally supplies "end money," the difference between the film's budget figure and what a bank will put up on the security of a distributor's guarantee that the film will be shown (which usually covers 70 per cent of the cost). If a film is unsuccessful, the whole Corporation loan is probably lost; if it succeeds, the Corporation receives only a share of the profit, and only over a long period. "Losses," the Corporation says, "cannot be avoided by those who provide the risk money"; understandably, there is no sign of outside risk money becoming available on a significant scale.

The all-party policy of milking this industry of huge amounts of Entertainments Duty at one end and dribbling money in at the other, not as an admitted subsidy to occasionally artistic endeavour but always in the pretended hope of putting the industry on a business basis, is therefore still not succeeding. The Corporation defines the industry admirably:

> Film business remains essentially show business; that is to say, subject to the fluctuations of public taste; to the creative power of the artist and the problem of successfully blending that power with commercial necessity; to the runs of good and bad luck which for no apparent reason come to a producer; and to the disproportionately great profits or losses which seem to be the result of success or failure of individual productions.

It would be difficult to conceive of a business in which it is inherently less advisable that public money should be at risk.

More Freedom for Sterling

THE Bank of England has this week appreciably relaxed the Exchange Control regulations dealing with blocked sterling and dealings in foreign currency securities. The object of the change is to bring the control of security dealing and the treatment of blocked sterling into line with the relaxations in the use of current sterling made earlier this year when non-resident sterling of nearly all types became interchangeable and the transferable account area was greatly extended. The only securities of which transfer remains restricted are those on which capital, dividends or interest are payable in Canadian or US dollars or in respect of which the holder has an option to require payment in these two currencies. Previously securities of the Belgian currency area were similarly restricted or "prescribed"; such securities may in future be purchased by residents of the sterling area outside the United Kingdom or by non-residents and paid for out of the appropriate sterling account.

Transfers of blocked sterling between non-residents may henceforth be made without formality by authorised banks but with two broad exceptions. The first is that no transfer of blocked sterling may be made to a resident of the American account area or Canada from a resident outside these countries; the second is that no transfer of blocked sterling

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* Thursday, June 17th. 8.15 p.m. Discussion on *Advertising and the Arts*. Speakers include: John Beard, Ashley Havinden, F. C. Hooper. Chairman: Misha Black; at Institute of Contemporary Arts, 17-18 Dover St., W.1. GRO. 6186.

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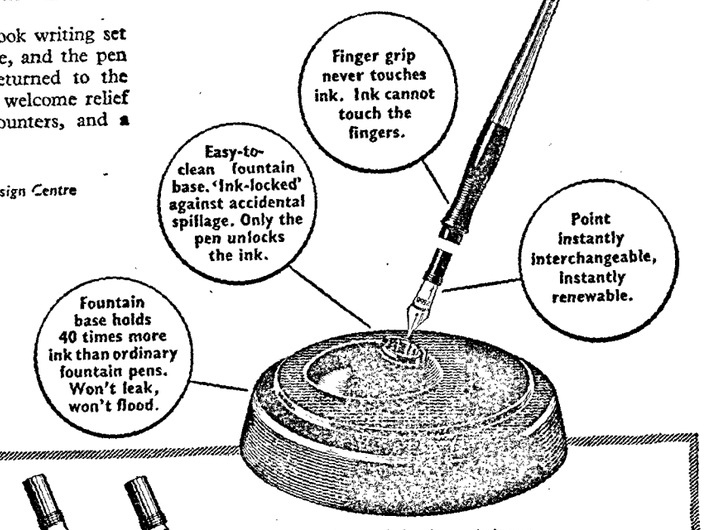

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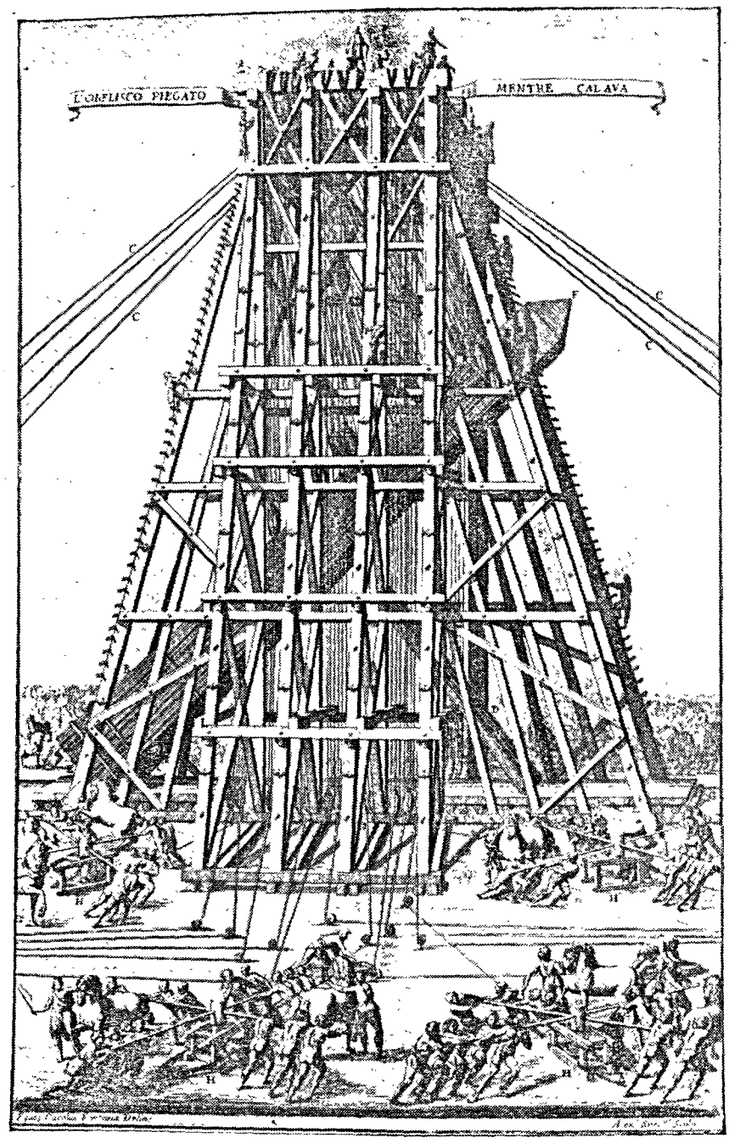

"Acqua alle corde!" The Obelisk in the Piazza di San Pietro in Rome was erected in 1586 with the help of 800 workmen and 140 horses. This detail from Carlo Fontana's engraving gives some idea of the splendid grandeur of the operation.
It was a close thing, so the story goes. The architect had not allowed for the enormous strain on the ropes and their consequent stretching. But, though silence was imposed under pain of death, one of the workmen—a sailor from San Remo—shouted at the critical moment: "Acqua alle corde!" And the water on the ropes, tautening them, saved the day.
These days the builder works with far more manageable materials. Some of the most versatile are made by the Building Boards Division of the Bowater Organisation. Made from compressed wood fibre, these boards are used, among a thousand other uses, as insulating materials in ceilings, as partitions in houses, as panelling in railway coaches or in ships . . . all over the world they are essential to the architect and builder of today.

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may be made to a resident of the Uniscan countries—Denmark, the Faroe Islands, Greenland, Norway and Sweden. These Uniscan countries have the right to repatriate blocked sterling and their inclusion in the list of countries to which blocked sterling could be transferred would provide an open door to the withdrawal of all blocked sterling from this country. But since blocked sterling can be withdrawn and converted into any currency by way of the market for security or switch sterling (now quoted at a mere ½ per cent discount on the official rate), it may be questioned whether this elaborate re-definition of exchange control regulations is not drawing attention to restrictions that have ceased to have real significance, and that, all being well, should disappear altogether in a matter of months.

No Major Roads Ahead

Two main arguments were advanced by the Parliamentary Secretary to the Ministry of Transport when he wound up the House of Commons debate on road development last Friday week. One was off the point; the other was highly debatable. First of all, Mr Molson avoided the closely reasoned arguments of the mover, Mr Harmer Nicholls, for a limited increase on the government's present programme by seizing upon the suggestion, made not in that debate but in an earlier one, for a £500 million road loan. This Aunt Sally was fairly easy to knock over.

On the more important question—how large a road programme the civil engineering and contracting industries can now handle—Mr Molson was resolutely pessimistic. The present programme was as large as is "wise and prudent for the government to undertake now and maintain over a period of time"; anything more would impose too great a strain on the economy and draw labour away from other industries. The civil engineering contractors, it may be said, argue that a larger programme could be comfortably undertaken. Postwar pressure on the industry, in preparing housing sites, in building airfields, atomic energy plants, and other defence works, in constructing power stations, hydro-electric installations, and oil refineries, has begun to ease, and materials are no longer the problem they were. Only cement might present a serious difficulty for a realistic road programme beginning on Britain's motor roads; and the need for this might be reduced by the use of pitched stone roads topped with an asphalt carpet. Labour might be short, but this industry is used to recruiting Irish labourers to help it in peak periods and the contracting industry has undergone a high degree of mechanisation in the last ten or fifteen years. The labour force working on roads has risen this year by 7½ per cent already, and twice as much plant is now used in the civil engineering industry as before the war. The main proposal, however, is that resources should be transferred to the roads within the construction industries, not extra resources brought in; surely the priorities set in the immediate postwar years are not immutable?

Steel Prices Alter

Within the last ten days the British steel industry has increased its home prices and reduced certain export prices. The increases in home prices, which average about 2 per cent, take into account the increased costs of coal, wages, and transport. They vary from 15s. a ton for pig iron and heavy steel products down to 2s. 6d. a ton on certain re-rolled products. It appears that these prices, set by the Iron and Steel Board, have required the industry to absorb some of the increases in costs. This is presumably because the industry has no longer to bear the heavy cost of importing finished and semi-finished steel at high foreign prices and selling it at lower British prices; the levy and rebate system of this industry sometimes means that steel prices move to some extent like icebergs, above and below the surface. Last week's changes also represent some interim conclusions from the major review of the whole steel price structure that the Board is carrying out—the first since 1949; the varying increases in prices granted for heavy and light products may adjust the balance of profitability between different products. This may not be the final result of the Board's lengthy survey.

The cuts in export prices of certain steel plates bring these prices closer to Continental export prices, though those seem still to be slightly lower; the export premium on these British steel products seems to be still there, but only just. Despite the offer of abundant and now cheap Continental steel plate, there does not seem to have been any considerable import from the British industries that were recently complaining of shortage; the plate shortage is now about over, and the only product where demand still markedly exceeds output is cold-reduced steel sheet. At home, indeed, the industry is congratulating itself on a better half-year than it quite dared expect—further evidence that the engineering industries are gathering momentum.

Mr Cube Wins the Day

By a majority of one the Law Lords have upheld the ruling of the lower courts that the expenditure of £15,339 by Tate and Lyle on the advertising campaign, associated with the jaunty figure of Mr Cube, against the threatened nationalisation of the sugar industry was an expense "wholly or exclusively" laid out for the purposes of trade and was therefore an admissible deduction against profits for income tax assessments. The appeal by the Crown against this ruling in the Court of Appeal, where three judges dissented from it, was thus dismissed. The Law Lords disagreed on the nice but important legal point whether "trade" could or could not be disassociated from the company and its ownership. The majority opinion was put by Lord Morton, with Lord Asquith and Lord Reid concurring:

> If money so spent is not spent for the purposes of the company's trade, for what purposes is it spent? If the assets were seized the company could no longer carry on the trade which had been carried on by the use of those assets. Thus the money was spent to preserve the very existence of the company's trade.

Lord Morton was unconvinced by the Crown's argument that the campaign was merely a fight against a transfer of ownership; he pointed out that there was no evidence to show whether such a transfer would or would not destroy or adversely affect the company's business.

In dissenting from this view, Lord Tucker suggested that "trade" in this connection could be regarded as an entity distinct from the persons who might be carrying it

on at a particular moment. Hence he argued that the rule in this case had been misinterpreted if the money spent was for the purpose of retaining the trade in the hands of the company; he added that no evidence had been canvassed to show that a change in ownership would or might bring about an extinction of trade. Lord Keith, who also dissented from the majority view, suggested that the expenditure in question would not benefit the trade of the company by one penny, though it might benefit the company itself by ensuring that it would continue to enjoy the profits earned by the trade.

The decision that "trade" cannot be disassociated from the ownership of a company might give rise to an awkward legal quibble about similar activities of a company resisting a "take-over" bid. In practice, sums spent by directors on a campaign fighting off such a bid would be an allowable expense, as their circulars would be presenting further information about the activities of the company to their shareholders. Will this new ruling throw the gates open wider by removing the need to show that such information was being given?

Losses on State Cotton Trading

THE pith of the Raw Cotton Commission's report for the year ending August 31, 1953, was revealed by the Government during the debate on the Cotton Bill last February, when it announced that the Commission had made a loss "nearly as great" as the £25 million lost in 1951-52. The accounts now published reveal the actual loss at £22,367,000 and give its components. At the beginning of the 1952-53 year the rate of cotton consumption in Lancashire was little more than half that of a year earlier; thereafter it showed a slow but steady recovery. Prices of raw cotton, however, continued to fall, though less sharply. That year was also the first in which spinners were allowed to choose whether to buy from the Commission or privately: spinners accounting for about 30 per cent of Britain's total imports contracted out. As a result, the Commission was left with stocks larger than its remaining customers required. The Commission was instructed to draw up its accounts as if the cotton department had hedged its transactions with the cover department, so that this excess stock affected the results of both.

The cotton department lost £1,194,000, of which the Commission calculates that £804,000 represented the cost of carrying the excess stock. The cover department's total loss was £21.2 million, of which £3,755,000 was paid out to spinners and other sections of the trade, and £17,056,000 was paid to the cotton department; of this, about £3.9 million represented the loss on covering the excess stock. Calculation of the Commission's internal cover transactions is highly artificial. When the Alexandria futures market was closed in November, 1952, the Commission was obliged to base its assumed hedge payments and receipts for long-staple cotton on futures prices in New York—a purely arbitrary hedging basis for long-staple growths. Nor is New York a full hedge for prices of American-type cotton grown outside the United States. In addition, the Commission hedged as though it were a contracting-out spinner or merchant, which meant that it could only cover against movements in the basic price and not—as contracting-in spinners could—against movements in prices of particular qualities as well. The cotton department's stock valuation had therefore to be adjusted to the extent of the inadequacy of the cover. This accounting exercise did not affect the results as a whole: one department's loss was another's gain.

The loss of £22,367,000 converted the previous surplus of £11,269,000 into a deficit of £11,098,000; this is the net drain on the public purse since the Commission began trading on January 1, 1948. In 1953-54 the Commission may have less bad news for the taxpayer. At the end of last August its stocks were much more closely related to its needs, and prices have risen appreciably in the past six months. The Commission will formally cease trading on August 31st, but will supply certain cottons until the middle of next year. The final results of this experiment in state trading, which has no valid claims to repetition, will be known about the end of next year. The risks of such trading are now being returned where they properly belong; with the cotton industry and with the Liverpool market.

Fats in Abundance

WORLD consumption of oils and fats, which is a useful measuring-rod of prosperity, rose substantially last year, especially in Western Europe. Actual consumption there is estimated to have increased by 174,000 tons to 6,534,000 tons. Consumption in West Germany alone rose by 95,000 tons, and in Britain by 30,000 tons; only in Greece, Spain and Portugal did consumption fail to expand. The increase did not merely reflect the growth in population in Europe; it reflected also the improvement in economic conditions: average consumption per head, excluding the last-named countries, rose by 1.8 lb. to 52 lb. a year. Giving these estimates to the International Seed Crushers' Congress in Cannes this week, Mr J. C. A. Faure, of Unilever, forecast that consumption in Western Europe this year would rise further by 160,000 tons to 6,695,000 tons. Consumption in Britain is expected to increase by 80,000 tons following derationing last month, equivalent to 120,000 tons in a full year, and consumption in Germany by another 25,000 tons. The world supply of oils and fats is ample to meet requirements in Europe and elsewhere.

World production is expected to rise by nearly 1 million tons to a peak of 25,250,000 tons. This alone would be sufficient to provide a consumption per head in the whole world of 22.1 lb a year, almost the same as before the war, although there are now another 400 million mouths to feed. This prospective supply ignores the large surplus stocks held by governments, and the displacement of some 500,000 tons of oils and fats by synthetic detergents. Total supplies available for export may rise by some 450,000 tons to 5.9 million tons, exceeding the prewar level for the first time. The bulk of the additional supply is accounted for by the actual and prospective sales of the American government's surplus cottonseed oil, linseed oil and butter. But though Mr Faure painted a picture of plenty, he refused to look beyond his statistics. It was a matter of opinion, he pointed out, how far present supply prospects had already been discounted in current prices, and whether Russia would increase or reduce its purchases this year. He ended with a warning against any complacent assumption that world production was capable of meeting the demands of a continually increasing population, and reminded his listeners that another dollar crisis could again leave much of the world's supplies in the wrong places.

Anglo American Progress

ANGLO American Corporation of South Africa showing consolidated assets on December 31st of £68.8 million (a rise of £10.5 million in a year) is the focal point of three mining empires, over all of which Sir Ernest Oppenheimer presides. There is its gold and uranium empire consisting partly of direct investment in gold producing companies and partly in finance and investment companies like African and European Investment Company, Orange Free State Investment Trust, and West Rand Investment Trust; there is the copper-cobalt empire representing partly direct investment in the Rhodesian producing companies and partly the interests of Rhodesian Anglo American; finally there is the diamond empire, for Anglo American is an important shareholder in the companies of the De Beers group through Anglo American Investment Trust which holds around 19 per cent of De Beers deferred capital as well as a large direct and indirect holding in The Diamond Corporation.

As a whole this vast mining and financial structure prospered in 1953. Quoted investments stand in the balance sheet at £22.8 million against £21.7 million. At the end of 1953 these quoted investments showed an appreciation of no less than £13.8 million. The accounts are drawn this time in accordance with the new South African Company law and give this item of information. Another important benefit which shareholders gain from the change in the form of the accounts is a break down of the consolidated profit figure showing the proportion derived from share transactions separately for the first time. Out of total net revenue of £5,185,326 compared with £3,798,196 only £514,024 was brought in from the profits from share transactions, less amounts written off.

Fiduciary Issue Revised

THE onset of the holiday season has this week produced the customary increase in the fiduciary issue, which nowadays comprises almost the whole note issue. It has been raised by £50 million to £1,675 million, or the same as the record level reached last Christmas. The actual circulation, at £1,625 million, is however well below its Christmas peak. Last year the first summer increase in the fiduciary issue was also made in the first week in June; but then the circulation had almost reached its Christmas peak.

The pattern of the note circulation in recent weeks has indeed differed quite markedly from that shown at the same period of last year—but the dominant influence then was the Coronation. On balance the circulation rose only fractionally during the month of May, whereas last year it rose by some £16 million. On the other hand, the unseasonal fall in the public's demands for currency that took place in June of last year as an aftermath of the Coronation is not likely to be repeated this month. Although, therefore, the expansion in the circulation since the seasonal low-point of end-January has so far been smaller this year than last (at £89½ million against £94½ million) it is still too early to see whether this marks any change in the public's spending habits over the year as a whole.

Coffee Prices Rally

BRAZIL, which produces half the world's coffee, is determined to squeeze the maximum advantage out of the present shortage. The government has just issued a decree fixing the minimum basic export price for the 1954/55 crop at 87 US cents a lb fob for Santos 4 grade. This is equivalent to about 690s. a cwt fob Santos for "superior" grade, which is only 15s. below the market price of two weeks ago. Since then prices have rallied, because heavy rainfall has damaged the harvest, and "superior" is now about 730s. a cwt, compared with the peak of 800s. Colombian coffee rose in sympathy by $2.50 to $93.50 per 50 kilos fob. Whether Brazil can hold the basic minimum at the new level will depend partly on the weather, and partly on consumer resistance. The critical period for the 1955/56 crop is approaching. The cold season, when the crop is liable to frost damage, is June and July, and the flowering period, which indicates the prospective yield, is in September and October. While the promise of a large 1955-56 crop could not mitigate the existing world shortage of coffee, it could throw its shadow before the market.

It is impossible to estimate how much consumption is falling in the face of high prices, but some decline is certain. The American public, which drinks two-thirds of the world's supply, has suffered five increases in retail prices in succession, and is now being asked to pay as much as $1.35 (nearly 10s.) a lb. Even this does not fully reflect present market prices. Small wonder that buying by importers in America and Europe has been spasmodic. Cheap supplies of East African coffee bought by the Ministry of Food, and an increasing switch by private importers to the cheaper African grades, have softened the blow to British consumers. Official supplies will peter out in the autumn, and the trade will then have to pay world prices for all its supplies. An increase of 1s. or more a lb. in retail prices is probable before the end of the year.

Reviewing Fertilisers

THE report of the Anglo-American productivity team on the progress being made in the British fertiliser industry pinpoints two of the industry's major difficulties—storage space and demand. Three-quarters of the fertilisers produced during the year are sold during the three months of February, March and April, and all inducements

so far, including rebates of as high as 25s. a ton on orders placed during October, have failed to make farmers buy earlier. As the team discovered, the reason for this unnatural indifference among farmers to financial inducements was that they themselves have nowhere to store the fertiliser. It is not a product that can be left in the open and allowed to get damp, and few farmers have such good storage facilities that they can be certain it will keep in good enough condition to go through the drills without clogging. On the other hand, the fertiliser factories are hard put to find room to store up to 9 months' production as well as the raw materials for this bulky product. The team's solution, to provide encouragement to farmers to build dry buildings for storage, special bank loans were suggested, would only add one more subsidy to the already over-subsidised farming industry. The suggestion of co-operative storing by the farmers themselves, which is being discussed, seems a better solution.

As to demand, the report quotes Ministry of Agriculture estimates to show that far less fertiliser is going onto the land than experts consider necessary. But the question that fertiliser manufacturers would most like to have answered is whether the fertiliser subsidy will be ended at some future date, and what the effective level of demand is likely to become when that event takes place. If they knew, manufacturers could plan their capital investment accordingly. While they suspect that a sharp fall in demand is possible then they are not going to build the extra storage facilities needed to support current rates of output.

Raw Jute Prices Down

PRICES of raw jute in Pakistan have fallen by some £10 a ton in the past month and are back to the level of mid-March. Firsts are now about £87 10s. a ton cif Continent for June/July shipment, and mill firsts are about £102 a ton c and f UK. Demand is quiet in Europe and Calcutta because there is little export business in jute goods, and merchants in Europe are reluctant to offer at prices below replacement costs in Pakistan. American demand for hessian cloth has slackened; Australia is out of the market for sackings and the further large order from Argentina has still not materialised. The riots in East Pakistan had no effect on the market, except to strengthen the prices of afloat shipments of raw jute—owing to fears that the riots might extend to the ports. The market could be greatly influenced by any change in the weather, which has recently been favourable to the growing of the 1954/55 crops in Pakistan and India. The monsoons are now due and the rivers are already very high; this could affect the sowings that have still to be made. The crops will be late, owing to the earlier spell of dry weather, and the yields may suffer. Estimates of the new crop in Pakistan, which is the world's export crop, vary widely, but it is doubtful if it will be much larger than the previous one—privately estimated at about 4.2 million bales—despite an increase of some 25 per cent in the acreage sown.

Meanwhile arrangements for the return of raw jute to private trading in Britain should be announced this month. Private purchases are likely to begin with the new crop, except for small quantities of certain grades that may be needed before then. The mills would obtain nearly all their remaining requirements from the old crop by undertaking to buy the large stocks held by the Jute Control within a given period, at the market price. The resumption of private trading in imported jute goods is still far off. Various "appropriate measures" to safeguard the jute manufacturing industry in Dundee against competition from cheap Indian goods are being examined; it will be some time before this work is completed and longer still before the Government reaches a decision, for which legislative sanction would presumably be required.

SHORTER NOTES

Changes in the charges which the Public Works Loans Board makes for loans to the local authorities and a rearrangement of its terms of dealing with them were announced in two parliamentary answers by the Chancellor of the Exchequer and the Financial Secretary to the Treasury on Thursday. The rates charged are reduced from 4 per cent to 3½ per cent for loans of over 15 years; from 3½ per cent to 3¾ per cent for 5 to 15 year periods and from 2⅞ per cent to 2¼ per cent for less than 5 years. These rates are based not directly on Bank Rate but on the average rate which the Government itself has had to pay for borrowings of those lengths. At the same time it has been arranged that the local authorities will be allowed to borrow for periods shorter than the length of their relevant works sanctions, provided that by so doing the Government grant involved will not be increased (as it would with schools). The local authorities will, however, have to apply for sanctions for their public works and for loan promises separately in future, so as to ensure that promises and actual loans keep in step.

★

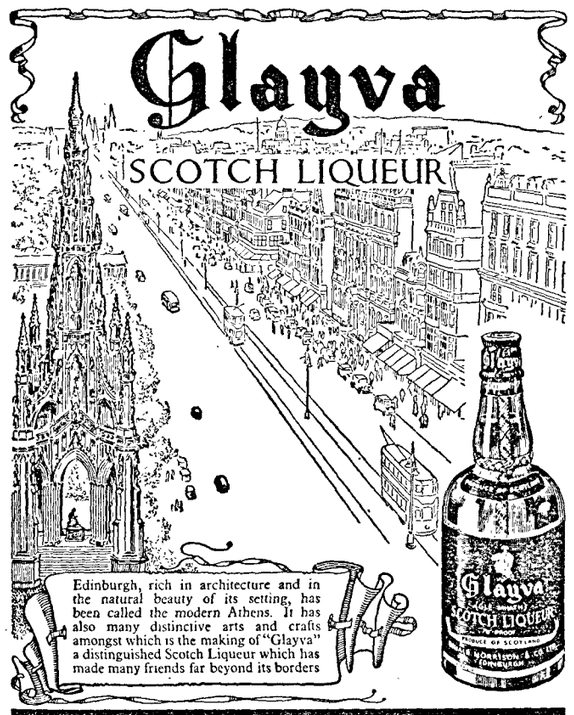
For many years a number of British companies have offered training to young engineers from overseas; there are few better ways of building goodwill among potential customers. In 1950, to extend these arrangements, the Federation of British Industries set up a scholarship scheme for these overseas students. So far, 50 scholarships have been awarded; within the next year or two the FBI hopes to increase the number of annual awards to about 120, which means that at any time there will be about 200 "FBI Scholars" in British engineering factories. The only thing lacking in this useful scheme, so far, is enough British companies; this week the FBI wrote to 1,400 engineering companies asking them to join in.

★

Oil consumption in Britain in the first quarter of this year was some 9 per cent higher than in the same three months of 1953, 5,087,821 tons against 4,670,906 tons. It is impossible to see from the Petroleum Information Bureau's figures how consumption of motor spirit changed between the two quarters, because of a change in conversion factors; but the colder weather this year caused considerable increases in the deliveries of gas, diesel and fuel oils to gasworks and also in the use of burning oil.

★

Gallaher, the tobacco company, is to offer 3,000,000 5½ per cent £1 cumulative preference shares for public subscription, with preferential consideration being given to existing stockholders. The directors also propose to con-



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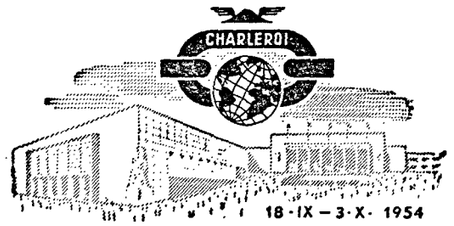

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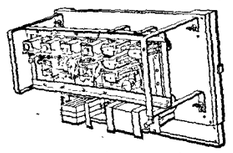
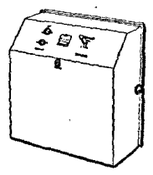


automatically determining the time at which each patrol is to be commenced. These times are unknown to anyone including the Watchman himself, until indicated by the Patrol Recorder.

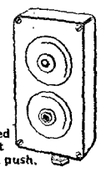
PATROL RECORDER



FOR indicating to the Watchman when to start each patrol, recording each properly completed patrol and warning if patrols are not so completed.

CHECK POINTS

FOR

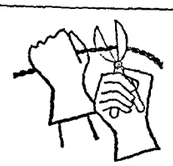


Key operated Check Point with Alarm push.

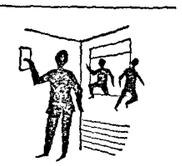
Key operated Check Point.

ensuring that only properly completed patrols are recorded and that an alarm is automatically sounded if any patrol is not carried out at, and within, the correct times. Alarm pushes at Check Points are optional.

Watchman put out of action — Alarm sounds if patrol is not completed.



Cable cut — Alarm automatically sounded.



Intruders discovered — pressing button sounds Alarm.

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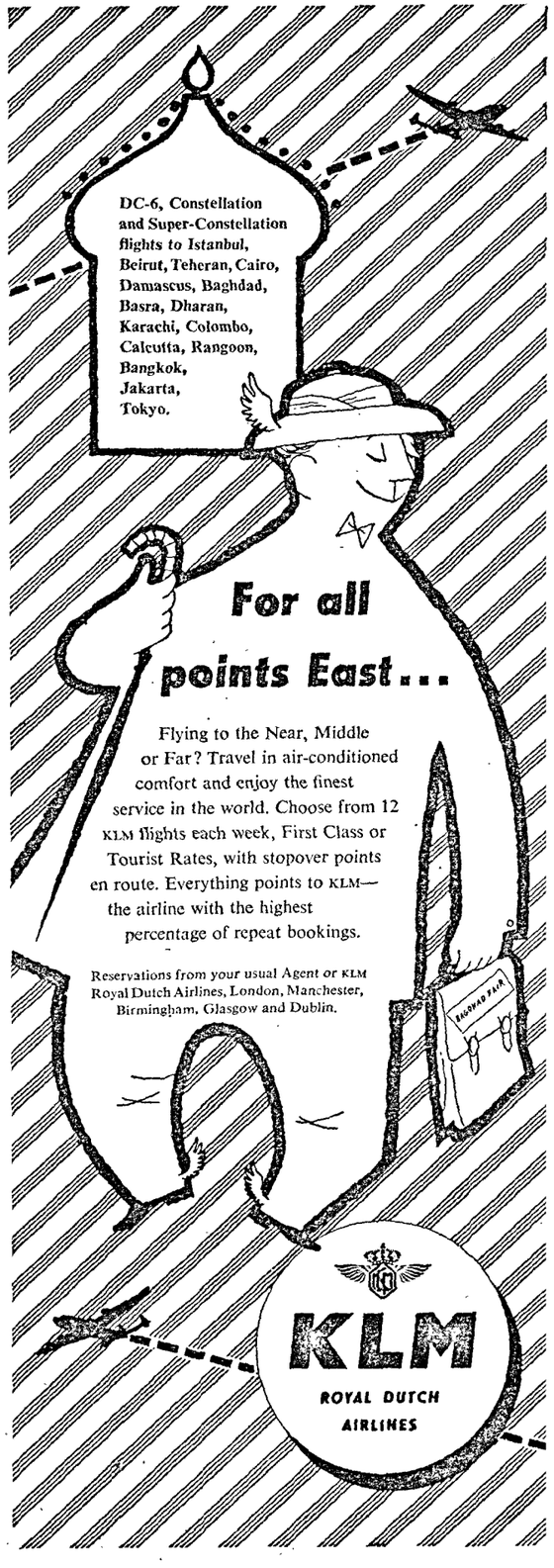


solidate the new issue with the existing £1,000,000 issue of 6½ per cent £1 preference shares by reducing the rate of dividend to 5½ per cent. To compensate for this reduction, existing shareholders will receive one new 5½ per cent preference share for every £5 of the old stock they hold; the capitalisation of reserves making this issue possible will mean that on a present holding of £100 the new gross income will be £6 12s., compared with the present income of £6 10s.

★

The Anglo-Portuguese Telephone Company, which in the past has looked towards the Telephone and General Trust for the day-to-day finance for its expansion programme, is to find these loans, now amounting to about £832,000, by a new issue of preference and ordinary shares. The company will offer 1,000,000 6 per cent £1 preference shares to the public and 255,000 £1 ordinary shares in a "rights" issue in the ratio of one new share for every £10 of stock held to equity shareholders. This "rights" issue may be the first in a series, as it is hoped to make similar issues when the pace of development requires new money.

★

Canada has signed the International Tin Agreement, bringing the total of consumers' votes to 261. This may encourage other independent consuming countries to join. Acceptance by nine consuming countries holding 333 votes is required. Britain, Belgium and Holland ("dependent consumers") and India had signed previously. A majority of producers' votes is almost certain. Closing date for signatures is June 30th.

Company Notes

GUEST, KEEN AND NETTLEFOLDS. Next year, thanks to the recent purchase of Guest Keen Baldwins from the Iron and Steel Realisation Agency, the accounts of Guest, Keen and Nettlefolds will have a very different appearance from those just issued. Commenting on this purchase (which was discussed in *The Economist* on May 15th), the chairman, Mr K. S. Peacock, points out that in the past it has been an "inestimable advantage" for this large group of engineering firms to control the production of the greater part of its steel requirements. Control over the quantity and quality of deliveries is much more easily ensured. The purchase has taken just over £8¼ million from net liquid resources of about £18 million; much of the remainder is earmarked for tax liabilities and future capital developments. Outstanding capital commitments are estimated at £8,450,000; this is the first time for some years that these commitments have been reduced and it is a sign that the group's development programme, on which over £16 million has been spent, will become less of a burden in the years to come. New projects, however, may be formed for the steel end of the business and it is for this reason that £3,750,000 of the debenture issue of £7,500,000 arranged with the Realisation Agency in the present capitalisation of Guest Keen Baldwins has been left uncalled.

Of the decline in trading profits from £12.4 million to £10.1 million, Mr Peacock says that trading conditions at home have varied considerably between one works and another. The important screw division worked only a four-day week for the greater part of the year, as consumers were content to live on the stocks they had built up in 1952. In view of the decline in profits and the calls that the directors knew would be made on liquid resources, it is not at all surprising that they were content to leave the dividend unchanged at 15 per cent.

Mr Peacock comments that "since the turn of the year there have been indications of a better demand in those works that have experienced the more difficult conditions, though there is a tendency to lower prices in spite of increased costs of wages, fuel and freight." Unfortunately he has to add that where the group is "interested in direct export there has been a further slackening in demand and competition has intensified."

★

GRAY'S CARPETS AND TEXTILES. Some mergers are borne of necessity; some are built by design. Gray's Carpets and Textiles was built by design, if not to a design which opinion in the textile trades would have chosen. The idea behind Ocean Trust and Mr Beddington Behrens since 1947, when the merger was made, has been to impart expert management, redeployment of capital and centralised finance to a textile group. But it happened that the companies which they were able to buy in 1947 were widely diverse both geographically and in their types of product. Much of the idea has done well. The group has led the way with quarterly earnings statements in this country, and in its early years it enjoyed high prosperity. But it often happens that its members experience widely divergent results. They did so in 1953. The carpet trade was looking up as was the worsted industry, but in Northern Ireland where the group is interested in long staple rayon and linen it has been a very different story.

None the less the recovery on the English side of the business has been sharp enough to pull up the group profits for 1953 to £58,218 compared with a loss of £291,438 in the previous year. The latest figure includes a profit of £14,100 from the sale of plant which confirms the impression that the group has been rearranging itself on the basis of experience. The dividend has been held at 10 per cent. The ill-winds of 1952 blew the company tax credits in 1953 of £77,082, and the balance to go forward is raised from £311,085 to £318,543.

★

SIEMENS BROTHERS. The directors of Siemens Brothers had little difficulty in maintaining the ordinary dividend at 10 per cent in the face of a sharp drop in trading profits as the provision for taxes fell just as steeply. Naturallly, the chairman devotes almost the whole of his statement to explaining why trading profits fell from £1,904,505 to £1,262,323. A year ago, General Sir William Morgan drew attention to a slackening in the rate of orders, particularly from Government departments, but at that time the board still felt confident—in view, for instance, of "the worldwide demand for more telephones"—that orders would pick up again. They miscalculated, for orders for the group's main products failed to increase, and competition between manufacturers grew keener, particularly in overseas markets. Siemens had to accept export orders which yielded only a slight profit, if they yielded a profit at all. At the same time wages were going up and there was a "continued shortage of orders, mainly from the nationalised undertakings, for power cables and accessories."

The company's subsidiaries also had a rough passage. At home, the profits of Siemens Electric Lamps and Supplies

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Trading profit	1,904,505	1,262,323
Total income	1,993,808	1,450,316
Depreciation	361,832	401,220
Taxation	964,224	379,503
Net profit	*556,425*	*488,357*
Ordinary dividends	202,125	202,125
Ordinary dividends (per cent)	10	10
General reserve	207,000	341,162
Specific reserves	89,259	68,000
Added to group carry forward	8,166	*Dr100,180*
Cons. balance sheet:—		
Fixed assets, *less* depreciation	2,216,527	2,575,260
Trade investments	914,059	857,668
Net current assets	8,136,186	7,848,616
Stocks	9,591,816	8,718,847
Cash	289,807	277,196
Bank overdraft	2,074,223	1,696,544
Reserves	5,202,120	5,486,308
Ordinary capital	3,675,000	3,675,000

£1 ordinary stock at 37s. yields £5 8s. per cent.

were adversely affected by the fall in the price and the decline in the sales of rubber-insulated wires (bringing about losses on stocks) and by the increases in the cost of manufacturing electric lamps without any corresponding increase in their price. Abroad, the Canadian company was faced with fierce competition, forcing prices down to a "barely remunerative level" and "in Australia, South Africa and India results were affected in varying degrees by national capital expenditure limitations, import restrictions and the increasing growth of local manufacture." After this tale of woe, it is not surprising that the yield of 5.4 per cent offered by the £1 ordinary stock units of Siemens at the current price of 37s. is slightly higher than that offered by the shares of many of the leading manufacturers of electric capital goods.

★

UNITED SUA BETONG and RUBBER PLANTATIONS INVESTMENT TRUST. Two views were put before investors in tea and rubber shares this week. The first was presented by Sir Eric Macfadyen, the chairman of Rubber Plantations Investment Trust. The second, setting out the views of a direct producer, was put by Sir John Hay, the chairman of United Sua Betong. Both point to the wisdom of spreading investments outside the narrow field of rubber production.

Sir John shows that the fall in the price of rubber in 1953 led to a fall of £440,000 in the sale proceeds of United Sua Betong though the volume of production was actually higher. Fortunately, he commented, profits remained unaffected because the company's tea operations showed a profit instead of a loss, because a saving was made on estate expenditure, and because a refund of the replanting cess was received. Having warned shareholders that the free scrip issue did not necessarily imply higher dividends, Sir John added that "stockholders are entitled to derive such encouragement as they may from the fact that our revenue from rubber is supplemented by the proceeds of a not insignificant tea crop and the dividends we hope to continue to receive from our shareholding in Oil Palms of Malaya, Ltd."

Sir Eric Macfadyen had a similar story to tell. At the end of March, the investment trust's portfolio had a book value of £1,874,290 or £263,038 more than the market value; the year before the portfolio showed a loss of £488,388 on the book value of £1,822,280. The break-up value of the trust's own 2s. ordinary stock units at the end of March was 2s. 0¼d. About 90 per cent of the portfolio was in equities; nearly 47 per cent of all investments was in rubber companies with another 31 per cent in tea companies and another 3 per cent in other plantation companies. The remaining investments were split almost exactly between non-plantation companies and British Government securities. The directors of the trust have now decided to give this portfolio a slight reshuffle. Conscious of the wide fluctuations in the profits of the rubber and tea companies, they "intend to include in the portfolio, in future, a greater proportion of non-plantation shares, on their investment merits, than hitherto." This change in policy will take place gradually and Sir Eric told shareholders that it did not indicate "a marked or immediate change of direction," since the trust is at the moment fully invested.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950 = 100)					Average Yields (per cent)				
	May 26, 1953	Feb. 23, 1954	Mar. 30, 1954	April 27, 1954	May 25, 1954	May 26, 1953	Feb. 23, 1954	Mar. 30, 1954	April 27, 1954	May 25, 1954
2½% Consols	86·3	90·6	90·8	93·5	94·1	4·10	3·91	3·89	3·78	3·76
Debenture stocks:										
Industrial	82·3	87·8	88·3	88·1	90·1	5·00	4·69	4·66	4·67	4·57
Investment trust	82·5	90·0	89·9	80·5	91·5	5·00	4·59	4·59	4·56	4·51
Preference stocks:										
Industrial	87·3	91·7	91·3	91·9	93·6	5·20	4·95	4·97	4·94	4·85
Investment trust	84·9	88·5	88·5	88·9	90·5	5·19	4·98	4·98	4·96	4·87
Ordinary stocks:										
Banks	86·1	97·1	96·5	99·1	101·4	4·72	4·50	4·56	4·44	4·35
Industrial insurance	109·2	117·7	114·5	115·6	116·4	5·22	4·90	5·09	5·04	5·01
Investment trust	115·3	147·3	147·9	153·7	162·3	5·95	4·92	5·02	4·83	4·70
Electrical engineering	93·7	108·3	109·1	116·2	120·3	6·35	5·49	5·51	5·33	5·16
Engineering	103·3	122·6	123·0	135·7	143·9	5·72	5·07	5·12	4·75	4·49
Motors and aircraft	104·1	125·8	128·9	133·4	141·2	6·40	5·74	5·88	5·67	5·38
Breweries	90·5	104·0	102·8	105·9	111·0	7·10	6·38	6·62	6·55	6·42
Chain stores	126·5	179·7	186·4	197·0	200·4	4·98	3·88	3·74	3·53	3·74
Cotton textiles	88·9	116·3	118·2	125·7	129·3	7·10	6·46	6·69	5·67	6·49
Household goods	81·7	124·1	125·5	128·7	136·0	5·52	4·85	5·40	5·36	5·24
Rayon	68·7	84·3	82·4	86·2	89·8	4·69	4·77	5·00	4·86	5·01
Tobacco	80·8	84·6	79·1	80·5	84·7	7·29	6·98	7·86	7·73	7·37
Wool textiles	81·0	106·5	106·2	108·1	113·5	6·44	5·81	6·18	6·09	5·90
Chemicals	109·8	143·9	141·0	149·6	157·1	5·53	4·51	4·67	4·66	4·46
Oil	104·3	139·5	144·6	149·6	157·7	7·39	6·30	6·28	6·06	6·10
Shipping	104·1	126·3	129·1	125·1	120·9	7·29	6·06	5·74	6·07	6·32
Total (capital goods)	*102·0*	*119·6*	*120·6*	*130·0*	*138·4*	*6·17*	*5·55*	*5·61*	*5·36*	*5·17*
Total (consumption goods)	*92·8*	*115·9*	*114·7*	*118·5*	*123·8*	*6·50*	*5·68*	*5·94*	*5·84*	*5·74*
Total industrial (all classes)	**97·2**	**120·6**	**120·7**	**125·7**	**131·4**	**6·44**	**5·60**	**5·73**	**5·61**	**5·51**

LONDON STOCK EXCHANGE

Next Account begins: June 9th.
Next Contango Day: June 9th.
Next Settlement Day: June 15th.

THE cash and conversion offer by the Treasury was the signal for more active trading as well as a re-adjustment of prices in the gilt-edged market this week. After the offer was announced a large turnover was reported; the medium and long dated stocks were marked up while the short dated stocks were marked down. A particularly heavy demand was reported for 3½ per cent Conversion stock, 1969, the market obtaining stock from official sources at rising prices. Those stocks with a wide spread of redemption dates were also in demand on suggestions that the new loan indicated that these stocks might be repaid at their earliest dates. The news that the lists for cash applications had closed at 10.30 on Thursday led to further gains in the longer dated issues.

In the foreign market interest was at first concentrated upon Japanese issues which after the week-end made gains ranging up to 3½ points on buying in anticipation of a Wall Street quotation for the sterling issues. On Tuesday, however, interest switched momentarily to German issues (which made gains of up to 2 points); later on Japanese bonds resumed their advance.

Movements in the industrial market were slight, but on Tuesday the buying of equities offering small yields gave the market a more cheerful appearance than had been apparent just before the week-end. The biggest gains were made in the motor, newspaper, paper and store groups. Tobacco shares also rallied well on the report that manufacturers had increased their cigarette output by 5 per cent. Among the engineering shares Allied Ironfounders put on 1s. 9d. to 64s. 6d. on hopes of an increased dividend. Oil shares moved rather irregularly but rubber shares were steadier; tea shares remained firm. In the mining market buying from the Continent helped to keep copper shares firm; on Wednesday "Chartered" put on 2s. to 76s. 9d. and "Tanks" 3s. 9d. to 89s. 4½d. The Kaffir market was quiet, though a few uranium issues made slight gains in response to Continental support.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
May 26	151·0	114·88	3·77	5·06
„ 27	151·7	114·89	3·77	5·04
„ 28	151·1	114·87	3·78	5·05
„ 31	151·3	114·84	3·78	5·05
June 1	151·7	114·82	3·79	5·03
„ 2	151·7	114·83	3·80	5·03
			Total bargains	
1954, High	151·7 (May 27)	115·07 (May 21)	1954 May 26	10,810
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 27	9,987
			„ 28	10,442
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 31	13,132
„ Low	113·9 (May 20)	105·68 (Jan. 5)	June 1	10,702
			„ 2	10,466

* July 1, 1935 = 100. † 1928 = 100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to June 2 High	Prices, 1954 Jan. 1 to June 2 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, May 26, 1954	Price, June 2, 1954	Net Yield, June 2, 1954	Gross Yield, June 2, 1954
					£ s. d.	£ s. d.
100¼	99½	Exchequer 2½% 1955	100⅛	100⅛	0 8 1	1 16 10
104⅛	101¼	Exchequer 3% 1960	103⅛	104⅛	0 17 9	2 5 4
102⅛	99⅛	Exchequer 3% '62-63	101⅛*	102⅛*	1 6 5	2 12 11
140⅛	99⅛	Serial Funding 1½% 1954	100	100	0 17 0	1 14 8
101	99⅛	Serial Funding 2½% 1957	100⅛	100⅛	0 19 2	1 19 8
101⅛	100⅛	Serial Funding 3% 1955	101⅛	101⅛	0 11 0	1 18 8
101⅛	100	War Bonds 2½% '54-56	101⅛	100⅛	0 16 5	2 1 11
101⅛	100⅛	Funding 2½% '52-57	101¼	100⅛	1 5 0	2 9 5
101⅛	100⅛	Nat. Def. 3% '54-58	...	100⅛	1 1 2	2 2 6
101⅛	100⅛	N. Def. (Ass.) 3% '54-58	...	99⅛	1 1 9	2 3 1
...	...	War Loan 3% '55-59	...	101⅛	1 6 10	2 14 4
102⅛	101⅛	Savings Bonds 3% '55-65	102⅛	99⅛	1 14 4	3 2 4
100⅛	95⅛	Funding 2½% '56-61	99⅛	100⅛	1 7 1	2 10 1
100⅛	97⅛	Funding 3% '59-69	99⅛	95⅛	2 0 1	3 8 2
95⅛	92⅛	Funding 3% '66-68	94⅛	97⅛	1 18 4	3 6 9
97⅛	93⅛	Funding 4% '60-90	96⅛	102⅛	1 14 5	3 10 6
103	100⅛	Savings Bonds 3% '60-70	102⅛	94⅛	2 1 5	3 10 0
94⅛	90⅛	Savings Bonds 2½% '64-67	93⅛	93⅛	1 19 1	3 2 7
93⅛	90⅛	Victory 4% '20-76	92⅛	93⅛	1 18 4	3 14 6
103⅛	101⅛	Savings Bonds 3% '65-75	103	103⅛	2 3 6	3 12 8
92⅛	87⅛	Consols 4% aft. Feb. '57	91⅛	91⅛	2 5 10	4 3 11
97⅛	93⅛	Conv. 3½% aft. April '61	96⅛	96⅛	2 4 1	4 0 5
89⅛	84⅛	Conv. 3½% 1969	87⅛	87⅛	1 17 10	3 9 1
100⅛	99⅛	Conv. 2½% 1958-59	100⅛	100⅛	1 4 3	2 2 4
...	...	Treas. 2½% aft. April '75	...	99⅛	2 1 9	3 16 1
68⅛	63⅛	Treas. 3% aft. April '66	66⅛	66⅛	2 2 9	3 17 11
79⅛	74⅛	Treas. 3½% '77-80	77⅛	77⅛	2 2 5	3 14 7
96⅛	92⅛	Treas. 3½% '79-81	95⅛*	96⅛*	2 2 1	3 14 11
97	92⅛	Redemption 3% '86-96	96⅛	96⅛	2 2 2	3 12 0
88	83	War Ln. 3½% aft. Dec. '52	87⅛	87⅛	2 4 5	4 0 10
89⅛	84⅛	Consols 2½%	87⅛	86	2 1 8	3 15 8
69⅛	63⅛	Br. Elec. 3% '68-73	66⅛	65⅛*	2 2 3	3 12 0
92⅛	88⅛	Br. Elec. 3% '74-77	92⅛	92⅛	2 3 0	3 12 0
91⅛	87⅛	Br. Elec. 4½% '74-79	91⅛	91⅛	2 3 0	3 12 0
106⅛	103⅛	Br. Elec. 3½% '76-79	105⅛	105⅛	2 0 5	3 18 0
96⅛	93⅛	Br. Trans. 3% '78-88	96⅛	96	2 2. 1	3 14 4
88⅛	83⅛	Br. Trans. 3% '68-73	86⅛*	86⅛*	2 4 0	3 13 6
92⅛	88⅛	Br. Trans. 4% '72-77	92⅛	92⅛	2 3 4	3 12 1
103⅛	100⅛	Br. Gas 3% '90-95	101⅛*	101⅛*	2 2 1	3 16 11
88⅛	84⅛	Br. Gas 3½% '69-71	87⅛	87⅛	2 2 1	3 11 9
99⅛	96⅛	Br. Gas 4% '69-72	99⅛	99⅛	1 19 5	3 11 8
104⅛	99⅛	Br. Gas 4% '69-72	103⅛	104⅛	1 18 7	3 14 10

(e) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1 to June 2 High	Prices, 1954 Jan. 1 to June 2 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, May 26, 1954	Price, June 2, 1954	Yield, June 2, 1954
							£ s. d.
92	84⅛	94⅛	90⅛	Aust. 3½% '65-69	93⅛	94⅛	3 15 0
...	...	97⅛	97⅛	Ceylon 4% '73-75	97⅛	97⅛	4 4 0
98⅛	98⅛	102⅛	98⅛	N.Zealand 4% '76-78	101	101	3 18 3
73⅛	66⅛	77⅛	71⅛	L.C.C. 3% aft. 1920	76	76	3 18 11
95⅛	90⅛	97⅛	95	Liverpool 3% '54-64	97	97	3 7 2
81⅛	73⅛	84	80⅛	M.Wtr. 'B' 3% '34/2003	83⅛	83⅛	3 14 9
104⅛	101⅛	104⅛	101⅛	Agric. Mort. 5% '59-89	103⅛	102⅛*	4 4 10
74⅛	49⅛	95⅛	71⅛	German 7%	82⅛	85⅛	...
165⅛	65	142	102	German 5½%	124⅛	126	...
139⅛	119	159⅛	132⅛	Japan 6% 1907	150	155	...
176	136	186⅛	168⅛	Japan 5½% Conv. 1930	178⅛	181	...

Prices, 1954 Jan. 1 to June 2 High	Prices, 1954 Jan. 1 to June 2 Low	Last Two Dividends (a)	Last Two Dividends (b)	Last Two Dividends (c)	ORDINARY STOCKS	Price, May 26, 1954	Price, June 2, 1954	Yield, June 2, 1954
								£ s. d.
		%		%	BANKS & DISCOUNT			
46/3	42/3	7	a	9	b Barclays £1	45/-	44/6	4 9 7
63/9	58/9	6	a	8	b Lloyds 'A' £5, £1 pd.	63/-	62/6	4 9 7
81/6	74/9	8	a	8	b Midland £1, fully pd.	78/-	78/-	4 2 1
81/-	72/7½	8½	a	8½	b N. Prov. 'B' £5, £1 pd.	77/6	78/-	4 7 2
90/-	79/6	9	a	9	b Westminster £4, £1 pd.	87/6	86/6	4 3 3
103/9	92/-	7½	a	7½	b Alexanders £2, £1 pd.	102/-	102/6	4 17 7
57/3	40/10½	5	a	5	b Nat. Disc. 'B' £1	49/-	49/-	3 1 3
51/6	44/6	5	a	5	b Union Disc. £1	49/6	50/-	4 0 0
41/-	37/6	4	b	4	a Barc. (D.C.&O.) 'A' £1	39/-	39/-	4 2 1
45/7½	40/3	7	a	7	b Chart. Bk. of India £1	43/-	42/6	6 11 10
					INSURANCE			
13⅛	9⅛	50	a	85	b Leg. & Gen. £1, 5/- pd.	12⅛	12⅛	2 15 2
22⅛	20⅛	20	a	40	b Pearl £1, fully pd.	20⅛	20⅛	5 5 9
38⅛	35⅛	105	f	112½	f Prudential 'A' £1	40⅛	40	5 2 2
					BREWERIES, ETC.			
131/3	126/-	33	b	10	a Bass £1	128/1½	128/1½	6 13 8
21/3½	17/4½	15	b	7½	a Distillers 4/-	21/-	21/-	4 5 9
33/6	31/-	7	a	11	b Guinness 10/-	32/6	32/6	5 10 9
83/6	60/-	8	a	15½	b Whitbread 'A' Ord. £1	82/6	82/6	5 1 10d

Prices, 1954 High	Prices, 1954 Low	Last Two Dividends (a)	Last Two Dividends (b)	Last Two Dividends (c)	ORDINARY STOCKS	Price, May 26, 1954	Price, June 2, 1954	Yield, June 2, 1954
								£ s. d.
		%		%	STEEL & ENGINEERING			
100⅛	99⅛	12½	c	15	c U.S.A. £1	54/3	55/3	5 8 7
104⅛	101⅛	10	b	10	b Cammell Laird 5/-	14/-	14/-	7 19 0
102⅛	99⅛	5	a	10	b Guest Keen N'fold £1	57/3*	58/3*	5 3 0
140⅛	99⅛	7½	a	10	b United Steel £1	24/6	24/6	7 6 11
101	99⅛	2½	a	12½	b Vickers £1	62/-	63/-	4 15 3
101⅛	100⅛				TEXTILES			
101⅛	100⅛	11	b	11	b Bradford Dyers £1	39/-	39/-	7 13 10
100	99⅛	4	a	6	a Brit. Celanese 10/-	32/-	31/6	5 1 7
100⅛	99⅛	12		12	c Coats (J. & P.) £1	61/6	60/6	4 19 2
101⅛	100⅛	10	b	10	b Courtaulds £1	29/6	30/3	4 12 6
101⅛	100⅛	6½	b	6½	a Lancs. Cotton £1	59/3	59/3	5 1 3
...	...	5	a	10	b Patons & Baldwins £1	74/3	74/3	5 7 9
102⅛	101⅛				ELECTRICAL			
100⅛	95⅛	7	a	7½	b Assoc. Elect. £1	50/6	51/3	4 7 10
100⅛	97⅛	7½	b	7½	b B.I.C.C. £1	43/6	41/6	4 16 5
95⅛	92⅛	2½	a	7½	b English Elect. £1	45/7½	45/7½	4 7 8
97⅛	93⅛	5	a	6½	b General Elect. £1	44/4½	44/4½	6 1 5
103	100⅛	3½	a	7	a			
94⅛	90⅛				MOTOR & AIRCRAFT			
93⅛	90⅛	3½	a	6½	b Bristol Aero 10/-	19/3	20/-	5 0 0
103⅛	101⅛	6½	b	8	a British Motor 5/-	8/9	8/10½	5 18 4
92⅛	87⅛	9	0½	6½	b De Havilland £1	25/10½	25/7½	5 17 1
97⅛	93⅛	30	3	11	f Ford Motor £1	60/-	60/-	4 0 0
89⅛	84⅛	61	4½	14	c Hawker Siddeley £1	63/6	64/6	4 13 0
100⅛	99⅛	65	7½	11	f Leyland Motors £1	92/6	97/6	5 3 1
...	...	98	9	6	c Rolls Royce £1	85/-	87/6	4 0 0
68⅛	63⅛	7/3	5/5½	12	c Standard Motor 5/-	6/6	7/1½	8 8 6
79⅛	74⅛				SHOPS & STORES			
96⅛	92⅛	26/0½	22/9	10	a Boots Pure Drug 5/-	25/3*	24/9*	4 10 11
97	92⅛	38/1½	32/-	15	b Debenhams 10/-	37/3	36/6	8 9 7
88	83	81/3	53/3	37½	b Gt. Universal 5/-	77/-	77/-	5 8 2
89⅛	84⅛	108/6	92/9	17½	b Lyons (J.) 'A' £1	105/-	106/6	4 4 6
69⅛	63⅛	97/-	73/10½	20	a Marks & Spen. 'A' 5/-	90/9*	91/3*	3 11 3
92⅛	88⅛	80/6	64/-	20	a Woolworth 5/-	76/9	77/-	3 17 11
91⅛	87⅛				OIL			
105⅛	103⅛	12/13/0	8⅛	5	a Anglo-Iranian £1	12⅛	12⅛	3 8 0
106⅛	93⅛	£4⅛	£3⅛	4	a Royal Dutch 100 fl.	£47	£47	3 3 2
96⅛	83⅛	120/9	93/4½	51	a Shell Reg. £1	118/1½	118/1½	4 12 6
88⅛	83⅛	25/7½	17/6	15½	b 8½	Trinidad L'holds 5/-	25/-*	25/3*	3 12 0
92⅛	88⅛	34/9	25/3	...	...	Ultramar 10/-	33/9	32/6	Nil
103⅛	100⅛				SHIPPING			
88⅛	84⅛	44/-	36/7½	16	c 2½	Cunard £1	40/-	40/-	8 0 0
99⅛	96⅛	38/7½	30/3	12½	c 12	c Furness Withy £1	33/6	33/6	7 3 3
104⅛	99⅛	86/6	62/6	6	a 16	c P. & O. Def. £1	76/-	79/-	5 11 5
		35/3	24/10½	(p) 10	c 10	c Royal Mail £1	26/-*	26/-*	7 13 10
					MISCELLANEOUS			
		82/-	67/9	5	a 12½	b Assoc. Port. Cem. £1	81/3	81/3	4 6 2
		62/1½	44/-	15	c 16	c Bowater Paper £1	59/4½	61/3	5 4 6
		40/-	33/10½	4	a 6	b Brit. Aluminium £1	36/6	36/-	5 11 1
		43/3	36/3	12½	f c 4½	a Brit. Amer. Tob. 10/-	40/6	39/-	5 16 6
		$47½	$38½	3	a 3	b Canadian Pacific $25	$43½	$44½	6 0 10
		39/9	32/6	35	c 5	a Decca Record 5/-	38/3	38/3	4 11 6
		24/9	18/5	11½	c 14	c Dunlop Rubber 10/-	23/-*	24/-*	5 16 8
		64 10½	53/-	6	a 9	b Imp. Chemical £1	64/-	64/3	4 13 5
		58/7½	49/8½	8½	a 11½	b Imp. Tobacco £1	52/6	51/6	7 15 4
		$76½	$63½	$2 60	c $2 35	c Inter. Nickel n.p.v.	$73½*	$76½*	5 9 10
		59/6	51/6	7½	a 9	b London Brick £1	57/6	57/6	4 17 6
		70/3	63/6	12½	b 3½	a Tate & Lyle £1	70/-	69/6	4 12 1
		68/9	60/6	7½	b 7½	a Tube Investments £1	65/-*	67/6*	4 8 11
		86/3	69/-	17½	c 5	a Turner & Newall £1	83/-	82/6	4 4 10
		78/9	57/6	6	a 9½	b Unilever £1	77/-	77/-	4 1 10
		38/3	31/6	4½	a 7½	b United Molasses 10/-	32/6*	33/-*	6 13 2
					TEA & RUBBER			
		34/10½	28/-	Nil	c 10½	c Cons. Tea & Lands £1	29/9*	32/-*	11 7 4
		2/3	1/10	10	c 10	c London Asiatic Rbr. 2/-	2/-	2/-	10 0 0
		49/3	37/9	5	a 15	b United Sua Betong £1	45/7½	45/7½	8 15 4
					MINES			
		6/13/6	5⅛	20	a 40	b Anglo-Amer. 10/-	6⅛	6⅛	4 10 2
		94/9	68/3	80	a 120	b De Beers 5/- Bearer	91/6	91/6	10 18 7
		101/10½	56/6	...	...	Free State Geduld 5/-	86/3	85/7½	Nil
		76/3	54/9	8½	c 10	c Randfontein £1	61/3	62/3	3 4 3
		6/7½	4/10½	22	c 24	c London Tin 4/-	8/9*	8/9*	16 13 11
		23	16⅛	175	b 50	a Rhokana £1	22	23	9 15 8

* Ex dividend.

New York Closing Prices

	May 26	June 2		May 26	June 2		May 26	June 2
	$	$		$	$		$	$
Balt. & Ohio	23	23	Am. Smelting	36½	37½	Inter. Paper	69	69½
Can. Pac.	24½	25	Am. Viscose	34	34¼	Nat. Distill.	18⅛	18⅛
N.Y. Cent.	23½	23	Cel. of Amer.	18½	17½*	Sears Roebuck	64½	64½
Pennsyl.	16⅛	16⅛	Chrysler	62⅛	60⅛	Shell	48⅛	48⅛
Amer. Tel.	169	168	Gen. Elec.	118⅛	117	Std. Oil of N.J.	89	90
Stand. Gas.	13	12	Gen. Motor	72	71⅛	U.S. Steel	49	48⅛
United Corp.	5⅛	5⅛	Goodyear	63½	64⅛	Westinghouse	67⅛	68⅛
W. Union Tel.	38⅛	39⅛	Inter. Nickel	41⅛	43	Woolworth	41⅛	42⅛

* Ex dividend.

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (k) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 21·97% gross. (t) In addition 2½%, not subject to tax, from capital profits. (u) Yield basis 10%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (z) Yield basis 11½%.

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 Consumption	May 15th	Production and Trade	This week
Manpower	May 22nd	British Commonwealth	May 15th
External Trade	May 29th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	May 22nd
Industrial Profits	April 24th	United States	May 29th
		World Trade ..... April 24th	

Prices and Wages

	Unit	1951	1952	1953	1953			1954			
		mid-June			May 19	May 26	June 3	May 11	May 18	May 25	June 1
WORLD PRICES											
Commodity Price Indicator: (1)											
All items	1952 = 100	126	99	89	92	91	91	99	99	100	100
Food	,,	114	100	93	96	95	95	120	122	123	121
Fibres	,,	167	99	87	87	88	89	88	89	90	90
Metals	,,	99	100	80	82	80	81	82	82	82	83
Other items	,,	131	96	96	103	101	101	92	93	93	92
		Monthly averages			1953			1954			
BRITISH WHOLESALE PRICES		1951	1952	1953	Feb.	March	April	Jan.	Feb.	March	April
Old series:											
All articles	1938 = 100	315·0	323·3	323·5	319·0	323·6	328·3	321·2	321·6	324·2	325·4
Food and tobacco	,,	253·9	292·0	314·6	306·7	308·6	325·2	309·2	312·5	317·4	317·1
Materials used in:	June 30,										
Non-food manufacturing	1949 = 100	193·3	162·1	145·8	150·5	151·0	148·6	140·8	140·3	141·8	143·7
Mechanical engineering	,,	134·3	149·9	145·7	148·1	147·9	145·9	147·1	146·3	146·7	147·5
Electrical machinery	,,	151·9	165·4	155·2	161·3	160·4	156·5	156·3	155·1	155·7	156·7
Building and civil engineering	,,	125·6	133·6	130·4	131·0	131·0	130·7	130·0	129·7	130·5	130·9
House building	,,	123·0	130·6	128·7	129·0	129·2	129·0	128·6	128·5	129·5	130·0
Commodities:											
Cotton, raw	,,	223·2	171·9	140·6	142·1	138·3	137·2	144·7	149·7	155·8	155·6
Wool, raw	,,	252·3	147·9	171·1	161·6	168·1	174·8	163·6	159·3	160·5	167·4
Rubber, No. 1 RSS, one month future	,,	499·1	282·8	199·1	227·0	219·2	201·9	167·5	163·6	163·9	176·1
Softwood, imported	,,	143·5	158·0	144·1	151·3	151·3	150·1	140·5	142·0	142·6	143·3
Copper, ex-warehouse (2)	,,	187·5	220·7	217·6	242·6	241·7	233·7	195·1	197·3	204·3	206·1
UK RETAIL PRICES											
Interim index:	June 17,										
All items	1947 = 100	125	136	140	139	140	141	140	140	141	142
	Jan. 15,										
All items	1952 = 100	...	102·6	105·8	104·7	105·4	106·4	105·8	105·6	106·6	107·0
Food	,,	...	105·4	111·3	109·6	110·7	112·5	110·2	109·5	111·6	112·6
All items	1938 = 100	202	221	228	225	227	229	228	227	229	230
Food	,,	191	221	233	230	232	236	231	229	234	236
Rent and rates	,,	119	122	129	125	125	130	132	132	132	134
Clothing	,,	249	259	253	252	253	253	254	255	255	255
Fuel and light	,,	177	197	207	203	208	209	215	216	217	218
Household durable goods	,,	288	294	286	290	290	290	285	285	285	284
Drink	,,	318	255	256	256	256	256	257	257	257	257
Tobacco	,,		386	387	387	387	387	387	387	387	387
Purchasing power of £ (based on all consumer spending)	1938 = 100	48	45	44	44	44	43	44	44	43	43
UK TERMS OF TRADE (4)											
Import prices:											
All items	1953 = 100	117	113	100	102	102	102	98	97	96	98
Food, drink and tobacco	,,	100	104	100	99	100	101	99	99	99	101
Basic materials	,,	140	125	100	101	101	100	98	97	96	96
Export prices:											
All items	,,	98	103	100	101	101	100	99	99	99	99
All manufactures	,,	98	103	100	101	101	101	100	100	99	99
Metals	,,	89	99	100	103	104	103	96	97	96	95
Engineering Products	,,			100	100	101	100	100	100	99	99
Textiles (excluding clothing)	,,	117	112	100	100	101	99	101	102	101	103
Terms of trade:											
Ratio of import to export prices	,,	118	109	100	101	101	102	99	98	97	99
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	1952 = 100	...	100·0	77·5	80·0	83·2	85·6	71·9	77·6	77·4	75·8
UK WAGES											
Weekly wage rates:	June 30,										
All workers	1947 = 100	120	130	136	135	135	135	139	139	139	141
Men	,,	119	129	134	134	134	134	137	137	138	140
Women	,,	123	133	140	138	139	139	143	143	144	145
Weekly earnings: (5)											
All workers	s. d.	141 1	151 11	160 1	...	...	157 7	...	...	...	...
Men	,,	166 0	178 6	189 2	...	...	185 11	...	...	...	...
Women	,,	90 1	96 4	102 5	...	...	100 3	...	...	...	...
	Oct.,										
All workers	1938 = 100	265	285	301	...	...	296	...	...	...	...
Men	,,	241	259	274	...	...	269	...	...	...	...
Women	,,	277	296	315	...	...	309	...	...	...	...

(1) From August, 1953, the index has been revised to show a more representative wheat price. (2) Figures up to July, 1953, relate to delivered prices and subsequently to ex-warehouse prices of H.C. electrolytic copper. (3) The interim index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (4) Annual figures are based on unit values and are influenced by changes in the composition of trade as well as price movements. (5) Surveys made twice a year: annual figures relate to October surveys.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938	118	82	77	90	193	132	76	101	89	81	67	63
1952	181	114	117	131	231	171	124	147	130	133	110	133
1953	184	114	119	126	251	193	137	161	144	140	111	140
1953, October	205	117	128	128	271	223	145	180	161	150	122	...
,, November	206	118	128	133	282	229		173	152	154	121	...
,, December	190	116	119	137	269	229		174	152	138	121	...
1954, January	159	115	115	134	246	224	...	165	146	144	116	...
,, February	...	...	126	135	251	221	...	...	138	173	116	...
VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
IMPORTS (c.i.f.)												
1938	50	1,922	135	3·84	505	1·2	3·45	0·94	118	99	174	12·5
1952	1,163	10,252	550	132·64	1,350	432·9	14·35	120·48	694	520	746	129·7
1953	1,106	10,094	573	121·52	1,334	592·6	15·28	124·75	738	543	680	124·3
1953, November	1,263	10,407	610	122·37	1,475	862·2	16·22	122·47	806	559	738	130·9
,, December	1,361	10,585	606	118·79	1,581	815·9	17·04	130·30	833	680	777	159·5
1954, January	1,207	9,796	576	135·20	1,313	772·2	15·74	132·30	840	540	709	94·9
,, February	1,098	...	570	127·91	1,214	679·2	15·08	116·81	709	493	637	105·6
,, March	...	...	...	128·39	...	...	...	...	...	...	...	...
EXPORTS (f.o.b.)												
1938	30	1,806	128	2·55	468	0·9	2·02	0·88	87	65	154	12·1
1952	900	10,212	483	118·04	1,409	149·9	8·41	72·02	660	337	674	84·7
1953	1,099	9,414	508	117·24	1,542	282·1	9·50	77·50	717	303	637	92·4
1953, November	1,267	9,664	599	135·38	1,645	504·7	9·11	84·45	737	307	737	111·0
,, December	1,367	9,874	621	125·06	2,096	469·6	10·00	94·79	681	321	709	139·6
1954, January	1,040	9,593	477	120·17	1,502	441·3	8·14	75·38	758	303	685	73·8
,, February	1,203	7,663	492	130·61	1,508	332·9	8·02	81·01	621	311	489	76·8
,, March	...	...	...	122·53	...	...	...	...	...	...	...	...
BALANCE												
1938	− 20	− 116	− 7	− 1·29	− 37	− 0·4	− 1·43	− 0·06	− 31	− 33	− 20	− 0·4
1952	− 263	− 39	− 67	− 14·60	+ 59	− 283·0	− 6·94	− 48·46	− 34	− 183	− 72	− 45·0
1953	− 7	− 680	− 65	− 4·28	+ 208	− 310·5	− 5·78	− 47·25	− 21	− 240	− 43	− 31·9
1953, November	+ 4	− 743	− 12	+ 13·01	+ 170	− 357·5	− 7·11	− 38·02	− 69	− 252	− 1	− 19·9
,, December	+ 6	− 711	− 85	+ 6·27	+ 515	− 346·3	− 7·04	− 35·51	− 152	− 359	− 68	− 19·9
1954, January	− 167	− 203	− 99	− 15·03	+ 189	− 330·9	− 7·60	− 56·92	− 82	− 237	− 124	− 21·1
,, February	+ 105	...	− 77	+ 2·70	+ 294	− 346·3	− 7·06	− 35·80	− 88	− 182	− 148	− 28·8
,, March	...	...	...	− 5·86	...	...	...	...	...	...	...	...
VOLUME OF EXTERNAL TRADE (3) (1948 = 100)												
IMPORTS												
1938	266	93	118	102	249	...	79	92	118	100	94	91
1952	217	121	147	129	241	...	98	158	132	128	118	220
1953	207	122	169	130	271	...	110	174	157	141	117	217
1953, October	202	131	186	122	306	...	130	181	170	144	133	234
,, November	224	130		130	310	...	113	186	174	151		253
,, December	256	132		133	335	...	120	187	187	169		293
1954, January	220	...	...	146	282	...	...	...	189	145	...	...
,, February	205	...	...	138	261	...	...	...	...	129	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	123	111	107
1952	202	138	186	209	670	...	164	140	256	140	134	150
1953	270	144	208	221	783	...	185	152	292	144	142	182
1953, October	300	150	230	235	900	...	199	170	366	170	164	186
,, November	309	153		250	849	...	175	169	341	151		209
,, December	339	154		246	1,079	...	204	184	313	151		274
1954, January	261	...	...	234	783	...	...	...	292	146	...	...
,, February	319	...	...	257	940	...	...	...	...	151	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade; Belgium includes Luxemburg.

Financial Statistics

EXCHEQUER RETURNS

For the week ended May 29th, there was an "above-line" surplus (after allowing for Sinking Funds) of £4,132,000 compared with a deficit of £27,707,000 in the previous week and a deficit of £349,000 in the corresponding period of last year. This reduced the cumulative deficit to £37,802,000 (£45,871,000 in 1953-54). Net expenditure "below-line" absorbed £915,000, bringing the total cumulative deficit to £68,137,000 (£100,223,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to May 30, 1953	April 1, 1954 to May 29, 1954	Week ended May 30, 1953	Week ended May 29, 1954
Ord. Revenue					
Income Tax	1800,000	183,082	163,690	13,066	18,621
Sur-tax	132,000	16,000	15,800	1,200	1,300
Death Duties	164,375	33,000	28,700	3,500	2,800
Stamps	55,000	9,600	10,500	1,000	1,300
Profits Tax & EPT	172,000	29,200	20,300	3,800	3,000
Excess Profits Levy	60,000	6,150	10,100	250	2,200
Special Contribution and other Inland Revenue	1,000	220	300	...	100
Total Inland Rev.	2384,375	277,252	249,390	22,816	29,321
Customs	1062,500	175,162	185,729	17,643	25,473
Excise	719,000	139,270	130,960	22,245	13,075
Total Customs and Excise	1781,500	314,432	316,689	39,888	38,548
Motor Duties	77,000	6,524	7,168	...	...
PO (Net Receipt)	...	4,200	3,700	*1,000*	*1,350*
Broadcast Licences	21,000	2,200	2,500	1,200	1,250
Sundry Loans	24,000	1,942	1,918	...	...
Miscellaneous	245,000	12,477	32,329	192	8,373
Total	**4532,875**	**619,028**	**613,724**	**63,096**	**75,942**
Ord. Expenditure					
Debt Interest	570,000	104,399	101,698	2,574	2,468
Payments to N. Ireland Exchequer	51,000	5,877	6,849	1,469	1,712
Other Cons. Fund	10,000	695	632	28	51
Supply Services	3855,399	549,835	538,163	59,014	66,929
Total	**4486,399**	**660,808**	**647,341**	**63,085**	**71,160**
Sinking Funds	36,000	4,092	4,185	360	650
"Above-line" Surplus or Deficit	—	**45,871**	**37,802**	— **349**	+ **4,132**
"Below-line" Net Expenditure		54,352	30,335	5,386	915
Total Surplus or Deficit	—	**100,223**	**68,137**	**5,735**	+ **3,217**
Net Receipts from:					
Tax Reserve Certificates		40,082	55,829	10,883	17,829
Savings Certificates		7,600	2,900	— 2000	500
Defence Bonds		15,250	6,659	— 1727	— 50

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
May 30	3,100·0	1,440·9	255·1	...	4,796·0
1954					
Feb. 27	3,050·0	1,320·5	279·1	...	4,649·6
Mar. 6	3,060·0	1,358·2	285·2	1·0	4,705·4
,, 13	3,030·0	1,345·5	351·7	0·5	4,727·4
,, 20	3,100·0	1,359·7	369·6	...	4,829·2
,, 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
,, 17	3,190·0	1,382·7	308·3	...	4,881·0
,, 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
,, 8	3,240·0	1,272·2	265·9	...	5,134·2
,, 15	3,260·0	1,627·9	276·8	...	5,164·7
,, 22	3,290·0	1,595·7	305·0	...	5,190·6
,, 29	3,320·0	1,579·9	270·6	...	5,170·4

THE MONEY MARKET

LOMBARD STREET has had another difficult week. On Thursday before the week-end credit was so short that despite moderate special purchases, made indirectly through the banks, a number of houses avoided recourse to the Bank at the penal rate only by taking night money from the clearing banks at 3 per cent; and on Monday some borrowing from the Bank did take place, although official aid was again on a considerable scale. Credit was consistently tight through the rest of the week covered by the Bank return. Only on Saturday was the market able to balance its books without special aid from the authorities. The banks' prevailing buying rate for July and August bills remained at 1 1/16 per cent.

Competition for the £270 million of Treasury bills on offer at last Friday's tender was again strong; total applications rose from the high level of £400.7 to £426.8 million. The upshot was that although the market maintained its bid at £99 11s. 5d. its allotment fell from 54 to 49 per cent. At yesterday's tender the offer remained at £270 million.

Turnover in the gold market became moderate on Monday after a quiet period. The price at the fixing rose by ½d. to 248s. 10d., and again on Tuesday to 248s. 10½d.

The Bank return shows an outflow of notes of £11.3 million; the fiduciary issue has been increased by £50 million. The week's borrowing at the Bank is reflected in an increase of £8.4 million in discounts and advances.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1½
Deposit rates (max)		3 months	1⅝
Banks	1½	4 months	1¾
Discount houses	1½	6 months	2
Money—Day-to-day	1½-1⅝	Fine trade bills:	
Short periods	1½-1⅝	3 months	2½-3
Treas. bills 2 months	1 15/16	4 months	2½-3½
3 months	1 27/32	6 months	3 -4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	June 3	May 26	Jun
Issue Department:*			
Notes in circulation	1,543·6	1,613·4	1,624
Notes in banking dept.	56·7	11·9	50
Govt. debt and securities*	1,596·8	1,621·7	1,671
Other securities	0·7	0·8	0
Gold coin and bullion	2·9	2·9	2
Banking Department:			
Deposits:			
Public accounts	11·8	14·0	10
Treasury special account	44·4	4·6	4
Bankers	267·1	257·8	280
Others	70·5	69·8	70
Total	393·8	356·2	365
Securities:			
Government	335·0	338·7	301
Discounts and advances	6·5	7·0	15
Other	11·8	13·8	13
Total	353·3	359·5	330
Banking department reserve	58·6	14·7	53
"Proportion"	% 14·8	% 4·1	% 14

* Government debt is £11,015,100, capital £14,553; Fiduciary issue increased from £1,625 million to £1,675 mil on June 2, 1954.

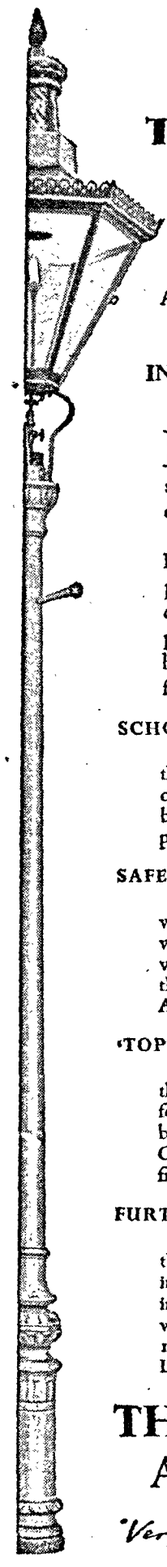
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allot at Ma Rate %
1953						
May 29	260·0	346·9	260·0	47	4·01	70
1954						
Feb. 19	240·0	398·9	240·0	41	3·56	45
,, 26	250·0	400·8	250·0	41	3·37	46
Mar. 5	270·0	412·9	270·0	41	3·83	53
,, 12	270·0	414·6	270·0	42	2·61	48
,, 19	260·0	365·6	260·0	42	3·64	60
,, 25	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
,, 9	270·0	392·2	270·0	42	4·05	59
,, 15	230·0	417·2	230·0	41	7·41	44
,, 23	230·0	415·4	230·0	41	7·34	38
,, 30	230·0	437·5	230·0	40	11·36	33
May 7	240·0	406·6	240·0	40	10·84	42
,, 14	260·0	391·7	260·0	34	1·75	50
,, 21	270·0	400·7	270·0	34	3·24	54
,, 28	270·0	426·8	270·0	34	3·33	42

* On May 28th tenders for 91 day bills at £99 11s. secured about 49 per cent of the sum applied for; bid tenders were allotted in full. The offering yesterday was a maximum amount of £270 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 2	Market Rates: Spot: May 27	May 28	May 29	May 31	June 1	June 2
United States $	2·78-2·82	2·81 15/16-2·82 1/16	2·81 3/16-2·81 5/16	2·81 3/16-2·81 5/16	2·81 15/16-2·82 1/16	2·81 15/16-2·82 1/16	2·81 15/16-2·8
Canadian $	...	2·76 11/16-2·76 13/16	2·76 1/16-2·76 3/16	2·76 1/16-2·76 3/16	2·76 1/16-2·76 3/16	2·76 1/16-2·76 3/16	2·77 1/16-2·7
French Fr.	972·65-987·35	984 1/2-985 1/2	984 1/2-985	984 1/2-984 1/2	983 1/2-984 1/2	983 1/2-983 3/4	983 1/4-984
Swiss Fr.	12·15 3/8-12·33 3/8	12·23 1/4-12·23 1/2	12·23 1/4-12·23 1/2	12·23 1/4-12·23 1/2	12·23 1/4-12·23 1/2	12·23-12·23 1/4	12·23 1/4-12·
Belgian Fr.	138·95-141·05	140·45-140·55	140·45-140·55	140·45-140·55	140·40-140·50	140·40-140·45	140·45-14
Dutch Gld.	10·56-10·72	10·63 1/4-10·63 3/4	10·63-10·63 1/4	10·63-10·63 1/4	10·62 3/4-10·62 3/4	10·62 1/4-10·62 3/4	10·63 1/4-10·
W. Ger. D-Mk.	11·67 3/8-11·84 1/16	11·75 1/2-11·75 3/4	11·75 1/4-11·75 1/2	11·75 1/4-11·75 1/2	11·74 3/4-11·74 7/8	11·74 1/4-11·74 3/4	11·75 1/8-11·
Portuguese Esc.	79·90-81·10	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·05	79·90-80·
Swedish Kr.	14·37 3/4-14·59 1/2	14·51 1/4-14·51 1/2	14·50 1/4-14·51	14·49 1/4-14·49 1/2	14·49 1/4-14·49 1/2	14·49 1/4-14·49 1/2	14·51-14·
Danish Kr.	19·19 1/4-19·48 1/4	19·44 1/4-19·45	19·44 1/4-19·45	19·44 1/4-19·45	19·44 1/4-19·45	19·44 1/4-19·45	19·44 1/4-19·
Norwegian Kr.	19·85-20·15	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·01 1/4	20·01-20·
One Month Forward Rates							
United States $		1/4c. pm-par	1/4c. pm-par	1/4c. pm-par	1/4c. pm-par	1/4c. pm-par	1/4c. pm-p
Canadian $		5/8-1/2c. dis	5/8-1/2c. dis	5/8-1/2c. dis	5/8-1/2c. dis	5/8-1/2c. dis	1/2-1/4c. dis
French Fr.		1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-3 1/2 dis	1 1/2-1 1/2 dis
Swiss Fr.		1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm	1 1/2-1/2c. pm
Belgian Fr.		Par-1/4 dis	Par-1/4 dis	Par-1/4 dis	Par-1/4 dis	Par-1/4 dis	Par-1/4 dis
Dutch Gld.		1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm	1-1/2c. pm
W. Ger. D-Mk.		1pf. pm-par	1pf. pm-par	1pf. pm-par	1pf. pm-par	1pf. pm-par	1pf. pm-p
Swedish Kr.		1 1/2-1/2 pm	1 1/2-1/2 pm	1 1/2-1/2 pm	1/2 pm-par	1/2 pm-par	1/2 pm-p
Danish Kr.		1-3/4 dis	Par-2/4 dis	Par-2/4 dis	Par-2/4 dis	Par-2/4 dis	Par-2/4 d
Norwegian Kr.		Par-2/4 dis	Par-2/4 dis	Par-2/4 dis	Par-2/4 dis	Par-2/4 dis	Par-2/4 d
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/9½	248/9½	...	248/10	248/10½	248/10



THE LONDON OMNIBUS

A VEHICLE OF INFORMATION

LATE IN THE 90's this double-decker steam omnibus served the public up and down the Thames Valley.

Buses come and buses go. But one London Omnibus has been serving the public for over 200 years—the "omnibus" collection of all kinds of insurance policies for all kinds of people offered by the London Assurance. Here are a few of them:

SCHOOL SUMS

When fathers start adding up school fees they are sometimes nonplussed. By taking out an Educational Policy long before school bills get really formidable, they find this problem greatly simplified.

SAFE GUARD

You may be very cautious about your valuables. Your safe may be sound, your watchdogs may bite. But even so, valuables vanish and furs fly. Sentimental value apart, the loss won't hurt so much if you have an All-Risks policy to safeguard you.

'TOP HAT' EVENINGS

Directors and senior executives, unlike those they employ, are often left to provide for the evening of their much-taxed days as best they can out of savings. The London Omnibus carries a 'Top Hat' scheme which fits almost anyone who wants a 'Top Hat'.

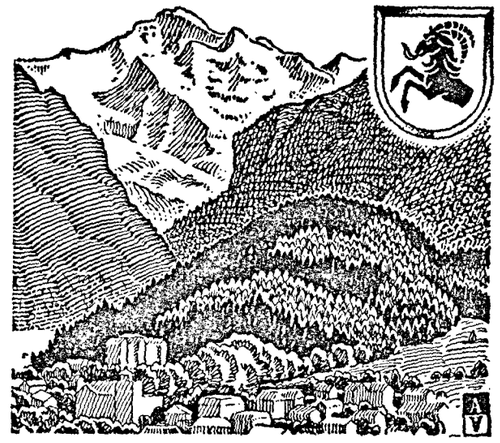
FURTHERMORE . . . .

If you would know more about any of the policies outlined here, if we can provide information about any other policies or about insurance problems generally — pray make what use of us you wish. Our address is 1 King William Street, Department V6, London, E.C.4.

THE LONDON ASSURANCE

"Very good people to deal with"

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 Jungfraujoch 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	65,000,000
Total Assets	Swiss Francs	2,155,583,168

Cable Address for all Offices and Branches: BANKUNION

A misty night. Skilled hands are at work on the warehouse window. A click, and it's open.
A lorryload of carpets is stolen—and a valuable contract lost.

Adequate insurance will make good the loss—*but the advice of an insurance expert might have prevented the theft.* For the British Insurance Companies have vast experience of the methods of burglars; and it is part of their everyday service to help you to keep them out. If you have any misgivings about *your* anti-burglary precautions ring up your Insurance Company and ask their advice. It costs you nothing. It is all part of the British Insurance Service.

BRITISH INSURANCE OFFICES
compete to give you service

ISSUED BY THE BRITISH INSURANCE ASSOCIATION

THAU

KREDITKASSEN
Christiania Bank og Kreditkasse

Established 1848

Every banking facility

TELEGRAMS: KREDITKASSEN

OSLO — NORWAY

The Chartered Bank of India, Australia and China was incorporated in England by Royal Charter on 29th December, 1853, and during the ensuing century its system of Branches has been progressively extended to most centres of commercial importance throughout Southern and South Eastern Asia and the Far East. At all these Branches a complete banking service is available and, in particular, facilities are provided for the financing of international trade in co-operation with the Bank's offices in London, Manchester and Liverpool, its Agencies in New York and Hamburg, and a world-wide range of Banking correspondents.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

Head Office: 38 Bishopsgate, London, E.C.2.

'Realms of Silver,' Sir Compton Mackenzie's history of the Bank, has been published by Routledge & Kegan Paul. Copies of the book may be ordered through any bookseller at a cost of 25/-

THE
STANDARD BANK
OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government Bankers to the Federal Government of Rhodesia and Nyasaland, and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika

Capital Authorised	£15,000,000
Capital Subscribed	£12,000,000
Capital Paid-up	£7,000,000
Reserve Fund	£7,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch — 63 London Wall, E.C.2.
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.

ALLIANCE
ASSURANCE COMPANY LIMITED

Head Office:
BARTHOLOMEW LANE, LONDON, E.C.2
Established 1824

The Finest Service
for
All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

The Company undertakes the duties of Executor and Trustee

Established in 1845.
All classes of Insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices

North John St. LIVERPOOL | Lombard St. LONDON

THE
UNITED COMMERCIAL BANK LIMITED

(Incorporated in India. Liability of Members is limited)

Head Office:
2 ROYAL EXCHANGE PLACE, CALCUTTA

London Office:
15, THROGMORTON AVENUE, LONDON, E.C.2.

●

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. 8,000,000

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.

AUSTRALIA
-from the inside

Australia's industrial expansion invites the participation of British enterprise in the broadly based prosperity which lies ahead. The National Bank of Australasia, with over 715 Australian branches, is splendidly equipped to give guidance on every aspect of Australian affairs and to handle every kind of financial transaction.
Through the Information Department of the Bank's London Office, British business has a direct link with Australia.

THE NATIONAL BANK OF AUSTRALASIA LIMITED
(Incorporated in Victoria)
Your best introduction to Australia
Over 715 Branches throughout Australia
Assets £257 Million
Head Office: 271-279 Collins St, Melbourne
London Office: 7 Lothbury, EC2

OUTSTANDING VALUE IN LIFE ASSURANCE

ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2

SAFETY-FIRST INVESTMENT

Income Tax paid 2½% per annum *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 **£181,183,000**

ABBEY NATIONAL
BUILDING SOCIETY

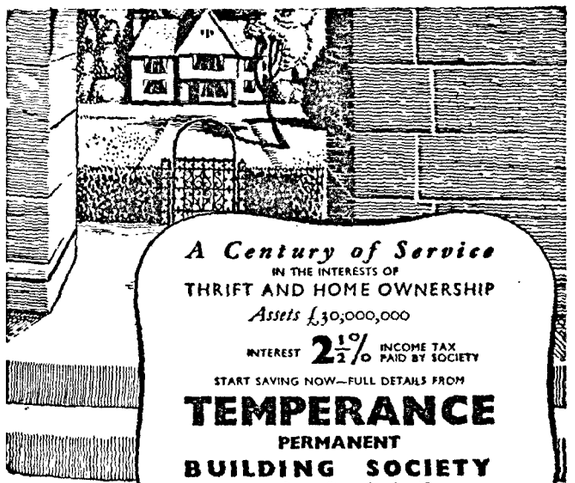
HEAD OFFICE: ABBEY HOUSE, BAKER ST., LONDON, N.W.1

For address of Local Office see Telephone Directory

CVS-295

1854 1954

THE GATEWAY TO SECURITY FOR 100 YEARS



A Century of Service
IN THE INTERESTS OF
THRIFT AND HOME OWNERSHIP
Assets £30,000,000
INTEREST 2½% INCOME TAX PAID BY SOCIETY
START SAVING NOW—FULL DETAILS FROM

TEMPERANCE
PERMANENT
BUILDING SOCIETY
223-227 Regent Street, London, W.1
Phone: Regent 7282 (10 lines)
Managing Director: *Ronald Bell*

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 Dec. 31, 1953		Pak Rs. 372,700,000

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Limited, with 56 branches spread over West & 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.

FOREIGN BRANCHES:
BOMBAY and CALCUTTA (INDIA)

Habib Bank (Overseas) Limited,
Head Office: KARACHI (PAKISTAN)

BRANCHES:
RANGOON (BURMA) and COLOMBO (CEYLON)

Correspondents and Agents at all important Cities of the World.

HAMBURGER KREDITBANK

AKTIENGESELLSCHAFT
HAMBURG
FORMERLY DRESDNER BANK

Balance Sheet as at 31st December, 1953

ASSETS

	DM
Liquid Assets (cash in hand, due from Land Central Banks and others)	97,264,549.56
Treasury Bills and non-interest-bearing Treasury Bonds of the Federal Republic and the Lands	—
Drafts and Cheques	140,004,827.32
Short-term Credits with Banks	94,023,099.24
Securities and Participations	84,963,121.05
Adjustment of Claims against Public Ownership	58,977,386.66
Loans	330,994,296.15
Long-term Loans	29,071,953.62
Investments	9,869,476.16
Real Estate and Buildings	14,876,775.20
Other Assets	3,128,191.65
	863,173,676.61

LIABILITIES

	DM
Due to Banks	33,566,049.43
Deposits	745,722,168.47
Acceptances	—
Long-term Loans	22,489,179.83
Reserve for contingencies	21,530,526.92
Other Liabilities	580,751.96
Capital	21,000,000.—
Reserve Funds	16,500,000.—
Net Profit	1,785,000.—
	863,173,676.61

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1953

EXPENDITURE

	DM
Expenditure on Personnel	16,041,138.96
Other Expenditure	6,733,658.29
Taxes	4,421,796.14
Net Profit	1,785,000.—
	28,981,593.39

EARNINGS

	DM
Interest and Discounts	12,595,624.50
Commissions and Fees	16,385,968.89
	28,981,593.39

BOARD OF DIRECTORS

Dr. Hans Schippel, Hamburg, Chairman; Erwin Dircks, Chairman of the Board of Directors of the Deutsche Maizena Werke G.m.b.H., Hamburg, Vice-Chairman; Rudolf Blohm, Partner in Messrs. Blohm & Voss, Hamburg; Carl Julius Brabant, Chief General Manager of the Jute-Spinnerei und Weberei Bremen, Bremen; Rudolf Egger-Büssing, Chief General Manager and Chairman of the Board of Directors of the Büssing-Nutzkraftwagen G.m.b.H. Braunschweig and Part Proprietor of the Automobil-werke H. Büssing and the Büssing-Nutzkraftwagen G.m.b.H. Braunschweig, Brunswick; Karl Ehrhardt, Partner in the Continentale Produkten-Gesellschaft m.b.H. Hamburg (died on 15th December, 1953); Hugo Homann, General Manager of the Fritz Homann A.G., Dissen; Dr. Johs. Kulenkampff, General Manager of the Norddeutscher Lloyd, Bremen; Dr. Ing. E.h. Heinz Nordhoff, Chief General Manager of the Volkswagenwerk G.m.b.H., Wolfs-burg; Karl Pfeiffer, General Manager of Messrs. Hardy & Co. G.m.b.H., Bankers, Frankfurt/Main; Wolfgang Ritter, Partner in Messrs. Brinkmann G.m.b.H., Bremen; Alfred Rohde, Chief General Manager of the Metallhüttenwerke Luebeck Aktien-gesellschaft, Luebeck; Hugo Scharnberg, Hamburg; Dr. Hans Ullrich, retired Chief General Manager, Chairman of the Board of Directors of the Gothaer Allgemeine Versicherung A.G. and Vice-Chairman of the Board of Directors of the Gothaer Lebens-versicherung a.G., Goettingen. REPRESENTA-TIVES OF THE STAFF: Hans Barthold, Hamburg; Franz Bartig, Brunswick; Otto Mittrach, Hamburg; Gustav Schander, Hanover; Hans Sienknecht, Ham-burg; Paul Vogel, Luebeck; Heinrich Wöstendieck, Bremen.

GENERAL MANAGERS:
Emil Puhl Hans Rinn

JOINT GENERAL MANAGERS:
Felix Steinrücke (died on 5th September, 1953).
Dr. Franz Witt.

RHEIN-MAIN BANK

AKTIENGESELLSCHAFT
FRANKFURT
FORMERLY DRESDNER BANK

Balance Sheet as at 31st December, 1953

ASSETS

	DM
Liquid Assets (cash in hand, due from Land Central Banks and others)	125,177,416.87
Treasury Bills and non-interest-bearing Treasury Bonds of the Federal Republic and the Lands	12,217,695.—
Drafts and Cheques	328,183,265.—
Short-term Credits with Banks	119,423,165.55
Securities and Participations	94,229,007.32
Adjustment of Claims against Public Ownership	90,141,626.50
Loans	524,531,066.18
Long-term Loans	61,939,963.11
Investments	7,641,258.96
Real Estate and Buildings	31,488,743.28
Other Assets	8,823,275.24
	1,403,796,483.01

LIABILITIES

	DM
Due to Banks	21,051,632.85
Deposits	1,225,411,481.58
Acceptances	—
Long-term Loans	54,252,585.38
Reserve for contingencies	42,516,582.41
Other Liabilities	1,504,200.79
Capital	36,000,000.—
Reserve Funds	20,000,000.—
Net Profit	3,060,000.—
	1,403,796,483.01

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1953

EXPENDITURE

	DM
Expenditure on Personnel	29,285,049.01
Other Expenditure	12,269,644.82
Taxes	7,598,752.36
Net Profit	3,060,000.—
	52,213,446.19

EARNINGS

	DM
Interest and Discounts	21,346,470.83
Commissions and Fees	30,866,975.36
	52,213,446.19

BOARD OF DIRECTORS

Dr. Hermann Richter, Duesseldorf, Chairman; Dr. Walther Frisch, Counsellor of Legation, Lindau-Aeschach, Vice-Chairman; Dr. Hans C. Boden, Assistant Chief General Manager of the AEG, Allgemeine Elektricitäts-Gesellschaft, Frankfurt/Main; Alexander von Engelberg, General Manager of the Dyckerhoff Portland-Zementwerke AG., Wiesbaden-Biebrich; Ernst Hagemeier, Chief General Manager of the Adlerwerke, vorm. Heinrich Kleyer AG., Frankfurt/Main; Dr. Hans Leonhard Hammer-bacher, Chief General Manager of the Brown, Boveri & Cie. AG., Mannheim; Dr. Alfred Knoerzer, General Manager of the Robert Bosch GmbH., Stuttgart; Hermann Linnemann, General Manager of the Deutsche Rhodiaceta AG., Freiburg; Dr. Alfred Petersen, General Manager of the Metall-gesellschaft AG., Frankfurt/Main; Hermann Schlos-ser, Chief General Manager of the Deutsche Gold- und Silber-Scheideanstalt, vormals Roessler, Frank-furt/Main; Dr. Carl Schmid, General Manager of the Vogtlaendische Baumwollspinnerei, Hof; Dr. Carl Schwenk, Proprietor of the E. Schwenk Zement- und Steinwerke, Ulm; Friedrich Sperl, Chief General Manager and Partner in Telefonbau und Normalzeit Lehner & Co., Frankfurt/Main; Dr. Karl Winnacker, Chief General Manager of the Farbwerke Hoechst AG vormals Meister Lucius & Brüning, Frankfurt/Main. REPRESENTATIVES OF THE STAFF: Anton Allwang, Nuremberg; Hellmuth Bleicher, Stuttgart; Georg Hausmann, Frankfurt/Main; Hans Heike, Kassel; Karl Michalovic, Munich; Josef Waldele, Freiburg; Heinz Wichter, Mannheim.

GENERAL MANAGERS:
Dr. h. c. Hugo Zinsser; Ernst Matthiensen; Erich Vierhub.

JOINT GENERAL MANAGERS:
Max Bardroff; Herbert Henzel; Werner von Richter

MANAGERS OF THE BANK:
Dr. Richard Anspach; Adolf Gaebelein; Adalbert Jensen; Hermann Klein; Leonhard, Baron von Richter.

RHEIN-RUHR BANK

AKTIENGESELLSCHAFT
DÜSSELDORF
FORMERLY DRESDNER BANK

Balance Sheet as at 31st December, 1953

ASSETS

	DM
Liquid Assets (cash in hand, due from Land Central Banks and others)	122,793,665.79
Treasury Bills and non-interest-bearing Treasury Bonds of the Federal Republic and the Lands	—
Drafts and Cheques	396,606,351.65
Short-term Credits with Banks	71,334,617.10
Securities and Participations	65,100,682.19
Adjustment of Claims against Public Ownership	88,686,786.25
Loans	466,693,172.18
Long-term Loans	130,729,903.17
Investments	10,108,750.80
Real Estate and Buildings	25,893,554.13
Other Assets	7,952,727.70
	1,385,900,210.96

LIABILITIES

	DM
Due to Banks	45,485,315.54
Deposits	1,141,983,523.27
Acceptances	—
Long-term Loans	100,149,465.32
Reserve for contingencies	37,986,347.74
Other Liabilities	1,235,559.09
Capital	36,000,000.—
Reserve Funds	20,000,000.—
Net Profit	3,060,000.—
	1,385,900,210.96

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1953

EXPENDITURE

	DM
Expenditure on Personnel	23,899,828.20
Other Expenditure	7,299,074.37
Taxes	10,290,639.58
Net Profit	3,060,000.—
	44,549,542.15

EARNINGS

	DM
Interest and Discounts	16,812,700.29
Commissions and Fees	27,736,841.86
	44,549,542.15

BOARD OF DIRECTORS

Carl Goetz, Margarethenhöhe ueber Koenigswinter, Chairman; Dr. jur. Carl Arthur Pastor, Chairman of the Board of Directors of the Aachener und Münchener Feuer-Versicherungs-Gesellschaft, Aachen, Vice-Chairman; Dr. jur. Alois Alzheimer, Chief General Manager of the Münchener Rück-versicherungs-Gesellschaft, Munich; Dr. Heinz Gehm, Chairman of the Board of Directors of the Deutsche Edelstahlwerke A.G., Krefeld; Dr. Fritz Gummert, General Manager of the Ruhrgas Aktien-gesellschaft, Essen; Werner Habig, General Manager of the Westfalia Separator A.G., Oelde (Westphalia); Dipl. Ing. Heinrich Jakopp, General Manager of the Klöckner-Humboldt-Deutz A.G., Cologne-Deutz; Dr. Ing. e.h. Gustav Möllenberg, Chief General Manager of the Westfalia Dinnendahl Gräppel A.G., Bochum; Dr. Dr.h.c. Hermann Pünder, Oberdirektor a.D., Member of the Bundestag, Bonn; Fritz Ridderbusch, General Manager of the Rhein-isch-Westfälisches Elektrizitätswerk A.G., Essen; Hans Carl Scheibler, Generalkonsul, Partner and General Manager of the Chem. Fabrik Kalk G.m.b.H., Cologne-Kalk; Richard Talbot, Partner in the Waggonfabrik Talbot, Aachen; Dr. Ernst von Waldthausen, Chairman of the Board of Directors of the Rheinische Stahlwerke, Essen; Dr. Joseph Wiehen, General Manager of the Deutsche Central-bodenkredit-Aktiengesellschaft, Cologne. REPRE-SENTATIVES OF THE STAFF: Otto Fettweis, Dortmund; Gundo Franzen, Duisburg; Erich Grixa, Düsseldorf; Peter Jörissen, Essen; Hans Peters, Düsseldorf; Heinrich Richter, Bonn; Friedrich Wiegmann, Bielefeld.

GENERAL MANAGERS:
Alfred Hölling; Carl Schleipen; Max Schobert.

JOINT GENERAL MANAGERS:
Dr. Walther Blancke; Günther Ladisch.

MANAGERS OF THE BANK:
Günter Bernsau; Dr. Adolf Schäfer; Leonhard Stitz-Ulrici; Hans Treue.

COMPANY MEETINGS

UNILEVER LIMITED

TWENTY-FIFTH ANNIVERSARY OF UNITED AFRICA COMPANY

VITAL ROLE IN DEVELOPMENT OF OVERSEAS TERRITORIES

REVIEW OF UAC'S GROWTH AND ACHIEVEMENT

SIR GEOFFREY HEYWORTH ON AN ADVANTAGEOUS JOINT ASSOCIATION

The annual general meeting of the members of Unilever Limited was held on May 31st at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2. Sir Geoffrey Heyworth presided. Addressing the meeting the chairman said:

In previous addresses I have dealt with the principal commodities produced by Unilever—margarine and detergents.

This year is the twenty-fifth anniversary of the formation of the United Africa Company and it is therefore appropriate that I should discuss the side of our business covered by its operations. This is a side which is not only of interest to our stockholders but is playing a vital part in the development of a number of overseas territories which are experiencing rapid changes and some of which are entering a new phase of their political life.

The main work of the United Africa group of companies is merchant trading in tropical West Africa, by which I mean the area from Senegal to the Belgian Congo. On the one hand it collects and markets African produce; and on the other, it purchases in world markets merchandise of every description for shipment to tropical West Africa, and ultimate sale there. It also engages in other activities, such as plantation operations, timber production, and shipping.

I do not propose to give a full description of the business operations performed by the United Africa group, nor have I time to describe fully the part it has played in the development of the African continent. My intention is to make it clear to our stockholders how this group of companies became part of Unilever, and how, adapting itself to great economic and social changes, it has developed from an ailing into a flourishing branch of our business.

THE ORIGIN OF UAC

Let us first trace briefly how the original soap and margarine companies which merged to form Unilever became connected with West Africa. The connection dates back to a period before the first world war when both soap and margarine manufacturers saw scarcity of raw materials looming ahead. Scarcity to them spelt high prices. The soapmaker thought that higher prices must not only restrict expansion, but render his existing business unprofitable. The margarine manufacturer had the bogey of butter prices always in his mind. When the price of oils and fats in general went up, butter and lard prices did not necessarily follow, so that higher prices for oils and fats were to him also a threat to the profitability of his existing business and to the continuing expansion of it.

West Africa sprang to mind as a potential source of additional supplies, as possibly, too, did the potential danger of the merchant companies who handled its produce combining to exploit scarcity. Only these two thoughts would seem to explain why in 1911 William Lever not only embarked on the bold and imaginative Belgian Congo enterprise, the Huileries du Congo Belge, but also, in the previous year, bought W. B. MacIver and Company, one of the merchant companies operating in British West Africa.

The Huileries du Congo Belge was a concessionary company, which first produced palm oil from the fruit of the wild palms, and later developed its own oil palm plantations. MacIver's in British West Africa traded in palm oil and palm kernels, but did not, and could not, embark on cultivation because the alienation of land was contrary to the Colonial Government's policy.

After the war, the world again faced a shortage of oils and fats. Fear of this shortage must have been the main reason for Lord Leverhulme's purchase in 1920 of the Niger Company. It is, however, far from clear how its ownership could have been expected to provide insurance against scarcity. Whatever the motive, Lever Brothers, by its purchase and by other moves, were heavily committed to trading operations in British, French and Belgian Africa. At the same time, the Dutch margarine manufacturers were becoming similarly engaged; their projects, though less in size, were geographically more widely spread and were not restricted to Africa.

The post-war boom collapsed almost as soon as the Niger Company had been acquired. Realisation quickly followed that a union of manufacture and raw material production provided no safeguard against trade depression, and that the idea that it could was the product of loose thinking.

The newly-acquired companies could not be operated to provide cheap raw materials for the soap pan nor for the margarine churn. It was seen only too clearly that, if the businesses were to survive at all, the services that they rendered must be priced realistically. The oils and oilseeds produced in West Africa must be sold at world prices, and merchandise, in competition with what other merchants could offer, must be sold at prices which the African was able and willing to pay. In this way only could inefficiencies be discovered and the proper method of correcting them decided upon. This practice of realistic pricing has been followed ever since. The principle of delegation of control, which both the manufacturing and the trading businesses regarded as fundamental, led to the same conclusions.

ACQUISITION OF FULL CONTROL BY UNILEVER

The Niger Company could only be nursed back slowly to solvency and profitable working, and during the process it had to lean on the more stable profits of the soap and other manufacturing sides of the Lever business. Then, in 1929, the Niger Company merged with the African and Eastern Trade Corporation, itself an amalgamation of old-established trading companies in West Africa. This brought into being the United Africa Company more or less as we know it today. Even then the difficulties did not end, because there followed the slump of 1931, which brought produce prices down to the lowest figures known in the West African trade for fifty years. It was again the manufacturing side of what was now Unilever that had to make good the losses and find most of the additional capital required, at a time when the African and Eastern shareholders were not in a position to contribute their full share. It was this support from the manufacturing side which ultimately led to the acquisition of the full control of the United Africa Company by Unilever.

So much for history; but before we leave it there is one important point which must be made. Once committed to the West African trade, the soap and margarine interests developed a faith in the future of West Africa and the West African trade. It might almost be said that they came to accept it as destiny that their businesses and West African trade were to be linked together and that this link must be developed to the advantage of both.

If further evidence is needed we have only to look at the project of the Belgian Congo plantation. Nearly 25 years had passed and £3 million of capital had been invested, before this venture gave any worthwhile financial return. It would hardly have survived to be what it is today but for its parent's more profitable manufacturing operations. Here, too, we see another example of the benefit of the association with the manufacturing businesses. The Huileries du Congo Belge was not only an operation to produce palm products but was also a great social experiment—in housing, health services and education. On this side it owed a great deal to ideas developed at Port Sunlight and in associated companies elsewhere.

A CHANGING CONTINENT

Now let me give some picture of how the United Africa Group has developed during the last 25 years. As I have said, I shall not give a full description of its business. Its main features will already be familiar to readers of our annual Review of Operations, who may also have seen the Statistical Bulletin published by the United Africa Company half-yearly since 1948.

The predominant note of my present address is *change*, the rapid change of a continent and of a business intimately connected with it. Not everyone realises that economic conditions in Tropical West Africa have developed more rapidly and changed more fundamentally in the last 25 years than in all the centuries which have gone before. One indication of that change is the fact that the total annual value of exports, after allowing for changes in the value of money, is now 3½ times what it was 25 years ago. Imports, on the same basis, show a similar

rise. This represents a rate of growth with which few parallels can be found elsewhere.

But rapidity of growth does not imply that a high level of prosperity has yet been reached by our standards. The popular conception of vast African territories with untold wealth is a delusion. Despite considerable mineral deposits, most of the area is predominantly agricultural. The soils are not rich. In Nigeria, the only territory for which national income figures exist, the *per capita* income 3 years ago was estimated at £20 a year, compared with £250 for the United Kingdom. Over the whole area of Tropical West Africa, the real *per capita* income is low by any measure.

The rapid economic expansion of these territories has been accompanied by swift changes in political and social conditions, particularly since 1945, but the methods followed are not the same throughout the area. In the Belgian Congo, which is a young colony, the Belgians have maintained their traditional attitude of paternal benevolence. In the French territories, the system of assimilation to the metropolitan country still applies. The British territories are rapidly moving towards independent status. There are thus, in the different territories of Tropical West Africa, great variations in the rate and kind of political evolution. In the sphere of social change, illiteracy is still widespread, but academic education has made great strides. Universities have been built, and the number of Africans capable of contributing to the administration of their country has increased. Similarly, the number of technically skilled Africans, although still too few, has increased. In some of the territories labour is now organised; in some, co-operative societies flourish. Certain territories have a strong indigenous press; the cultural achievements of individual Africans, particularly in the arts, have earned recognition outside Africa. Considerable progress has been made in recreations, and West Africans have won international renown in athletics. The outlook of the Africans has been broadened by sponsored travel abroad, and by the growing use and appreciation of books, the wireless and the cinema.

FLEXIBLE BUSINESS POLICY

A business can only ride such rapids in the life-stream of a continent, if it adjusts itself to changing conditions and tries to play its part in the economic development which has become necessary. In doing so it serves not only its own interests but also those of the peoples of the countries in which it operates.

WHOLESALE RATHER THAN RETAIL

The United Africa Group has adapted itself to the changing pattern of African life in various ways.

Recognising the West African's natural aptitude for retail trading, the policy of the group in the sales of merchandise has been to shift the emphasis from retail to wholesale trading. As a result the number of merchandise retail selling points in British West Africa has been reduced from 1,380 in 1939 to 930 in 1953, despite the general expansion of this highly competitive business.

PRODUCE TRADE

Again the group has adapted itself to the postwar system of marketing the produce of British West Africa through marketing boards. Although here the group is no longer a principal, but a paid agent, it must continue to exert the greatest efforts towards efficiency; faulty judgment and bad management can still be brought home to the licensed agents of the marketing boards.

It is too soon to pass final judgment on the operations of the boards. It is probably a good thing that other systems of marketing are being used in neighbouring French and Belgian territories, as this will enable comparisons to be made.

Marketing boards have the opportunity to make interesting experiments in price policy. For example, in Nigeria, the payment of premiums for higher grades of palm oil has revealed that the African producer is quick to react to a price incentive, and has brought about a remarkable improvement in the quality of the oil, lifting half the export production from the category of technical oils into the higher-priced market for edible oil.

The United Africa Group has helped to make this possible by supplying small modern oil presses suitable for the African farmer.

It is only within the lifetime of the United Africa Company that our oil palm plantations have been placed on a sound long-term economic basis. Techniques have been gradually and continuously evolved. Criteria have been established for the scientific evaluation of soils, the application of fertilisers, and selection of types. We should acknowledge the help received from Government research organisations, with which we have collaborated. The standard of specialised knowledge in the field is now such that future expansion involves much less speculation than in the past. Milling methods have also improved continuously, and the output of the group's plantations is now of the highest quality.

Similar field standards have been established for rubber plantations, and the yields now obtainable in Africa compare favourably with those of rubber estates in South East Asia.

TIMBER

Next I turn to timber. In the last twenty-five years, the extraction and export of African hardwoods have undergone a revolution. Logging and the export of logs were practised by trading companies many years ago. From logging to sawmilling was an easy step, taken by one of the predecessors of the United Africa Company in 1917. But it was not until after 1945 that the United Africa Group decided to convert logs to sawn timber on a large scale. We now have sawmills in both Nigeria and the Gold Coast, each producing about 1 million cubic feet of sawn timber annually. In Nigeria conversion has reached a more advanced form—the manufacture of veneers and plywood. These undertakings follow the now familiar pattern of development in predominantly agricultural countries: the importation of new techniques and capital; the application of mechanical processes close to the source of raw materials, with consequential economic advantages; and the safeguarding of the interests of the country, which is done in the timber concessions by means of long-term felling cycles combined with regenerative measures.

SHIPS

In the operation of its fleet of ships, the United Africa Group has adapted itself to changing conditions in three ways:

First, the number and carrying capacity of the fleet were increased as the trade expanded. From five ships in 1929, with a total cargo capacity of 18,000 tons, the fleet has expanded to nineteen ships, with a total capacity of 144,000 tons. This fleet is supplemented as necessary by chartered tonnage.

Second, the group's ships were adapted to the special nature of its cargoes. The carrying of vegetable oil in bulk, which was pioneered by Lever Brothers in 1910, was gradually extended after the setting up of bulking installations in the Belgian Congo and Nigeria in the 20s and 30s, and the group's present ocean fleet is specially designed for the carriage of palm oil in bulk.

Third, the system of operation was gradually moulded to the changing requirements of the trade. At first the fleet operated as a department of the United Africa Group, which thus played the dual role of shipper and shipowner, carrying its own goods. After the war the fleet offered its services to shippers other than the United Africa Group. Finally, in 1949, the shipping business passed under the control of a separate subsidiary company, Palm Line Limited, which operated a public service as a member of the West African Lines Conference.

SPECIALISATION

One of the main features of the United Africa Group's business policy is the development from just being general traders into being general traders and specialists, without—as in most cases of specialisation—narrowing their field of operation. On the contrary, the group's range of merchandise has widened, but at the same time their specialised knowledge of an increasing number of groups of products has deepened, and capital has been applied to the development of such specialised trades as timber and shipping, motor vehicles, technical and engineering supplies, department stores, port facilities and mineral oil distribution.

It is not easy to measure this evolution in quantitative terms, but it can be illustrated by some striking figures. Twenty-five years ago, the group's annual sales of motor vehicles and of technical and engineering supplies in tropical West Africa were of the order of £500,000; last year they reached some £15 million.

In 1929, the group's financial interest in timber was so insignificant as to escape permanent record. Now, our capital investment in the timber business in Nigeria and the Gold Coast amounts to £4½ million.

The group's department stores in Lagos and Freetown—undertakings undreamt of in 1929—represent the employment of about £1 million worth of capital; and in Lagos alone, the store sells over £1½ million worth of goods a year.

The setting up of bulk palm oil installations in Nigeria in continuation of the pioneer work of the Niger Company represents a capital value of about £½ million, divided over seven ports which lately have handled about 200,000 tons in one year. In the conduct of this business the group has not only made a valuable contribution to technical knowledge, but has in effect converted the bulk oil installations into a public service. For the installations which over the last 12 years have handled all the palm oil produced by Africans for export, are now operated by the United Africa Company as managing agents on behalf of the Palm Produce Marketing Board.

The last example which I shall give of the placing of capital at risk in a specialised trade, is that of the distribution of petroleum products. The group's total capital expenditure for the provision of the equipment and installations necessary for the handling and distribution of petrol in bulk, rather than in the traditional and now outmoded metal container, has so far amounted to £¼ million and its pace is still increasing. The importance of this branch of the trade is measured by the fact that the group's own sales of petroleum products in tropical West Africa amount to almost £13 million a year and constitute some 10 per cent of its total merchandise business there.

All this is significant in assessing the economic development of tropical West Africa and the group's part in that development.

HUMAN RELATIONS

Economic and technical developments of the kind I have mentioned were accompanied by fundamental changes in the sphere of human relations.

When the United Africa Company was formed it was still the custom in England to engage assistants for the African business on a contract specifying engagement for a single tour at a time—a relic of the system by which staff were taken on like casual workers to do so many months in Africa with no provision for leave at the end.

One of the early actions of the new company was to amend this contract so as to express the company's intention to provide permanent careers for a sound and loyal staff. A security of tenure hitherto unknown was introduced into the company's service, whereas previously a European assistant could be sent home at a moment's notice on the impulse of his immediate manager. For Africans, tenure had been still more precarious.

The life of the European in West Africa has been profoundly affected by such changes as the advent of the wife in the early 1930s, and of the children in the late 1940s. Medical responsibilities shouldered by the company today also cover these families. The physical well-being of the staff—African as well as European—has been an object of extensive care. The group's medical service in the Belgian Congo, for instance, involves the provision of well over a thousand hospital beds, with medical attention. Similarly, medical services are being developed in British West Africa. In particular, for its isolated communities in the plantations, timber concessions and in the river port of Burutu, the group provides its own medical services comprising doctors, nurses, hospitals and clinics.

An unusual aspect of staff welfare is to be seen in the Belgian Congo where for some years the group has been developing two cattle ranches with the object of providing meat to improve the diet of its employees in the plantation areas. The first of these ranches was not successful in the beginning, but by means of experiments in cross-breeding it has now turned the corner and both are likely to make a very real contribution to the health of the employees. They may even become of wider significance as an example of how to reduce the painful shortage of animal protein from which practically all tropical Africa is suffering.

TRAINING COURSES

Starting in 1946, training courses have been instituted so that most of our young men proceeding to West Africa should be equipped as well as possible for their jobs. It is obviously necessary that they should have a broad picture of the activities of the group and of how they are inter-related. The course also covers such semi-technical subjects as merchanting and accounting but a great deal of time is devoted to giving them some idea of

(i) the geography, history, and racial, social and economic systems of the countries in which they are going to serve;
(ii) the sphere of government, the trends of its policy and how it operates, and
(iii) the group's conception of the role the group should play in these surroundings.

It is particularly stressed that no quality is more essential to their personal success and to that of the group than an understanding of the African and an ability to work well with him.

In recent years a number of measures have been taken by the group to enable the African to equip himself satisfactorily for higher management or jobs of greater skill. Groups of African managers are annually brought home for training in the United Kingdom. Schools for the instruction of apprentices and technical staff have been or are being established in Burutu, Sapele, Lagos and Accra. In the Belgian Congo the group has for some years had a residential agricultural school for the training of Africans for technical positions in the plantation industry; it also maintains an engineering school to train Africans for engineering, chemistry and electrical engineering in the group's oil mills. In the trading sphere in British West Africa, where formal training is unworkable, the share of Africans in the management has gradually increased. We employed 39 African managers in 1939; 112 in 1946; and 160 in 1953. Not counting the European specialists, one-quarter of the management staff is now African, which contrasts with one-twelfth in 1939.

The gradual trend towards Africanisation of management posts forms part of the deliberate policy, common to Unilever undertakings throughout the world, of making the greatest possible use of local talent. But there is a conspicuous lack of technically trained Africans, and specialists must be recruited from abroad for highly technical tasks in such fields as engineering, saw milling and research. This is completely consistent with the conception that one of the group's major functions is to introduce new skills and techniques to countries in which they are likely to bear fruit. Consequently, the number of European specialists has increased considerably, particularly in the last 10 years; but because of the growing number of African managers in the trading departments, the number of European managers in these departments has actually decreased over the period.

PROVISION OF RETIREMENT BENEFITS

Another field in which the Group can safely claim to be in the forefront is the provision of retirement benefits, by way of pensions and gratuities, for its staff of over 100,000. All permanent staff receive benefits of one sort or another upon normal retirement from the Group's service. The conditions vary from one territory to another, but in principle the higher grades of employees are members of contributory pension funds. Other grades, for whom a pension would have little attraction, are given a lump sum gratuity on retirement, except in the Belgian Congo, where part of the lump sum takes the form of ration money. Contributory pension funds are comparatively new in Africa. The United Africa Company was among the first to introduce them in British West Africa, about ten years ago, and the fund started by the Group in the Belgian Congo this year is the first to be established there. The total assets of the pension funds for employees in Tropical West Africa now amount to £6 million.

The Group attaches great importance to the improvement of industrial relations. In the Gold Coast it is on cordial terms with a progressive and well-managed African Trade Union, and both in Nigeria and the Gold Coast the Group has for some years done its utmost to stimulate the creation and maintenance of effective joint consultation. There is now some evidence to show that this is an institution well adapted to African outlook and traditions, and that it can play an outstandingly useful part in creating that genuine co-operation between the two races which alone can achieve success.

It is now some years since the Group appointed specialist personnel managers in Africa. Today four of them are Africans. They are an integral part of each management group, and their duties are to see that the Group's standing instructions for staff management are effectively carried out, to maintain close touch with the needs and aspirations of the African staff, and to do all possible to see they are given the greatest encouragement and opportunity.

U A C'S POSITION TODAY

Looking back at the United Africa Group's history of the past twenty-five years, we see a picture of growth and achievement. Measured by the yardstick of capital employed, the business has expanded from £16 million in 1929 to £108 million in 1954. Corrected for the decreased value of money, this indicates an almost threefold expansion, which is about in line with the growth of the general economy.

If in the process the group has become a stronger and healthier business, able to stand up to keen competition both in the import and export trade, that is due to the provision of additional capital by Unilever. Over the past twenty-five years, this investment amounted to £35 million of new money. Most of the growth, however, was financed by the United Africa Company's own profits, ploughed back into the business.

It is logical that I should give some explanation to the stockholders of the parent concern of the return on the total capital invested. On the average over the last three years, which were some of the best in the African Companies' history, the net return on the group's operations in Tropical West Africa has amounted to 9.6 per cent on the average capital employed. This return is reasonable, but certainly not excessive. For comparison, the yield on the capital employed in the metropolitan countries of the Tropical West African dependencies—France, Belgium and the United Kingdom—averaged 11.3 per cent over the same three years.

U A C. AND UNILEVER

The history of our West African enterprise has, I think, both demonstrated and justified Unilever's faith in West Africa. Once committed, we have never ceased to regard our interest as permanently bound up with these territories. The concern was large enough to take a long view through bad times and good, and the potentialities of West Africa were such that on a long view the business was fundamentally sound.

I should like in conclusion to turn from this survey of the past and attempt a brief glance into the future.

The United Africa Company and Unilever contribute to each others' strength; they can continue to do so in the future. The scale, the resources and organisation of each would suffice to give assurance for their future; the two together are more than a sum of the parts. Let me illustrate this.

The underlying common interest of the two concerns is their interest in the specific sphere of oils and fats. The United Africa Group is an important producer and purchaser of these, but it would be wrong to assume that their main object should or could be to supply Unilever with cheap raw materials. On the contrary, the group has an interest in high export prices because these increase the purchasing power of the West African population, stimulate the sales of merchandise in these markets, and are of direct interest to our plantations.

On the other hand, Unilever's needs of raw materials are much greater than the quanti-

ties West Africa can supply and all Unilever's buying is done at world market prices.

Thus, the relationship between the United Africa Group and Unilever as sellers and buyers of oils and fats is strictly businesslike. But that does not mean to say that they cannot help each other. The proceeds of West African oils and fats have been increased not by charging more than world market prices, but by increasing the volume and the quality of the products. That was largely made possible by Unilever, whose margarine and soap factories have an interest in finding the most effective use of oils and fats and can give special attention to those of West African origin. They do that and as a result they have pioneered the use of palm oil in margarine, thus opening up a wide new market for an important African product. Together with the United Africa Group the Unilever businesses have brought into being the existing system of bulk handling with the attendant savings which manifest themselves in higher proceeds of African palm oil exports.

Unilever and the United Africa Group can do more fruitful research together than each could do separately, because every stage from the growing of seeds to the final use of oils can be studied in units coming under the same ultimate control.

Thus it has proved possible on the one hand to enhance the value of West African produce, on the other hand to provide Unilever factories with raw materials fully competitive in cost and quality. This is a striking justification of Lord Leverhulme's entry into the West African trade.

Another advantage which Unilever can offer is free access to all the resources of a large-scale organisation. Finance and accounting, taxation, pensions, marketing, technical and economic information have all become services in which experience is most valuable.

On the level of policy making the exchange of views and experience in connection with underdeveloped countries is useful, as both organisations have to find ways of identifying their manufacturing and trading interests with the political aspirations of the communities in which they operate.

As West Africa extends the range of its manufacturing activities, the experience of Unilever will have more and more to contribute to the solution of the United Africa Group's problems, not so much in the purely technical sphere as in the sphere of factory management and industrial relations.

On the other hand, the United Africa Group's experience of merchanting is of similar value to Unilever, most of all, perhaps, for the solution of higher management problems. Generally speaking, Unilever breeds industrialists, men who know the importance of an orderly flow of production and of careful long-term planning. The United Africa Group produces merchants—men with a quick sense of what the market requires, a desire to keep prices low enough for further expansion of sales and a wholesome fear of overhead expenses. Both types are needed in a large business, the long view and systematic planning of the industrialist, the market sense and quick response of the merchant. By drawing on both, Unilever can ensure itself of systematic and orderly development, without running the risk of ossification.

FINANCIAL ADVANTAGES

Financially speaking, there is an advantage in compensating the divergent risks of the business cycle. Working in countries which are largely dependent on the export of a few agricultural commodities, the United Africa Group is liable to serious fluctuations in turnover and profits. Unilever, as a producer of articles of daily consumption, does not benefit so much from a boom but is also less vulnerable to a depression, if profits and losses on stocks are adequately dealt with in separate reserves. In the past, the United Africa Group has found it useful to lean on Unilever in times of depression and Unilever's overall results have been favourably influenced by the group's profits in a period of boom.

In short, the concern as a whole and the territories in which it operates have benefited and are likely to benefit from the association between Unilever and the United Africa Group, and this association provides a striking example of the way economic progress can be promoted.

The chairman concluded by moving the adoption of the report and accounts.

Sir Herbert Davis, vice-chairman, seconded the resolution and it was carried unanimously.

The proposed final dividend of 9¾ per cent on the ordinary stock and a dividend of 6 per cent on the deferred stock payable on June 14, 1954, were approved, the retiring directors were re-appointed and the remuneration of the auditors, Messrs. Cooper Brothers and Company and Messrs. Price Waterhouse and Company, who had been re-appointed under the provisions of the Companies Act, 1948, was fixed.

The proceedings terminated with a vote of thanks proposed by Mr A. Carroll-Marx, who expressed on behalf of the shareholders their appreciation of the work of the directors, officers and staff of the company.

In the course of his reply the chairman said that it was the high morale of the management and staff that had produced the satisfactory results which had been placed before the meeting. He and his colleagues were proud, as directors, to be at the head of such a team.

UNILEVER N.V.

The annual general meeting of the members of Unilever N.V. was held yesterday at Museumpark, Rotterdam. Mr P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Unilever Limited, reported above.

The report and accounts for the year 1953 were adopted. The proposed final dividend of 8¾ per cent (being the equivalent of the final dividend for the same year to be paid by Unilever Limited to its ordinary stockholders calculated in accordance with the provisions of the equalisation agreement) was approved, the retiring directors were re-appointed, Mr J. A. Connel was appointed a director and the auditors, Messrs. Price Waterhouse and Company and Messrs. Cooper Brothers and Company, were re-appointed.

H.P. SAUCE LIMITED

SATISFACTORY TRADING RESULTS

SIR PATRICK HANNON'S SPEECH

The twenty-ninth annual general meeting of H.P. Sauce Limited, was held on Thursday, May 27, 1954, at the Queens Hotel, Birmingham. Sir Patrick Hannon, the chairman, presided and in the course of his speech said:

The year 1953 must be regarded as the most difficult trading year since the war. It was marked by keen competitive conditions, particularly in the home market and although a further welcome measure of relief from control and rationing was experienced with resulting lower costs in some directions, other costs, notably transport, increased. In the aggregate, the percentage of profit margin on most of the products sold by the company and its subsidiaries showed no increase, notwithstanding many measures which have resulted in economy and efficiency. In all circumstances, the trading results of the parent company, and, with one exception, of the subsidiary companies, are regarded by the board as highly satisfactory, although the trading profit of the group shows a decrease from £998,430 in 1952 to £895,565. The exception to which I have referred is Norfolk Canneries Limited, which company, in common with other companies engaged in the canning industry, suffered by the import of very large quantities of canned products from Commonwealth countries, and by the poor growing conditions experienced last summer. Your directors have, however, the greatest confidence in the vigorous and able local management of this company, and, with every hope that these conditions will prove to be exceptional and will not be repeated this year, they feel convinced that a satisfactory improvement upon the trading result of 1953 will be achieved.

The group charge for taxation is lower by £107,802 so that the net profit of the group is £4,937 higher than the previous year. Notwithstanding taxation reliefs of recent years, it will be observed that total taxation represents over 60 per cent of profits. After crediting over-provisions for taxation in 1952 (mainly due to the reduction in the standard rate of income tax) and providing for the profit of subsidiaries attributable to outside interests and the proportion of profits retained in subsidiary companies, the net profit is £299,606, an increase of £62,626 compared with last year. After payment of preference dividends and interim dividend on ordinary stock, we have an available balance of £452,519 compared with £342,063 at the end of 1952. Your directors, having given careful consideration to their recommendation to stockholders, propose a final dividend of 1s. per 5s. stock unit, less tax, making the total dividend equal to that of last year.

The overseas demand for the companies' products, both for H.P. Sauce and Lea & Perrins, continues to increase, in spite of import restrictions in many countries; and this affords us particular satisfaction today, when the country's need of export trade is still so vital to the national interest. Lea & Perrins Limited continues to advance in turnover and it provides the premier Worcester Sauce in every country in the free world. Lea & Perrins Inc., New York, has maintained its previous vitality and has shown increased profits. The weight of taxation in America is still heavy, but reductions in the current year, notably the abolition of excess profits tax, will bring welcome relief. The growth of our business in Canada has steadily advanced, both for H.P. Sauce and Lea & Perrins Sauce, under the energetic management of E. D. Smith and Sons Limited. Fletchers Sauce Company Limited maintains its long-established popularity in the north of England, and Macks (Walsall) Limited shows steady improvement. Both these companies benefit from diligent and active local management. The Albion Bottle Company occupies a high place in our Group, being very well managed and providing an excellent return of profit. In 1953, during which we acquired the minority share interest, a most satisfactory turnover was achieved.

The report and accounts were adopted and the retiring directors, Mr John T. Lewis, Mr H. G. Wright, Sir Eustace Missenden and Mr Stanley Adams, were re-elected.

In proposing resolutions for the payment of a pension of £1,250 per annum to Sir Patrick Hannon on his retirement, a tribute was paid to him for his long and devoted services to the company by Mr Stanley Adams on behalf of the board, and this was endorsed with acclamation by members present.

ABRIDGED REPORT OF THE DIRECTORS OF

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Union of South Africa)

FOR THE YEAR ENDED DECEMBER 31, 1953

FINANCE AND ACCOUNTS

CAPITAL

In terms of an arrangement approved by shareholders at the thirty-sixth annual general meeting, held on June 19, 1953, the issued capital of the Corporation was increased, on June 30, 1953, from £5,811,103 to £5,861,103 by the allotment to E. Oppenheimer & Son, Limited, of 100,000 ordinary shares of 10s. each at the subscription price of £5 5s. per share.

In the latter half of 1953 shareholders were advised of an offer by the Corporation to acquire from shareholders in The New Era Consolidated, Limited, their shares at the price of 35s. 3d. per share. By the end of the year 314,599 ordinary shares in the Corporation had been issued against the surrender of 1,049,043 New Era shares in terms of the offer, and the New Era Company was accordingly a subsidiary company of the Corporation at December 31, 1953.

The capital structure of the Corporation at December 31, 1953, was as follows:

	Authorised £	Issued £	In Reserve £
Ord. shares of 10s. each	4,000,000	3,639,027	360,973
Pref. shares of 10s. each	620,625	...	620,625
Six per cent prefd. stock	2,379,375	2,379,375	...
	7,000,000	6,018,402	981,598
Loan capital		4,081,633	

The offer to shareholders in New Era was finally accepted by the holders of 1,085,781 shares, which is equal to 98.7 per cent of the issued capital. In accordance with the provisions of Section 103 ter of the Union Companies Act, the New Era shares not surrendered were transferred into the name of the Corporation on February 23, 1954, against the relative share allotments and cash payments, and The New Era Consolidated, Limited, accordingly became a wholly owned subsidiary of the Corporation on that date.

Since the close of the financial year shareholders have been advised of an offer by the Corporation to shareholders in South African Mines Selection, Limited, one of the finance and investment companies of the group, to acquire their shares at the price of 20s. per share, which consideration is to be utilised in the subscription for, and satisfied by, the issue of fully paid ordinary shares in the Corporation at the price of 125s. per share.

PROFITS AND APPROPRIATIONS

	£	£
PROFITS :—		
Revenue from interest, sundry fees, etc., after deduction of administration expenses and amounts written off..		2,217,606
Income from investments		2,319,879
Profit on share transactions less amounts written off investments		514,024
		5,051,509
Less :—		
Interest, directors' remuneration, contribution to staff pension fund, etc.	849,670	
Amount written off investment in a subsidiary company	386,593*	1,236,263
		3,815,246
Add :—		
Unappropriated profit, December 31, 1952		418,604
		4,233,850
APPROPRIATIONS :—		
Provision for taxation	550,000	
Dividends Nos. 48 and 49 on cum. pref. stock and Dividends Nos. 34 and 35 on ord. shares	2,296,575	
General reserve	1,000,000	
		3,846,575
Balance carried forward to 1954		387,275
		4,233,850

* Represents the excess of the cost of the shares acquired in The New Era Consolidated, Limited, over the net book value of the assets appertaining to the Corporation's interest therein at December 31, 1953.

BALANCE SHEET

The book value of the Corporation's investments, excluding its interest in its subsidiary companies, amounted to £27,151,036 at the end of the year, as against £25,618,970 in 1952. Of this amount, quoted investments accounted for £22,761,707, the market value at December 31, 1953, being £36,560,945.

Current assets exceeded current liabilities at December 31, 1953, by £2,353,893. The general reserve was £18,900,000.

DIVIDENDS

Dividends on the ordinary shares totalled 6s. per share, which is the same as for the previous year.

The total dividend distribution in respect of the year ended December 31, 1953, amounts to £2,296,575.

GOLD MINES IN THE TRANSVAAL

The tonnage milled by the producing mines of the Group in the Transvaal decreased by 620,500 to 9,343,000, costs per ton milled increased by 2s. 3d. to 33s. 5d., and revenue per ton milled decreased from 48s. 9d. to 47s. 10d. The decrease of 3s. 2d. per ton in working profit from gold, together with the decrease in tonnage milled, resulted in a reduction of £1,991,774 in the total working profit from gold, silver, etc.

The gold output at 1,776,940 ounces was 119,710 ounces less than in the previous year, due mainly to the smaller tonnage milled, the average recovery per ton being approximately the same. The decrease in revenue per ton was largely due to a lower average price per ounce of gold, to some extent accounted for by fluctuations in the official price of gold in accordance with the prevailing dollar/sterling rate of exchange, but to a larger extent due to the decreased premiums received from the sale of gold for industrial and artistic uses.

Production at the uranium and acid plants at Daggafontein Mines, and Western Reefs commenced in March and September, 1953, respectively. After initial difficulties the plants operated satisfactorily, the estimated profits (subject to adjustment) from the sales of uranium and sulphuric acid at Daggafontein being £644,991, and at Western Reefs £246,645, in respect of the period ended December 31, 1953.

The total of dividends declared was £3,974,750, a decrease of £398,688. The reduction was small in relation to the decrease in total working profits, due largely to the fact that Daggafontein and Western Reefs were both able to maintain their dividends in consequence of profits from uranium production.

The shortage of European and native labour was felt by all mines during the year. The shortage of native labour was more serious during 1953 than in 1952, the number of native labourers employed on the six mines during the peak period of 1953 being 39,385, as compared with 43,600 during the peak period of 1952. At the end of the year the number employed had dropped to 36,095, compared with 37,900 in 1952; this reduction in the native labour strength is reflected in the decrease in tons milled. In the first four months of 1954 there has been an improvement in the native labour position.

GOLD MINES IN THE ORANGE FREE STATE

The Corporation has a substantial interest in Orange Free State Investment Trust, Limited, through which the major portion of its interests in the Orange Free State goldfields is held. The Corporation also has participation rights in respect of certain areas in the Orange Free State.

The following is an extract from the statement by the chairman of Orange Free State Investment Trust, Limited:

"Rapid strides have been made on the Orange Free State goldfields since the end of 1952. At that time only two mines, namely, St. Helena Gold Mines, Limited, and Welkom Gold Mining Company, Limited, were in production. Since then, four more have reached production: Freddies North Lease Area, Limited, Freddies South Lease Area, Limited, and Western Holdings, Limited, in the middle of 1953, and President Steyn Gold Mining Company, Limited, in April, 1954. Harmony Gold Mining Company, Limited, Virginia Orange Free State Gold Mining Company, Limited, and President Brand Gold Mining Company, Limited, are expected to be producing by the end of this year, making a total of nine producers out of the thirteen mines at present being established in the Orange Free State. During 1952 the total tonnage milled amounted to 1,206,000 tons, yielding 224,412 ounces of gold for a value of £2,798,125. The corresponding figures in 1953 were 2,124,000 tons milled, yielding 431,261 ounces of gold for a value of £5,358,605. The major portion of the output came from the two older producers, St. Helena and Welkom, which between them milled 1,559,000 tons, yielding 310,873 ounces of gold for a value of £3,851,603.

The national economy will be further assisted by the production of uranium. It is estimated that the uranium plant at Harmony Gold Mining Company, Limited, will be commissioned some months after the gold reduction plant commences operations in the

middle of the year. The uranium plants being erected at the Welkom and President Steyn mines are expected to be completed before the end of 1954. These two plants will initially treat the residue slimes of President Brand Gold Mining Company and President Steyn Gold Mining Company. The uranium values obtained to date at the Welkom and Western Holdings mines do not justify their slimes residues being treated, and insufficient development has been done at the Free State Geduld mine to assess whether its slimes residue will be treated.

At this stage a very small proportion of the capital invested in bringing the mines to production, in establishing the various towns and in providing the necessary ancillary services, is revenue producing. The latest figures available show that capital expenditure on the gold mines in the OFS has amounted to about £130 million and a further £15 million has been spent on providing the necessary housing facilities. The group's own contribution to these totals is nearly £80 million. This expenditure takes no account of the very considerable sum which has been spent on the establishment of townships with their ancillary services."

DIAMOND INTERESTS

The Corporation maintains its interest in the diamond industry through a large shareholding in Anglo American Investment Trust, Limited. The company's shareholdings at December 31, 1953, were in Boart Products, South Africa, Limited, De Beers Consolidated Mines, Limited, De Beers Investment Trust, Limited, The Diamond Corporation Limited, The Diamond Purchasing and Trading Company, Limited, The Diamond Trading Company, Limited, Industrial Distributors (1946) Limited. During the year, the company increased its interest in De Beers Consolidated Mines, Limited, by 117,975 deferred shares.

After taking these transactions into account, the balance sheet shows investments at £8,008,926, being an increase of £2,181,556 over the comparable figure for the previous year. The market value of these investments, taking stock exchange quotations where available and cost in other cases, was £15,636,939. The company made a profit of approximately £2,574,000 after providing for taxation, and dividends declared totalled 12s. per share.

De Beers Consolidated Mines, Limited had a satisfactory year, the net profit being £9,317,801 after providing £2 million for taxation. Dividends totalling 10s. per share on the deferred shares were declared.

NORTHERN RHODESIAN INTERESTS

The Corporation's interests in Northern Rhodesia are held through direct investments and through Rhodesian Anglo American, Limited, in Rhokana Corporation, Limited, Nchanga Consolidated Copper Mines, Limited, The Rhodesia Broken Hill Development Company, Limited, Mufulira Copper Mines, Limited, and Bancroft Mines, Limited, a new copper mining company in Northern Rhodesia.

The profit of Rhodesian Anglo American, Limited, for the year ended June 30, 1953, before taxation, was £4,346,668, compared with £4,017,754 for the previous year.

Rhokana Corporation, Limited's profit before taxation for the year ended June 30, 1953, increased from £12,116,457 in 1952 to £12,610,811 in 1953. Provision for taxation amounted to £4,219,784. Production of blister and electrolytic copper at Rhokana dropped from 82,764 long tons to 74,216 long tons in 1953, largely owing to power shortages and to interruptions by strikes.

Nchanga Consolidated Copper Mines, Limited's profit before taxation increased from £9,982,246 in 1952 to £14,042,101 for the year to March 31, 1953. Provision for taxation amounted to £5,501,076. During the financial year 93,317 long tons of blister and electrolytic copper were produced, compared with 68,816 long tons for the previous year.

Bancroft Mines, Limited, is scheduled to come into production early in 1957.

COAL INTERESTS

The Corporation's coal interests are held through the medium of African and European Investment Company, Limited, its associated company, The Vereeniging Estates, Limited, and Rhodesian Anglo American, Limited.

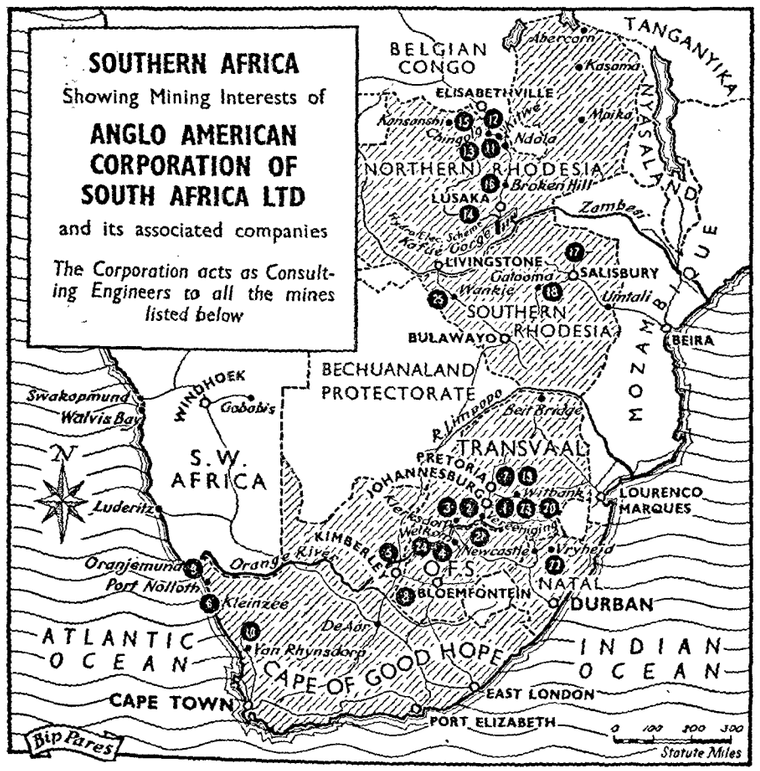
The principal producers are:

Amalgamated Collieries of South Africa, Limited, Blesbok Colliery, Limited, New Largo Colliery, Limited, South African Coal Estates (Witbank) Limited, Springbok Colliery, Limited, The Coronation Collieries, Limited, Vierfontein Colliery (Proprietary) Limited, Vryheid Coronation, Limited, Wankie Colliery Company, Limited.

During 1953 these companies (other than Wankie Colliery Company, Limited), together with their subsidiaries, sold 13,056,915 tons of coal, equal to 41.6 per cent of the total South African production.

Wankie Colliery Company, Limited, is the only producer of coal in the Rhodesias. In terms of a price agreement entered into with the Government of Southern Rhodesia the Company has undertaken to increase its output from the present level of 2,750,000 tons per annum to approximately 5 million tons per year by the end of 1956. Profits for the year ended August 31, 1953, were £340,016 and dividends distributed amounted to £330,938.

Copies of the full report and accounts are obtainable from the London office of the Corporation, 11 Old Jewry, London, E.C.2.



GOLD MINES

TRANSVAAL

1. Brakpan Mines, Ltd.
   Daggafontein Mines, Ltd. (Producer of Uranium)
   East Daggafontein Mines, Ltd.
   The S.A. Land & Exp. Co., Ltd.
   Springs Mines, Ltd.
2. Western Ultra Deep Levels, Ltd. (Mineral Rights)
3. Western Reefs Exp. & Dev. Co., Ltd. (Producer of Uranium)
   Vaal Reefs Exp. & Mining Co., Ltd.

ORANGE FREE STATE

4. Free State Geduld Mines, Ltd.*
   Western Holdings, Ltd.*
   Welkom G.M. Co., Ltd.*
   President Steyn G.M. Co., Ltd.*
   President Brand G.M. Co., Ltd.*
   Loraine Gold Mines, Ltd.
   Jeanette Gold Mines, Ltd.

DIAMOND MINES

5. De Beers Cons. Mines, Ltd.
   Bultfontein
   Du Toits Pan
   Wesselton
6. Kleinzee
7. Premier (TVL) D.M. Co., Ltd.
8. New Jagersfontein M. & E. Co., Ltd.
9. Consolidated D.M. of S.W.A., Ltd.

RARE EARTHS MINE

10. Monazite & Mineral Ventures, Ltd.

BASE METAL MINES

11. Rhokana Corporation, Ltd. (Copper and Cobalt)
12. Bancroft Mines, Ltd. (Copper)
13. Nchanga Cons. Copper Mines, Ltd. (Copper)
14. King Edward (Cupriferous Pyrite)
15. Kansanshi Copper Mining Co., Ltd. (Prospecting—surface & underground)
16. Rhodesia Broken Hill Dev. Co., Ltd. (Lead, Zinc and Vanadium)
17. Iron Duke (Iron Pyrite)
18. Vereeniging Brick & Tile Co., Ltd. Gatooma Magnesite (Magnesite)

COAL INTERESTS

19. Coronation Collieries, Ltd.
    New Largo Colliery, Ltd.
    S.A. Coal Estates (Witbank), Ltd.
    Navigation
    Landau No. 3
20. Springbok Colliery, Ltd.
    Blesbok Colliery, Ltd.
    New Schoongezicht Colliery
21. Cornelia Colliery, Ltd.
22. Vryheid Coronation, Ltd.
23. Springfield Collieries, Ltd.
24. Vierfontein Colliery (Pty.), Ltd.
25. Wankie Colliery Co., Ltd.

* Designated Producers of Uranium.

ANGLO-PORTUGUESE TELEPHONE COMPANY

YEAR OF OUTSTANDING ACHIEVEMENT

FURTHER ISSUES OF PERMANENT CAPITAL FORESHADOWED

SIR ALEXANDER ROGER ON THE CONTINUED PROGRESS AND PROSPERITY

The sixty-seventh annual general meeting of The Anglo-Portuguese Telephone Company, Limited, will be held on June 23, 1954, at Stowger House, 8, Arundel Street, London, W.C.2.

The following is the statement by the chairman and managing director, Sir Alexander Roger, KCIE, which has been circulated with the report and accounts for the year ended December 31, 1953:

ACCOUNTS

The accounts for the year ended December 31, 1953, show that the satisfactory progress of your Company continues. The Exchange Rate continued at Esc. 80.50 to the £ at which rate all conversions have been made as they have been since 1950. Total Revenue at £1,820,525 is up by £179,573, largely due to the new plants which have been installed in the past few years, enabling us to connect many new subscribers to the system.

Total Expenses are £91,215 higher at £1,604,303. Total Expenses include Renewals and Depreciation, Royalties paid to the Portuguese Government, British taxation, debenture and loan interest, debenture sinking fund instalments and the capital duties resulting from the increase of our authorised capital during the year.

The net profit of £216,222 compares with £127,864 in 1952 and it is proposed to pay a final dividend of 5 per cent on the ordinary stock which, together with the interim dividend of 3 per cent paid in November last, makes 8 per cent. for the year. It is also proposed to pay a dividend of 8 per cent on the "A" ordinary stock.

After providing £112,200 for dividends and transferring £79,013 to General Reserve, carry forward is increased to £102,323 from £77,314. We have also incorporated in general reserve, which at December 31, 1952, stood at £50,000, the existing balances of £115,000 on contingency reserve and £5,987 on excess profits' tax post-war refund. The reserve including the allocation from profits mentioned above now totals £250,000.

PROVISION FOR RENEWALS

As the result of their annual investigation of the telephone plant and equipment, the consulting engineers have once more recommended that an additional allocation be made to the normal allocation from revenue for renewals and depreciation. The provision for renewals now stands at £1,842,684 and represents about 26.5 per cent of the cost price of installed plant, which the consulting engineers state is, in their opinion, necessary and adequate.

In the opinion of your directors the replacement value of telephone plant, land and buildings is greatly in excess of the balance sheet figures.

The Company's reserves continue to be wholly invested in the business.

During 1953 £539,400 of telephone equipment was shipped from Great Britain, bringing the total shipped from 1948 to 1953 to £2,303,500. During the same six years £973,400 of equipment was purchased in Portugal, and the purchases during 1953 alone amounting to £276,000.

It will be seen, therefore, that your company's operations in Portugal play an important part in the promotion of trade both in Great Britain and in Portugal.

Your Company pays to the Portuguese Government Royalties at the rate of 7½ per cent of its annual gross earnings and in 1953 this amounted to the sum of £134,269.

GENERAL PROGRESS OF THE COMPANY

Last year I was able to state that development in 1952 in terms of stations was a record in the history of the company, 10,160 new stations having been installed during that year. During 1953 no fewer than 15,233 new stations were installed, an outstanding increase over the previous year. At the end of 1953 your company's systems in Lisbon and Oporto totalled 134,586 stations in operation and it is some measure of our achievement if we remember that at the end of 1948, only five years ago, the total number of stations was 88,459. In five years your company's systems have increased in size by over 50 per cent without permitting the grade of service to fall below that high standard which we have always maintained.

It will be evident, therefore, that 1953 was the busiest year in the history of your company and here I would like to say that in a telephone company, as indeed in every public utility, the full benefit of a year's development is not apparent at once but is enjoyed in the future when the economies inherent in long-term planning come into being. We can look back at the year under review with a sense of achievement; we can also derive satisfaction from the fact that the way has been prepared for the continued expansion of your company with modern equipment and using the most up-to-date technique.

The year saw the opening of Graca, an important main exchange in the busy north-eastern area of Lisbon, to which I referred at some length in my statement last year. Also in Lisbon a 2,600-line extension was added to Estrela automatic exchange, a new 600-line automatic exchange replacing a manual exchange was opened at Lumiar, a residential district in the north-east of the city, Almada exchange was extended and a new speaking clock designed to give a time signal accurate to one-tenth of a second was brought into service.

In Lisbon 83 per cent of the telephones are automatic and within the urban area the great majority of telephone users have at their finger tips the means of access to other subscribers in the urban area with whom they wish to speak. Much work was done during 1953 to provide extension of this facility to the extra-urban area and within a few years we hope it will be possible for subscribers connected to any automatic exchange in the Lisbon Concession area to connect themselves directly with any other subscriber connected to an automatic exchange in that area. In due course similar plans for the Oporto system will be brought into operation.

NEW AUTOMATIC EXCHANGE OPENED

In Oporto a 300-line extension was installed at Gaia Exchange, south of the River Douro, but throughout the year the main activity centred upon the new Lapa automatic exchange which by the end of the year was nearing completion and which was brought into service on March 20, 1954.

This new automatic exchange has been equipped initially for 4,000 lines and replaces the manual exchange which previously served the same area. The bringing into service of a replacement exchange of this capacity is an operation of considerable complexity and for that reason is carried out at midnight when the traffic being handled is at a minimum. On this occasion the cut-over took place smoothly and according to plan in 4 mins. 25 secs., a remarkably short space of time which reflects great credit on the administration and to the engineers in Oporto. Careful and extensive advance publicity was given to advise the subscribers in the Lapa area how to make the fullest possible use of the new facility which was being provided for them and, as always in our experience when this is done, the public responded magnificently.

An inaugural ceremony was held at the exchange and was presided over by the Civil Governor of Oporto, Dr Domingos Braga Cruz. Besides the Governor there were present the Military Governor, General Cota Morais, Eng. Mário Borges representing the local authority, the British and American Consuls, representatives of the Portuguese post office, the Institute Nacional de Trabalho, the União Nacional, the Judicial and International Police, and the port and customs authorities together with about forty other dignitaries of Oporto.

Snr. Antonio d'Oliveira Calem, CBE, who is our valued and esteemed representative director in Oporto, was unfortunately unable to be present because of ill-health and he has our good wishes for a rapid recovery.

In the course of his address the Civil Governor said "I do no more than follow in the steps of the Minister of Communications when I state publicly that The Anglo-Portuguese Telephone Company has made a great effort to meet the high demands of the two principal cities in the country in the field of telecommunications. . . . The Portuguese Post Office and the Company, in the closest collaboration, have created a friendly rivalry as to which can serve the best." The Civil Governor went on to thank the company, in the name of the government, for carrying out the task entrusted to it. He then referred to the plans for future development which the company has drawn up, saying that the company in serving its own interests would also serve the interest of the Portuguese nation.

FUTURE DEVELOPMENT

During 1953 we received 7,645 new applications for service, and at December 31, 1953, the waiting list numbered 17,545, in spite of our having installed during the year 12,120 lines and 3,113 extensions. New applications for telephone service have been reaching the company at the rate of over 1,400 each month during the early part of 1954, and although all applications do not mature through some withdrawals when service is offered, nevertheless the reduction and ultimate elimination of the waiting list is a formidable problem. The unceasing

demand, however, is an indication of the valuable service which we give to the public. It is in the interests of the Portuguese public and of our stockholders that we should use every endeavour to meet this continuing demand for service.

With this purpose in mind, I visited Portugal in June and again in October last year. The entire position was investigated thoroughly and a programme was formulated, designed to reduce the waiting list to insignificant proportions before the end of 1957. The programme, which is already in operation, provides for the addition to the system of nearly 51,000 lines within a span of four years, and will make heavy demands on all the financial, administrative and technical resources of your company and of the associated companies, Automatic Telephone and Electric Company Limited, British Insulated Callender's Cables Limited and Telephone and General Trust Limited, whose ready co-operation we have enjoyed in the past and can depend on in the future.

Your company has, in Portugal, a special school engaged upon the training of personnel to provide the increased skilled technical staff which will be needed to maintain the new telephone plant which will result from the programme.

New buildings and extensions to existing buildings have to be erected. In Lisbon alone there are no less than twelve major works of this nature in various stages of planning or construction.

PROVISION OF ADDITIONAL FINANCE

For many years, in fact for the past quarter of a century, we have looked to Telephone and General Trust Limited to provide the temporary finance for your company by means of day-to-day borrowings. The loan from the Trust, which at December 31st last was £410,354, at this date stands at £832,000. Plans are therefore almost complete for further issues of permanent capital to repay this loan and provide for further needs. At an extraordinary general meeting, to be held immediately following the annual general meeting, a resolution will be submitted, creating one million 6 per cent cumulative preference shares of £1 each. Subject to Treasury consent, we hope to offer these shortly for public subscription, with preferential consideration on allotment being given to applications from ordinary and debenture stockholders. It is also planned to offer 255,000 of the existing unissued ordinary shares by way of a rights issue to existing ordinary and "A" ordinary stockholders in the proportion of one new ordinary share for every £10 stock held. Full details of both these issues will be given as soon as possible. In the future, it is hoped to make similar rights issues to ordinary and "A" ordinary stockholders as and when further finance for normal development is required.

Our relations with the Portuguese authorities continue to be excellent, as they have always been. The future of the telephone business in Portugal appears to be full of promise and the demand for telephone service is likely to continue unabated as the result of the growing prosperity of Portugal through the increasing development of her industrial and agricultural resources.

MAINTENANCE DEPARTMENT

I should not like to leave this section devoted to the general progress of the company without referring to the heavy burden borne by our maintenance department. Modern telephone equipment consists of highly complicated and exceedingly delicate equipment and it is the responsibility of the maintenance engineers, not merely to correct faults when they occur but, by means of continuous attention to the plant, to prevent faults from arising. Continuous checks are carried out on all the equipment in every exchange in the company's network. In one of the company's automatic exchanges which is equipped for 10,000 lines there are some 26,000 selectors, meters, relay sets and similar equipment all requiring precise adjustment; the wiring of the equipment within the exchange uses about 6,500,000 metres of single wire and this multiplicity of equipment requires no less than 8 million soldered joints. This is an indication of the great number of possible sources of fault in a 10,000 line exchange and only by continuous skilled maintenance can the public be protected against the annoyance occasioned by interruptions in the telephone service.

PORTUGAL

The economic development of Portugal during the past quarter of a century has, under the wise guidance of Dr Salazar, followed a regular pattern of progress and consolidation.

In 1944 an industrialisation plan was introduced designed to prepare the way for the rapid development of the nation's resources. Upon this solid foundation is now being laid the six year development plan which was published during 1952 and to which I referred in some detail in my statement last year.

The new programme is proceeding according to plan and with increasing momentum. In its initial stage the plan concentrates on the distribution of power to the agricultural and industrial areas through the construction of a nation-wide system of hydro-electric schemes. During the year the Salamonde dam, which forms the second part of the Cavado-Rabagão scheme, was brought into service and the third stage is expected to be ready in 1954, followed by the fourth phase in 1956.

The second stage of the Zezere scheme is expected to start production of electricity during 1954. Plans are also well advanced for the harnessing of the River Douro commencing with the construction of the Picote dam.

Considerable attention is being given to the improvement of communications and there is in existence a 15-year plan for road development.

The railway system is good and is being gradually modernised and plans for electrification are well advanced.

The merchant fleet has already been greatly enlarged and modernised and now a fishing development fund has been formed to develop the fishing fleet with the most modern vessels. Much of the new construction has been carried out in the United Kingdom but the output from Portuguese yards increases steadily.

As a part of these developments, a new fishing port at Pedrouços, just outside Lisbon, came into operation during 1953.

FRUITS OF PORTUGAL'S GROWING PROGRESS

Social amenities generally are being improved; new housing estates are being erected and many fine new office buildings and factories are springing up. The health services are being extended and a new hospital school, the largest building in Portugal, was opened in Lisbon during the year. These improvements are not confined to the towns. The country districts are equally enjoying the fruits of Portugal's growing progress, through the construction of new roads and the extension of the electricity and piped water systems into areas where they were not previously available.

The agricultural and mineral resources of the country are being developed to supply their maximum output and schemes for irrigation and afforestation are coming into operation.

It has long been the policy of the Portuguese Government to carry out a large part of the country's development with the aid of private capital. This far-sighted policy is reaping a rich harvest, for a country's commerce and industry flourishes when the policy of its Government is to provide encouragement and assistance without oppressive intervention.

Dr Salazar has himself said that his country welcomes foreign capital. It is gratifying to those of us who carry on our business in Portugal that the Government has this faith in our ability and in our goodwill, and we do not forget our great responsibilities to the public which we are privileged to serve.

In the early part of 1954 a Nuclear Energy Board was established in Portugal and the necessary laboratories are being set up to conduct research into the use of nuclear energy in the fields of medicine, biology, industry, agriculture and engineering among others. It was also stated in the decree instituting the Nuclear Energy Board that it was considered essential that Portugal should, if necessary, be able to take quick action to utilise atomic energy for military defence purposes.

The traditional good trade relations between the United Kingdom and Portugal continue. The United Kingdom is still Portugal's principal supplier whilst ranking second among Portuguese export markets.

During 1953 there were slight changes in Portugal's external trading position, probably resulting from the cessation of hostilities in Korea. This was not unexpected and is by no means serious, for Portugal is in a strong position to withstand the effects of a temporary decline in exports. The reserves of gold and foreign exchange have grown steadily over the past decade and now stand at a record level.

It is not unreasonable to expect that, as the six-year development plan comes fully into operation, the resultant increased activity will offset the small decline in exports.

Lisbon continues to achieve prominence as a Trans-Atlantic terminal and in recent years many important international conferences have been held in that city.

Politically the most important event of the year was the General Election held in November last when the Government party, headed by Dr Salazar, was returned to power with an overwhelming majority.

VISITS

My visits to Portugal in 1953 enabled me to renew and sustain the close association which I and my colleagues enjoy with the Ministers of the Portuguese Government and many other influential persons in Lisbon and Oporto.

I was again most cordially received by H. E. Doctor Antonio Oliveira Salazar with whom I was able to exchange views on the part which your company is playing, and will be called upon in the future to play, in the development of Portugal.

Also during my stay I conferred with Dr Costa Leite, Minister of the Presidency, Dr Soares da Fonseca, Minister of Corporations, Colonel Salvacao Barreto, President of the Lisbon Municipality and Dr Jose Manuel da Costa, head of the Portuguese Information and Tourist Services. These meetings, which as always were conducted in an atmosphere of the utmost friendliness, provided fresh evidence of the cordiality of your company's links with the Portuguese Authorities.

During my second visit, in October, plans were formulated to speed up the elimination of the waiting list. I have referred to these plans in some detail earlier in this statement, but I would like here to reiterate that this programme of development represents an attempt to put Lisbon and Oporto in the position of having virtually no waiting list for telephone service by the end of 1957.

PERSONNEL

We are most fortunate to have as Chairman of the Portugal board Snr. Eng. Antonio Branco Cabral who, together with his colleagues and with Dr Antonio Bustorff Silva, our legal adviser, work closely in co-operation with our very able general manager, Mr R. S. Thorp and his staff.

In March, 1954, Mr A. N. Rye, who has been a director since 1936, tendered his resignation from the board, and your directors accepted this with the greatest regret. On their behalf and on my own I would like to express our appreciation of the very valuable services he has given to the company.

It is with pleasure that I acknowledge the untiring help received by the London board over so many years from their colleagues in Portugal. There is at all levels throughout your company an atmosphere of collective action towards a common end—the continued progress and prosperity of the company together with a faithful service to the public. I am sure that you will join with me in thanking my colleagues on the boards, both in London and in Portugal, the administration and workpeople in Lisbon and Oporto and the London staff for bringing us through the most progressive year in the history of your company.

NEW BROKEN HILL CONSOLIDATED

INCREASED OUTPUT AND IMPROVED EFFICIENCY

The eighteenth annual general meeting of New Broken Hill Consolidated Limited will to be held on June 23rd at 37 Dover Street, London, W.1.

The following is an extract from the circulated statement of the Chairman, Mr John R. Govett:

The profit for the year 1953, before providing for taxation, amounted to £677,922, compared with £818,780 for 1952. Due to increased output and improved efficiency of the mine, this reduction of £140,858 is relatively small having regard to the heavy fall in the prices of lead and zinc. Production of ore was 405,629 tons for 1953, compared with 239,922 for 1952, an increase of 69.1 per cent; in contrast to this, total costs for the year were £2,676,424, compared with £2,133,287 for 1952, an increase of only 25.4 per cent. The profit has been arrived at after providing £277,400 for depreciation, as against £245,600 in 1952.

The charge for taxation amounts to £264,660. This leaves a net profit for the year of £413,262, a reduction of £144,758.

The board have decided to transfer the sum of £250,000 to general reserve and recommend a final dividend of 9d. per share, making a total distribution for the year of 1s. 6d. per share, the same as for 1952.

The year 1953 has been notable for the marked increase in operating efficiency. This resulted in a production exceeding even the original long-term budget for 1955; and the consequent improvement in overall costs, coupled with the success achieved in disposing of almost the whole of our output, brought a large measure of compensation for the sharp decline in prices as compared with 1952. While in this current year we confidently anticipate a further increase in efficiency, we are nearly at the limit of tonnage and grade pending the full operation of the service shaft (scheduled for November, 1954), and the results for the year will depend mainly on the course of metal prices.

Since the development of the mine was resumed after the end of the war, our undertaking has grown to become the second largest producer of ore in the Broken Hill field, and this is an achievement of which I feel we can all be justly proud.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

The thirty-fifth annual general meeting of the Institute of Cost and Works Accountants was held on May 29th at the Prince of Wales Hotel, Southport.

Mr Stanley J. D. Berger, MC, FCIS, director/secretary, read the notice convening the meeting and also the auditors' report.

Mr F. W. H. Saunders, FCWA, President of the Institute, in the course of his address, referring to the post-war demand for the services of qualified cost accountants, stated that against the 1,800 members and 5,000 registered students at the end of 1945, there were now 4,500 members and 12,000 registered students—a remarkable increase having regard to the high standard in examination and practical experience demanded.

The annual report, giving a résumé of the Institute activities during 1953, covering such matters as examinations, branches, regional and national conferences, summer school, research, journal, training and appointments bureau, was adopted at the conclusion of the formal business.

The investiture of the new president, Mr W. E. Harrison, FCWA, and two new vice-presidents, Mr G. Nicholson, FCWA, and Mr Ian T. Morrow, CA, FCWA, then took place.

COST OF LIVING

In the course of his presidential address the previous day, Mr Saunders said that human labour was necessarily an expensive item of cost, and that and other valuable resources must not be wasted. New management techniques demanded study, understanding and trial. Work study, incentives and budgetary control were but some of the means by which output and pay packets might be increased whilst unit costs were reduced. Joint co-operative action between employer and employee, free from restrictive practices on both sides, was surely the way to produce more goods more quickly and at lower cost.

No one would deny the great benefit to the country if it were possible to stabilise and then to reduce prices at the present time. In addition to the wage-earners, there were millions of hard-working people, sometimes misguidedly referred to as "middle-class," who had had to submit to a real standard of living much lower than they had enjoyed before the war. Then there were the pensioners, many of whom were suffering considerable hardship as a result of increases in the cost of living.

"I most strongly urge," said Mr Saunders, "that more of the benefits of increased productivity should be passed on to the consumer by reductions in selling prices."

When considering alterations in selling prices, however, it was of extreme importance that British industry should be well briefed on the likely results of a proposed course of action. Indeed, the implications of *not* taking action might be even more important.

A close study and full understanding of the incidence of costs must prevail if the situation was to be met successfully to enable us to enjoy a reasonable standard of life and full employment.

MANAGEMENT ACCOUNTANCY

There were some who professed that the outdated process of looking back was still the way to manage. But such an attitude could only restrict initiative and blind us to the possibilities of the future. Forward planning, with a confidence based upon practical knowledge of where the path would lead, was a prerequisite of success.

What more natural development could there have been than the emergence of the management accountant as a guiding force in the increasingly complex and rapidly changing industrial situation which faced us to-day?

Through its examinations and requirements of practical experience leading to the qualification of cost accountant and management accountant, the Institute was providing men of proven ability who were well able to cope with modern needs as their contribution to our national well-being. The supply of such men was admittedly inadequate, but the efforts of the Institute were vigorously directed towards their encouragement and development in increasing force.

LISBON ELECTRIC TRAMWAYS

IMPROVED OPERATIONAL EFFICIENCY

The annual general meeting of Lisbon Electric Tramways, Limited, will be held on June 23rd, in London.

The following is an extract from the circulated statement of the chairman, the Rt Hon The Lord Rathcavan:

Since the end of the war we have concentrated on catching up with arrears of maintenance and expanding in order to meet the growth of the population of the City of Lisbon. We are now in the position of being able to give outstanding service in every possible direction.

In the year 1939 the dividend to the ordinary shareholders was reduced and any improvement has been deliberately deferred until deficiencies in the service brought about by the effects of the war were rectified. No public utility in an expanding city can stand still, but I am satisfied that we have brought ourselves up to date. Accordingly, we now feel justified in increasing the distribution to shareholders and the board recommend a final dividend on the ordinary shares of 4 per cent net, making 6½ per cent net for the year.

The number of passengers carried in 1953 again shows an increase over the previous year, as also does the mileage run by our vehicles (comprising both trams and buses).

The year's operations, after providing for all charges, show a net profit of £79,249, an increase of £9,510. This profit, together with the balance brought forward from last year, gives a total of £140,586. The preference dividend and the increased ordinary dividend of 6½ per cent net for the year absorb £75,861, leaving a balance of £64,725 to carry forward to 1954.

The company now employs nearly 6,000 people, whose health and social conditions receive our constant attention. The total cost of these social services to the company during 1953 was of the order of £369,000.

UNION CORPORATION, LIMITED

MINING INDUSTRY AND OTHER INTERESTS REVIEWED

CHAIRMAN'S COMMENT ON EXPLORATION

The annual general meeting was held in Johannesburg on May 25, 1954, Viscount Bracken presiding. The chairman, in moving the adoption of the report and accounts for the past financial year, said :

Gentlemen,—The accounts of the Corporation for the year 1953, together with the directors' report are submitted for your approval.

For the first time the accounts include a consolidated balance sheet and a consolidated profit and loss account. As the figures in the consolidated accounts do not differ very materially from those in the Corporation's own accounts, I propose to limit my remarks to the latter.

DIVIDENDS AND PROFIT

Dividends received during the year fell by £107,000 to £1,593,000. This was due to a general decline in rates of dividend paid by the gold and base-metal mining companies whose shares constitute a large proportion of our portfolio. Net realised profits on investments were lower by £98,000 at £86,000 and net revenue from fees, interest and sundry receipts, after charging expenses, declined by £26,000 to £134,000. As a result of these changes the gross profit at £1,813,000 was £232,000 less than in 1952.

The net profit after taxation, on the other hand, increased by £169,000 to £1,227,000. As explained at the last annual general meeting, the changes in the United Kingdom 1953 budget which was introduced after the 1952 accounts had been closed, resulted in the amount provided for taxation in 1952, namely £818,000, being in excess of actual requirements. The favourable effect of these changes is reflected in the much smaller amount to be provided this year, namely £433,000.

Out of the net profit of £1,227,000 your directors deemed it desirable to appropriate £600,000 to exploration reserve. After deducting an amount of £229,067 expended on exploration during the year, this reserve now stands at £968,000 compared with £597,000 at the end of last year. Your directors believe this substantial increase in the reserve is fully justified by the Corporation's heavy exploration programme.

MARKET VALUES

The dividends declared for the year amount to 1s. 4d. per share, free of United Kingdom tax—or the same as for 1952. They absorb £620,000 and leave £358,000 to be carried forward to new account against £351,000 brought forward.

The quoted share and debenture holdings of the Corporation had a market value at December 31st last of £14,862,000, which was £9,351,000 in excess of the book value. The similar figure of excess of market value over book value at the end of 1952 was £11,403,000 and the decrease is, of course, mainly due to the fall in the prices of mining shares which took place during the year.

The Corporation's chief interests continue to be centred in the South African gold mining industry. Before turning to the affairs of the companies under our administration I should therefore like to review briefly the results of operations by that industry during the past year, since many of the features mentioned in the course of such a review apply equally to the individual gold mines in the Union Corporation Group.

GOLD-MINING INDUSTRY

As a result of fluctuations in the dollar/sterling exchange rate the official price received by the industry for gold sold during the year averaged approximately 247s. 2d. per ounce fine, or 1s. 10d. less than in 1952. There was, too, a further substantial reduction in the premium received on gold sold for "industrial and artistic purposes" which declined from £3,699,124 in 1952 to £1,934,421 in 1953. The price on this free market fell steadily until, towards the end of the year, it reached parity with the official gold price so that the advantage gained by offering a proportion of the output for sale in this way fell away.

On March 22nd last the London Gold Market was reopened after an interval of 15 years. Although the resumption of free dealings in gold in London may not result in any direct immediate benefit to the gold mining industry, the re-establishment of an orderly and reputable free market for gold, with a relatively low cost of dealing and with excellent facilities for storage and re-export, must be to its ultimate advantage.

A further decline in the native labour supply and the demand on the available labour by the developing mines reduced the tonnage milled by the Witwatersrand and Orange Free State mines in 1953 by approximately 2 per cent to 58,772,000 tons. Owing to the higher yield of the new producers the overall yield of the industry increased from 3.767 dwt. to 3.893 dwt., so that the total gold output increased by 140,844 ounces fine to 11,440,830 ounces fine. Of this output, the new producers, that is to say, those mines that have reached production since 1951, accounted for approximately 9 per cent.

URANIUM REVENUE

The fall in the price of gold reduced the working revenue, excluding uranium, by approximately £800,000 to £144,132,577 and, as total working costs rose by more than £4,750,000 to £107,306,956, the working profit declined by just over £5,600,000 to £36,825,621. The estimated profits from uranium declared by the first five uranium producers, amounted to approximately £1,800,000, after payment of interest. The total working profits of the industry, therefore, including uranium, amounted in round figures to £38,600,000, or nearly £4 million less than in 1952.

From this profit a little over £8 million was appropriated for capital expenditure and other items. Provision for taxation and Government's share of profit is estimated at £12,283,000, or £3,054,000 less than in 1952. Net dividends distributed to shareholders decreased by just under £1,600,000 to £18,207,830.

Working costs for the whole industry rose during 1953 by the same amount as in 1952, namely, 2s. 4d. per ton milled, and averaged 36s. 6d. per ton milled. To some extent the figures of working costs for the whole industry last year were inflated by the present high working costs of the new producing mines. But the bulk of the increase was due to further rises in the costs of labour, stores and power, and the higher incidence of standing charges on the smaller tonnage milled by the older producers. The supply position as regards stores and materials eased greatly during the year under review, so that the commodities which the mining industry requires were more freely available, and it was no longer necessary to carry such large stocks as formerly. But, with few exceptions, the cost of stores continued to increase. To a large extent this has been due to increases in the cost of transport, particularly to the increase of nearly 14 per cent in railway rates introduced in August of last year.

ORE RESERVES

The increase in costs rendered unpayable still further tonnages of marginal ore previously included in ore reserves so that, although the total development footage accomplished by the industry in 1953 was slightly higher than in 1952 this was insufficient to maintain the former level of ore reserves which declined by over 8 million tons to 167,862,000 tons. In conformity with the higher pay limit the average grade of ore reserves was 0.16 dwt. higher at 5.12 dwt.

Early this year the native labour supply showed a welcome increase and the peak figures of some 312,000 natives employed in April last is the highest figure attained in the past four years. While some of this increase may be due to normal seasonal fluctuations in the flow of native labour, it is apparent that the efforts made by the industry last year to improve the supply of native labour have proved beneficial.

In considering the results of operations by the gold mining industry during the past two years, one must remember that the industry as a whole is in a period of transition. The bringing into production of new mines in the Orange Free State and the Far West Rand and the advent of uranium production has thrown a considerable strain on the industry's resources.

NEW PROPERTIES

Thus in 1953, out of the 49 producing mines no less than eight had only been milling since 1951 and were therefore still building up a capacity. There were, in addition, 12 new properties at various stages of shaft-sinking and development. At the year end these 20 new mines absorbed between them about one-sixth of the total underground native labour strength available to the industry and probably a similar proportion of European labour. In the light of these considerations one must recognise the magnitude of the achievement of the 41 older producers in producing for the country gold worth some £130 million, in distributing to their shareholders more than £17,750,000 by way of dividends and in contributing to the State nearly £12 million by way of taxation and lease payments.

When considering the amount of taxation and lease payments made by the industry, account must be taken of the fact that, through amortisation allowances, all uranium mines are at present able to offset against profits considerable sums from capital expenditure on their uranium plants. While this new branch of the industry is expanding rapidly, profits from uranium production are still comparatively small and accordingly the bulk of the amortisation of the uranium plants is being set off against profits from gold mining.

It must be expected that during the current year a still larger proportion of the industry's resources will be absorbed by the new producing and developing mines. The new producers will, however, contribute a larger proportion of the industry's gold output and profits therefrom.

Let me now turn to the affairs of the gold mining companies under our administration and of some other companies in which we are interested.

GOLD INTERESTS

East Geduld Mines, Limited.—The ore milled in 1953 was 1,610,000 tons and the net profit was £1,760,031. Dividends totalling 3s. 6d. per unit of stock were declared and £551,079 was carried forward.

Geduld Proprietary Mines, Limited.—The ore milled was 1,125,000 tons and the working profit therefrom £361,890. Income from investments, principally from holdings in East Geduld Mines and the Grootvlei Proprietary Mines, was £622,284. The net profit was £874,498. Dividends declared totalled 11s. 6d. per share and £327,685 was carried forward.

The Grootvlei Proprietary Mines, Limited.—The tonnage milled was 2,203,000 tons and the net profit was £1,346,917. Dividends totalling 2s. 3d. per unit of stock were declared and £606,203 was carried forward.

Marievale Consolidated Mines, Limited.—The tonnage milled was a record at 749,000 tons and the net profit was £450,525. Dividends declared totalled 1s. 9d. per share and £465,430 was carried forward.

St. Helena Gold Mines, Limited.—The tonnage milled in 1953 increased to 799,000 tons and the working profit therefrom was £330,348. In development work the percentage payability showed a distinct improvement and there was also an increase in the in.-dwts. of the payable footage. The reduction plant is being expanded to a capacity of slightly more than 100,000 tons per month. The profitable exploitation of this company's large lease area will call fairly soon for an additional vertical shaft to be followed in due course by a further expansion of milling capacity.

Van Dyk Consolidated Mines, Limited.—The ore milled was 1,022,000 tons and the working profit was £34,552. Development work in No. 5 Shaft area has continued to disclose severe faulting and folding of the reef with erratic gold values. The mine is making only small profits and there is little promise of an improvement unless much better development results are obtained in the No. 5 Shaft area.

OTHER MINING INTERESTS

San Francisco Mines of Mexico, Limited.—During the year ended September 30, 1953, this company milled a record tonnage of 693,000 metric tons, despite a strike which lasted for a fortnight.

The sharp fall in world prices for lead and zinc caused a substantial reduction in revenue, while costs rose because of the considerable increase in wages. The net profit, after providing for taxes, fell from £970,000 to £255,000 but, against this, the extension of full unilateral relief from Mexican taxes granted by the United Kingdom Government enabled the company to credit its appropriation account with £400,000 previously provided for taxation now no longer required. This permitted the payment of a bonus of 2s. per unit out of the non-recurring tax credit in addition to a dividend of 2s. per unit out of the profits for the year—making a total distribution of 4s. per unit against a dividend of 6s. per unit in the previous year. In the first six months of the company's present financial year metal prices and earnings have been disappointing.

Recently the Mexican Government has devalued the peso from P.8.65 to P.12.50 to the dollar and concurrently has increased the export taxes payable on metals exported, thereby appropriating at its source the larger part of the benefit which might otherwise have accrued to the mines.

OTHER INTERESTS

Bay Hall Trust, Limited, declared a dividend of 7½ per cent, free of United Kingdom income-tax in respect of the year 1953, compared with 7 per cent, free of tax in the previous year. At the end of the year the appreciation of its holdings over book cost amounted to £450,948.

British Enka, Limited.—Improved trading conditions during 1953 enabled the company to produce at full capacity and to sell its entire output. After providing £286,000 for depreciation and £351,000 for United Kingdom taxation, the consolidated net profit of the company and its subsidiaries for the year ended December 31, 1953, was £351,000. This was a welcome recovery from the previous year when, after writing down stocks, a net loss of £95,000 was incurred. The directors have transferred £100,000 to general reserve and recommended the payment of a dividend of 10 per cent, which will absorb £103,000, leaving £184,000 to be carried forward.

South African Pulp and Paper Industries, Limited, again increased its production and sales from its Enstra Mill. For a variety of reasons our hopes for an even larger increase in output were not fulfilled. The net profit was £334,947, and dividends declared for the year amounted to 2s. per share. Good progress was made with the construction of the Tugela Mill and the first trial runs of Kraft pulp and paper are expected to take place soon.

EXPLORATION

As mentioned in the directors' report drilling operations by Capital Mining Areas, Limited, have indicated the existence of payable Kimberley Reef covering a limited area, which it is believed will prove to be sufficiently large to justify underground prospecting in due course. Drilling is being continued by Capital Mining Areas. In addition, prospecting work in the Bethal and adjoining districts of the Transvaal is being carried out by the other five exploratory companies formed in the latter part of 1952, though so far nothing of economic importance has been disclosed in the area tested by these companies.

Before finishing this review of the past year I should like to say how greatly pleased his colleagues were that Viscount Leathers was able to rejoin the board of the corporation.

In conclusion I should like to take this opportunity of expressing our thanks to the staff of the Corporation, both in South Africa and London, and to the managers, staff and employees of the companies under our administration for their loyal and efficient services during the past year.

The report and accounts were adopted and the retiring directors were re-elected. Owing to insufficient representation of capital the meeting was adjourned to June 1, 1954, at 11 a.m. for consideration of the business requiring the passing of special resolutions amending the minimum period of notice of meetings and absolving the Corporation from compliance with Section 70 quin (9) of the Companies Act.

At the adjourned meeting the special resolutions were passed.

TAYLOR WOODROW LIMITED

A SATISFACTORY YEAR'S TRADING

The annual general meeting of Taylor Woodrow Limited was held on May 28th in London, Mr Francis Taylor (chairman and managing director) presiding.

The following is an extract from his circulated review:

It has been my privilege in previous years to report the continued progress of our company, and I am very happy to advise you that 1953 has followed that satisfactory trend.

The statement then reviews the promising recent acquisitions in Canada and Iraq, and continues:

The profit on trading is £772,002, taxation takes £350,000 and after providing for depreciation, directors' fees, salaries and interest on fixed loans, we are left with a net balance of £124,000, compared with £63,691. A final dividend of 12½ per cent, less tax, is recommended, making 20 per cent for the year. In addition resolutions will be submitted at the annual general meeting to implement the directors' proposals to give to the holders of the ordinary shares, one new share for every five held.

Since competition is hardening, I will not attempt to prophesy, but your directors hope to maintain the position during the current year.

BUILDING AND CIVIL ENGINEERING

Our construction company continues to progress in virile fashion.

In the field of opencast coal, we continue at a steady pace and in 1953 we produced over half a million tons.

Among other things, this country very badly needs a major road programme. We are ready to play an important part in this, and our road surfacing subsidiary will be ready to bear its share of the work.

Our woodworking company has made good progress during the year.

Building Exports: Although we secured a good volume of business during 1953, price margins were much narrower.

We played no mean part in aiding the Government to exceed its target of 300,000 houses in 1953. The easing of the licensing situation has enabled us to re-enter the market of building houses for sale and we shall take full advantage of this wherever opportunity presents itself.

If we compare the cost and value offered to our purchasers with that of similar houses built by local authorities with a subsidy, to me it would seem clear that the way to solve the housing problem is to leave it to competent free enterprise builders experienced in that field of operations.

After reviewing the company's widespread overseas interests, the statement continues: In my frequent journeys about the world, I am becoming increasingly aware of competition from continental contractors, and it is evident that they are making bids (that are being accepted) for works at prices that we know to be well below the true value of the costs.

This, in my opinion, is made possible by help from their Governments by way of tax relief or other concessions. I hope that something will be done to allow us to compete in world markets under conditions no less favourable than those enjoyed by our foreign competitors.

The report was adopted, and the dividend and bonus issue approved.

THE DAILY MIRROR NEWSPAPERS LIMITED

LIVELY PROGRESS AT HOME AND OVERSEAS

MR CECIL H. KING'S STATEMENT

The thirty-fourth annual general meeting of The Daily Mirror Newspapers Limited was held on May 28th, at the Memorial Hall, Farringdon Street, London, E.C. Mr Cecil H. King, chairman and managing director, said :

As you will have seen from the printed accounts, the Daily Mirror company's profits before taxation are down by £176,485: after taxation are up by £46,817. We recommend that the dividend remains the same as last year. The prospects are for broadly similar results next year.

Our gross revenue from newspaper sales and from advertisements was substantially larger than last year, due to increased circulation and more pages. These satisfactory factors were counterbalanced by increased costs, particularly wages. The price per ton of newsprint dropped slightly, but our consumption of it increased. We spent more on improving the paper, and the result has been an increase in sale to a point where in South-East England we outsell our leading competitor by about three to two.

In the balance sheet, machinery and plant stand at a higher figure due to the continued equipping of our Stamford Street establishment, and newsprint stocks this February are shown to have been below last year's level.

155,000 INCREASE IN SALE

For the half-year July to December 1953, compared with the same half-year in 1952, our sales increased by 155,000: the *Daily Express* gained 40,000, and the *Daily Mail, Daily Herald* and *News Chronicle* all suffered decreases. We thought the *Daily Sketch* might prove a competitor in a small way, but this has not yet been the case. The big event in the *Mirror's* year was the Coronation issue of which we printed and sold something over 7 million copies.

A little known part of our activities is the publication of an overseas edition which consists of six consecutive *Daily Mirrors* and a *Sunday Pictorial* bound together in a yellow paper cover. The sale of this publication has tended steadily upwards over the years, and is now about 125,000. It seems to be becoming a kind of international news magazine, as I have seen regular readers of the most diverse origin—a Lebanese in West Africa: a Burmese lady in Rangoon: and an Australian who had only been in this country for a very short time twenty years ago.

NEW PLANT NEARS COMPLETION

In the past year our new plant in Stamford Street near Waterloo Station has been under construction. It has had more than its share of teething trouble but we hope will be in full production some time this year. When it is complete, it will be the finest newspaper printing plant in the world. We are also discussing a printing plant in Manchester and have acquired a suitable site. No decision on this has yet been made.

As you may know, we have for some 18 months sponsored the National Youth Orchestra of Great Britain, which has given very successful concerts at the Royal Festival Hall and at the Edinburgh Festival: also recently at Birmingham, Wolverhampton and Newcastle. In pursuance of the same policy of encouraging, where suitable, cultural activity of interest and value to the youth of this country, we launched a new literary weekly, *The London Magazine*, under the distinguished editorship of Mr John Lehmann. On past experience we had anticipated a sale of 5-10,000, but the average sale of the first three issues exceeded 20,000.

'PUBLISH AND BE DAMNED!"

The editorial director of our group, Mr Hugh Cudlipp, wrote a book "Publish and Be Damned!" to commemorate the Jubilee of the founding of the *Daily Mirror*. It received, in the main, favourable reviews from all over the world. It was amusing to notice that, though it was a best seller, it was more or less ignored by the London morning press. We rather expected some fun to be had at our expense, but newspapers as widely different as the *Sunday Times* and the *Daily Express* were suddenly stricken with total blindness and failed to notice the existence of this lively and amusing best seller.

CANADIAN PROFIT OVER 50% UP

Turning to our main interests outside the *Daily Mirror*, I have to report that our subsidiary, the Anglo-Canadian Pulp and Paper Mills Limited, had a much better year and profits were, as anticipated, more than 50 per cent up on the previous 12 months. The demand for its products—newsprint, sulphite pulp and board—continues good, and profits for the current 12 months may well be somewhat better than for 1953. The main event of 1953 was the acquisition of the shares in the Dryden Paper company for a price of about $60 each, payable partly in Anglo-Canadian common shares and partly in cash, the latter being raised by the issue of $8 million worth of Anglo-Canadian preference stock. This issue was very well received by the Canadian market. The total purchase price represented about $13 million, which was a figure big in relation to the previous price of the shares but small in proportion to the replacement cost of the assets.

The importance of this deal lies in the fact that we now have a substantial stake in the kraft paper-making business and that the mill at Dryden is capable of very large expansion by using the vast timber limits that lie all around. We are very pleased with our new acquisition and are confident that in time it will make an important contribution to the profits of our group. The profits of the Dryden company will be considerably increased this year, partly owing to greater output and partly owing to better prices for its products.

PROSPECTS IN CANADA

The future of the Anglo-Canadian company largely depends on the newsprint consumption of the United States. Substantial quantities are shipped to the UK and to Canadian consumers, but the big market is the United States, where the demand for newsprint is very strong. The Dryden company, on the other hand, while exporting some kraft pulp to the United States and to this country, depends mainly on its sale of kraft paper in the Canadian market, particularly in the Prairie Provinces. The snag about the American market for kraft pulp is that it is so volatile: the trouble about the Canadian market is that it is as yet small, and so very spread out. But the foundation of any paper undertaking in Canada is an adequate supply of pulp wood and in this respect both our Canadian companies are very well endowed indeed.

In seeking to diversify and expand our activities in Canada we picked on the Dryden Paper company as the most desirable acquisition, but many other propositions were studied and in particular we have an option on some timber limits in Northern Saskatchewan. There is plenty of good wood in the area and it is likely that oil and/or natural gas will be available there before long as cheap fuel. The development of such a property would be expensive and could only be undertaken if and when market prospects are set fair.

The total borrowing powers of the Daily Mirror company and its subsidiary companies are at present limited to the amount of the issued capital of the Daily Mirror company. I think you will all agree that there should not be anything that would adversely affect the natural development of our undertakings. It is for this reason that a proposal is being put before you for an increase in the borrowing powers of your company.

INVESTMENT IN HOME MILLS

And while on the subject of paper, perhaps I should deal with our other great paper interest—Albert E. Reed and Company in which our investment has been a great and growing one for over 30 years. Firstly, I should like to say how pleased we are that Lord Cornwallis has assumed the chairmanship of Reeds. He succeeds Sir Ralph Reed, who has retired after many years of devoted service both to the company and to the paper industry. Lord Cornwallis has important connections both in Kent, where he is Lord Lieutenant, and in the City. He has been a director of Reeds for some years and I am sure will contribute greatly to the future stability and prosperity of what is now the major British paper group.

It is well known that the paper trade of recent months has been doing well, and Reeds have announced substantially increased profits for their recently ended year. In the course of the last few months they made an offer for the shares of the Thompson and Norris Manufacturing company, which offer has been accepted. The significance of this deal is that Reeds will have a still greater stake in the packaging industry, which is one of the largest and the fastest growing sections of the paper trade.

Our Reed shares are regarded as a permanent investment, but we cannot help feeling gratified to notice that the shares in that company held by your company and by the Sunday Pictorial company have appreciated in market value by over £3 million in two years. The shares had certainly been very undervalued for a long time, and we have no doubt that the present price is well justified by the financial strength of that group.

SUCCESS OF ASSOCIATED PUBLICATIONS

And now for our interests in publications. The Sunday Pictorial company has had a good year—sales are buoyant, advertising is sold well forward and its profits are up. For the six months July-December 1953, it showed a circulation increase of 244,000 over the same period of the previous year. Its lead over its immediate competitor widened from 47,000 to 233,000.

Reveille Newspapers Limited is a company that stands in our books at a modest figure and whose ownership we share with the *Sunday Pictorial*. It is making a useful contribution to our profits, and as a result of starting *Midweek Reveille*, which had an instantaneous success, it seems likely that its profits for the current year will be higher than those for last. Our interest in this company is lumped in with other unquoted trade investments in a balance sheet total of £1,052,000, and it is clear that here, too, we have a substantial inner reserve.

INTERESTS IN AUSTRALIA

Our Australian interests are two—the Argus and Australasian Limited, and our interest in commercial radio stations in New South Wales and elsewhere. These latter continue to earn increasing profits which represent a very handsome return on our investment. The Argus and Australasian company is a much larger venture and one that has given us much anxiety. However, the trend over the last year has been of increasing sales and substantially reduced losses.

The board of the Australian company has been fortunate to secure the services of Mr Colin Bednall as managing director, and I believe that with his active and expert assistance they will speed up the return of their great newspaper to its rightful place in the Australian scene.

In West Africa we can now regard our Nigerian and Gold Coast daily papers, in conjunction with our newly-launched Sunday papers, as established profit makers. In six years the *Daily Times* of Lagos has risen from a sale of 8,000 at 1d. to one of 45,000 at 2d. It now reaches all the main centres of Nigeria each morning, and is proving its value to the communities of Nigeria in these times of rapid change in West Africa.

The *Daily Graphic* of Accra was started about 3½ years ago and we had thought originally a sale of 10,000 rising to 20,000 would be satisfactory. Actually, its sale is now 43,000 at 2d. and it is firmly established as the leading newspaper in the Gold Coast. The venture can now be considered to be through the development period and has been making profits for the last six months. It would seem likely that with the growth and expanding prosperity of the Gold Coast we shall enjoy an increasingly large return on our money.

In Freetown our little paper, the *Daily Mail*, is also making very reasonable progress, the sale having come up from 1,200 to 8,000 in the eighteen months since we took over. The erection of our new building is well advanced, and the plant shipped out a few months ago is gradually being brought into use. I am afraid the period of profitability is in the future, but West Africa is developing fast, and a population of well over two million in Sierra Leone can well sustain a profitable newspaper enterprise.

NEW HEAD OFFICE PROPOSED

Immediately after the war we bought a site on Holborn for a new head office for the company. Various efforts have been made to induce us to sell the site at a handsome profit but we have now applied for a building licence. It is our hope that with our new plant in Stamford Street, our new office and printing plant in Holborn and perhaps a plant in Manchester, we shall be as well equipped as any newspaper anywhere to cope with the future.

Such a building programme would enable us to vacate both the inadequate sites, Geraldine House and Back Hill, from which at present we get a production not contemplated when these buildings were erected and equipped.

I should like to close with an expression of thanks to all the employees, both at home and abroad, whose able services have been the foundation of your company's successful year.

The report and accounts were adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

RECORD CROP

SIR ERIC MILLER'S SPEECH

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

Sir Eric Miller (the chairman) in the course of his speech, said: We reopened further rubber areas as labour became more readily available, and an average of 85 per cent of the planted area was in production during the year 1952-53. The resultant crop of 13,861,964 lb was the highest in the history of the company. The fact that we turned out more than 1,000 tons of sole crepe helped to improve the average price secured for our rubber. The directors are glad to be able to recommend for the third successive year a dividend of 10 per cent, less income tax.

The net current assets of the group at August 31, 1953, were approximately £680,000—equivalent to 11½d. per 2s. unit of stock, of which about 9d. is held in the United Kingdom—so that it will be seen that we are reasonably well equipped financially to follow up any real improvement in the outlook in Indonesia.

The government there has, however, still to create the conditions in which its desire to attract foreign capital to the country is likely to find any widespread response. It remains to be seen what effect their decision to exempt enterprises established in 1954 or later from liability to the new 66⅔ per cent levy on profit and similar remittances will have. We feel that such unfair discrimination will be untenable in the long run.

In the first eight months of our current financial year our crop of palm-oil was much the same as in the corresponding period of the previous year. Our rubber crops were, however, down by about 5 per cent due to unfavourable weather, latex stealing and, above all, to the most unsatisfactory behaviour of the labourers on some of our estates where deliberate "go-slow" tactics have been pressed by subversive elements.

ATTITUDE OF LABOUR

North Sumatra possesses soil and climatic conditions which compare favourably with other parts of S.E. Asia, but it is suffering acutely from the present attitude and demands of labour. Those, like ourselves, who have done much to develop the economy of the territory naturally deplore the damaging effect of communist infiltrators amongst the workers who, had they been left to follow their natural instincts, would give much better service for the good wages they draw in cash and kind. Likewise it grieves one to see the deterioration which has overtaken the economy of Indonesia, where reserves are rapidly vanishing whilst Governmental indebtedness mounts with alarming speed.

Another Study Group Meeting has been held from which nothing particularly helpful has emerged beyond recording the narrowing margin between estimated production and consumption of natural rubber and synthetics. Today is the date by which bids have to be lodged for such of the synthetic production facilities now owned by the US Government as private enterprise may wish to acquire, but it will be some time yet before the natural rubber industry can take the measure of the competition it will have to face in the future.

The report was adopted.

BRIXTON ESTATE

The annual general meeting of Brixton Estate Limited was held on June 1st in London, Lt-Col Sir Francis Humphrys, GCMG, GCVO, the chairman, presiding.

The following is an extract from his circulated statement:

Properties: Small additions have been made to some of our properties, including improvements during reinstatement under War Damage.

Gross Income: Shows an increase of £10,300 to £146,871, and net profit, subject to tax, has risen by £6,728 to £92,318.

Net Revenue: Of this profit of £92,318, taxation takes £50,908, or over 11s. in the £, leaving a net revenue of £41,409, an increase of £5,297 over the net revenue for 1952.

Bonus Issue: During the year a bonus issue was made by issuing one new ordinary share for every three shares held.

War Damage Repairs: The reinstatement of the Office Block at our Brixton property was completed during 1953 and it is now producing revenue.

The final work under War Damage at our Brixton property should be completed during the coming twelve months.

Future Prospects: The easing of building licences should have a beneficial effect on the activities of our associated company. It is hoped that this will in due course be reflected in the increased dividends received from it.

Dividend on Ordinary Shares: Two interim dividends amounting to 15 per cent, less tax, have already been paid on £150,000 of capital, and a final dividend of 10 per cent, less tax, is now recommended on the increased ordinary capital of £200,000.

The report was adopted.

M. F. NORTH LIMITED

The forty-second annual general meeting of M. F. North Limited was held on May 31st, in London, Mr C. W. Black, JP, MP (the chairman), presiding. The following is an extract from his circulated statement:

The company's hotels enjoyed their share of the additional business which came to London by reason of the Coronation, although, as usually proves to be the case when special events of this nature take place in London, there was a compensating recession in business for periods both before and after the peak demand. Taking the year as a whole, the total receipts of the company showed a small increase over the figure for the previous year, but this was offset by additional expenditure incurred for the purpose of Coronation festivities, and also by abnormal expenditure on repairs and renewals which happened to fall due this year.

Profit on trading shows a small decline from £84,880 in 1952 to £82,947 in 1953. The amount available for taxation, reserves, and dividends amounted to £72,206, as compared with £72,590 a year ago. Your directors recommend a final dividend of 11 per cent, making 18 per cent, less income tax, for the year which represents a modest improvement as compared with previous years.

We join in the general and profound regret that it has not yet been found possible to lessen further the burden of purchase tax which falls very heavily upon our industry and by increasing the expense of hotel operation has prevented the more rapid introduction of many developments and improvements which we all desire.

Your directors face the future with confidence, and see no reason why the business of the company's hotels should not be satisfactorily maintained. The report was adopted.

NATIONAL BANK OF NEW ZEALAND

FURTHER STEADY GROWTH OF BUSINESS

SIR SYDNEY PARKES ON INDUSTRIAL CONDITIONS

The annual general meeting of The National Bank of New Zealand will be held on July 1st, in London.

The following are extracts from the circulated statement of the chairman, Sir Sydney Parkes, CBE:

In presenting the accounts for the year ended March 31, 1954, I am able to report further steady growth in the bank's business, which can be regarded as the normal development we should expect now that the exceptional factors causing heavy fluctuations in our figures last year have ceased to operate. On turning to the balance sheet you will see that deposit and current accounts at £54,572,000 show an increase of nearly £4 million. Bills payable and other liabilities at £4,603,000 show little change. On the other side of the balance sheet our liquid assets stand at £26,832,000, equal to 45 per cent of the total liabilities. Investments at £6,314,000 show an increase of £3,148,000 over the figure last year. This change is due mainly to an investment in State Advances Corporation Bonds, guaranteed by the New Zealand Government, maturing in seven years. For some time now the trading banks have been unable to invest in New Zealand Government Securities so we welcome this opportunity of investing some of our liquid funds in this way. Advances at £29,415,000 are less than last year by nearly a million pounds.

The net profit brought in after providing for taxation is £213,227, being a small decrease on the previous year. The fall in profits is chiefly attributable to a drop in the average of our lending which is greater than is reflected in the actual advance figures at the end of the last two years. It will be remembered that in the early part of the year 1952-53 our advances were unusually high in financing the heavy volume of imports during the short period that import restrictions had been lifted. Another factor influencing the profits is the continuous growth of staff costs and running expenses, which have trebled in the past eight years.

ALLOCATIONS

In dealing with the profit of £213,227, the sum of £100,000 has been allocated to contingency account and an interim dividend of 3 per cent actual, less United Kingdom income tax at 9s. in the £ was paid in January last. The directors now recommend for your approval a final dividend of 7 per cent actual, less United Kingdom income tax at 9s. in the £, making a total of 10 per cent for the year and leaving an increased amount of £135,620 to be carried forward to next year's account.

During recent years we have followed a very conservative policy in our distribution of profits so as to build up the inner reserves of the bank. It is felt that these have now reached a point where we can justifiably recommend to you the payment of a higher dividend. Also, we considered it desirable to strengthen the general reserve by the transfer of £500,000 from the contingency account so that our published reserve fund now totals £2 million and equals the amount of the paid-up capital.

During the year there has been a good increase in the number of customers on our books. New branches have been opened at Matamata and Te Puke and the agency at Tokoroa was converted into a branch. We now have 132 branches and agencies and we are constantly on the look-out for opportunities of new development.

PRIMARY INDUSTRIES

In most places of the Dominion the spring was wet and cold but the summer has been dry with drought conditions prevailing throughout the greater part of the North and South Islands. Although these conditions are not favourable to the dairy industry, it is unlikely that there will be any substantial drop in the output this season. The quantity of butter and cheese purchased for export up to February 28th was 195,600 tons, a reduction of 11,800 tons on the quantity for the same period last year. The United Kingdom Ministry of Food agreed to a price increase for this season's butter and cheese of approximately 3¾ per cent in terms of the bulk buying contract.

Export killings of meat for the first six months of the current season were 218,000 tons, an increase of 29,000 tons on the first half of last year. Schedule prices for lambs were adjusted to encourage early killing which accounted for a part of the increase, but the dry season also forced farmers who were short of feed to send some of their stock to the freezing works, and as a result mainly of this latter factor total killings for the season will be higher than last year. Before 1939 the Dominion had developed a large export trade for chilled beef, but wartime food rationing and the bulk buying of meat brought this trade to an end, all beef having then to be exported in frozen form. The return to free marketing will provide a stimulus to the export of chilled beef, and it is pleasing to learn that the shipments which have already been made to the United Kingdom on a trial basis have arrived in excellent condition and have been well reported on by the meat trade.

Wool prices have been remarkably steady during the whole of the season, with the level slightly higher than last year. In some quarters the price of wool is still considered to be too high and it may be that producers will have to face lower values in the future. There has again been a gratifying increase in the quantity of wool produced and whilst this is mainly derived from a higher sheep population it has also been assisted by research work and improved methods of animal husbandry which have resulted in a heavier and better fleece.

Wheat sowings for this season are estimated at 110,000 acres compared with 139,000 acres for 1952-53 which will mean that substantial quantities of Australian wheat will have to be imported for local consumption.

BULK BUYING CONTRACTS

The bulk buying contracts between the United Kingdom Ministry of Food and the New Zealand Government for meat and dairy produce provide for discussions between the parties to the contracts. It has been mutually decided to cancel the meat contract as from the end of September next, but no decision has yet been made concerning the contract for dairy produce. The different meat companies in the Dominion are reviving their connections in the United Kingdom so as to provide suitable means for the disposal of their products when these come to be sold on a free market through normal trade channels.

The Government have done much in recent years to promote the growth of primary production and, largely as a result of their enterprise and encouragement, approximately 40,000 acres of new land are being brought into production each year. In addition to that, scientific research, aerial top dressing and other measures designed to improve production have increased the output of existing farms. The standard of living in the Dominion is dependent on the total of its export income from primary produce which in turn depends on the volume exported and the prices obtained. There has not been a free market for butter, cheese and meat in Great Britain for many years, so there must be some uncertainty about the future of export yields until the market has been tested under conditions of freedom. If there were a material fall in world prices, which might easily be the case, it would create a difficult problem of readjustment in the high and rigid cost structure now prevailing in New Zealand.

GENERAL TRADING AND INDUSTRIAL CONDITIONS

The Dominion's net overseas funds have increased from £101.9 million at the end of March, 1953, to £129 million at the end of March, 1954. The return of overseas receipts and payments issued by the reserve bank for the calendar year 1953 showed a surplus of receipts of £26 million against a deficit of £23 million the previous year. Control of imports (except motor vehicles which are subject to a special arrangement) is still maintained by the system whereby a basic allocation of overseas exchange, representing a percentage of the 1950 importations, is granted to importers; applications in excess of the basic figure being considered individually on their merits. This system has worked smoothly but it is hoped that economic conditions will soon permit the removal of exchange restrictions.

The total advances of the trading banks at March, 1954, were £149.5 million against a total of £141 million the previous year—a striking fall from the figure of £187 million at the end of March, 1952. The Reserve Bank continues to exercise control over trading bank loans for certain purposes and this policy, together with the quantitative control being exercised through the reserve ratios, should minimise the inflationary effects which could follow further increases in the total of trading bank advances in New Zealand.

Public issues of capital are still subject to the approval of the Capital Issues Committee which may have the effect of keeping private capital investment below the level it would otherwise reach. On the other hand, local authorities have experienced little difficulty in obtaining their requirements in the market. During the year the Government made an internal issue, in two parts, of £30 million 3¾ per cent 1953 National Development Loan, repayable 1962, issued at 98½ showing a yield of £3 19s. per cent, being an increase of 19s. per cent over the last loan in 1951. The State Advances Corporation recently increased the rate of interest for new loans on existing houses by ¼ per cent but the rate for mortgages on new houses remains unaltered. Apart from this increase there has been no material change in the rate of interest on mortgage loans and no alteration in the rates on savings bank deposits. There has been no change in the trading banks' interest rates for deposits and the minimum and maximum overdraft rates remain unaltered.

In April of this year the Reserve Bank announced an increase in its re-discount rate from 1½ per cent to 3½ per cent. The rate had stood at 1½ per cent since July, 1941. As the Reserve Bank pointed out when the change was announced, the raising of "bank rate" does not carry the same implications in New Zealand as it does in London or in other countries where highly developed money markets exist. It is, however, significant to the extent that it appears to be a declaration by the Reserve Bank of the belief that higher interest rates are appropriate to the conditions ruling in the Dominion at the present time.

CONTINUED UPWARD TREND IN PRICES AND COSTS

New Zealand's secondary industries continue to expand, additional factories are being established and existing plants extended. When the statistics for 1953 are available it is expected they will show that the total output and the value of the goods produced will exceed those of any previous year. Retail trade has been satisfactory with a higher turnover, stocks being in plentiful supply. There have been no major strikes or labour stoppages during the year; but the easing in the labour market which I reported last year did not continue for long and labour in general, but particularly in the skilled occupations, is at present difficult to obtain. This shortage of labour and the continued upward trend in prices and costs reflect the inflationary pressure still existing in the Dominion, which should be curbed as quickly as possible. Despite the difficulties involved in restricting Government expenditure in an expanding economy, it seems clear that every effort must be made to avoid inflation by confining Government spending within the limits of total Government receipts from all sources. The emergence of a deficit in the public finances would clearly aggravate the inflationary tendencies which already exist and which received a further pronounced impetus during the past year from the general wage increase granted by the Arbitration Court. This increase in wages had the effect of raising internal prices, which in turn must tend to provoke further wage demands. It is clear that this situation contains the threat of a never-ending spiral of rising wages and prices, and it is to be hoped that some other method will be found of dealing with the situation.

In September last, a milestone was passed in the utilisation of the Dominion's exotic forests. The large kraft pulp and paper mill established by New Zealand Forest Products Limited, at Kinleith, came into production and a continuous flow of kraft pulp and paper is being supplied to New Zealand and Australian markets. For the calendar year 1954, it is expected that 17,500 tons of paper and 26,000 tons of pulp will be manufactured, in addition to the company's large output of timber and timber products. Work is also being pushed ahead vigorously on the erection of the large newsprint and pulp mill of the Tasman Pulp and Paper Company Limited, and the new town of Kawerau, which is being built to house the staff and workers of the mill, is rapidly taking shape. It is expected that the mill will be in operation in the early months of 1955. A New Zealand Government Loan of £10 million has been raised in London to cover part of the cost of the mill, machinery and other equipment, and arrangements have been made with the Export-Import Bank for a loan of $16 million to cover the cost of equipment required for the project from dollar sources. Local expenditure is meanwhile being covered mainly by loans from the Government but it is intended to repay a large proportion of these loans later by a public issue of debentures and shares at a suitable time.

LIMMER AND TRINIDAD LAKE ASPHALT

A RECORD FOR OVER 80 YEARS

The eighty-second annual general meeting of The Limmer and Trinidad Lake Asphalt Company, Limited, will be held on June 25th in London.

The following is an extract from the circulated statement by the chairman, The Rt Hon Lord Courtauld-Thomson, KBE, CB.

The year under review has been one of the most successful in all our long history and is a record from every point of view.

For many years there has been a consistent trend of improvement in our trading profit. This year there has been an increase of £100,000 over the previous year in our trading profit and investment income, bringing the figure to close on £550,000. This is due to an increase in our turnover.

Our trading profit is largely whittled down by taxation. We make no special complaint about this. We do, however, most strongly resent that the Government should collect in petrol and other motor and road taxation £1 million a day, and out of this £365 million annual collection for road taxation they have, in the last few years, only ploughed back little more than £30 million a year.

Apart from its road work the company is, of course, actively engaged in the building industry, where asphalt is extensively used for roofs, floors and dampcourses. In addition, we lay decorative flooring in other materials, and on this side of our business the results were extremely satisfactory.

Having regard to our strong financial position we feel justified in looking forward to the future with confidence and hope.

RUBBER PLANTATIONS INVESTMENT TRUST

The forty-fifth annual general meeting of the Rubber Plantations Investment Trust, Limited will be held on June 23rd in London.

The following is an extract from the circulated address of the chairman, Sir Eric Macfadyen:

The book cost of the Trust's investments at March 31, 1954, was £1,874,290, comparing with £1,822,280 a year ago. Mainly as a result of advantageous changes in the portfolio and improvement in its value, the market valuation of all investments came within £263,038 of book cost—an appreciably better experience than the previous year's when the depreciation was £488,388. The actual break-up value of the 2s. stock unit, at the date of the accounts, was 2s. 0½d.

The year's revenue was £129,471 which is reduced by £56,739 on account of taxation to £72,732; including the balance brought forward from the last accounts, £142,491, and after providing for the expenses of the Trust, we have £215,223 in all available. We transfer £50,000 to general reserve and we recommend the payment of a dividend of 7 per cent, which will cost £66,550 net. The balance to be carried forward will then be £98,673.

The Trust's holdings afford a representative cross section of plantation investments; rubber, tea, coffee, vegetable oils, fibres, etc., but particularly rubber and tea. We all know that the profits of the rubber and tea industries are subject to wide fluctuations, which necessarily have their effect upon the results of a Trust mainly interested in these commodities. With the object of levelling out to some extent these fluctuations by a more flexible investment policy the directors intend to include in the portfolio, in future, a greater proportion of non-plantation shares, on their investment merits, than hitherto.

GUARDIAN ASSURANCE COMPANY LIMITED

ANNUAL GENERAL MEETING—2nd JUNE, 1954.

Chairman— The Rt. Hon. Lord Blackford, D.S.O., D.L., J.P.

Extracts from the Directors' Report.

LIFE DEPARTMENT.

Net new sums assured amounted to £8,661,312 being a slight reduction on the previous year. Immediate Annuities were issued in consideration of Single premiums of £1,117,853 and Deferred Annuities for single premiums of £307,529 and annual premiums of £60,250.

The net rate of interest earned on the fund was £4.3.6% and the fund increased during the year to £23,635,639.

REDEMPTION ASSURANCE ACCOUNT.

A valuation at the end of the year revealed a surplus of £36,931 of which £25,000 has been transferred to Profit and Loss. The fund at the end of the year after the transfer was £3,673,996.

FIRE DEPARTMENT.

The net premium income increased during the year by £142,019 to £4,486,954. The loss ratio was 42.6% and after providing for unexpired risks on the usual 50% basis the surplus transferred to Profit and Loss was £648,830.

ACCIDENT AND GENERAL DEPARTMENTS.

The net premium income increased during the year by £591,381 to £5,227,172. The loss ratio was 50.6% against 55% in 1953 and after providing for unexpired risks on the usual 45% basis the surplus transferred to Profit and Loss was £545,387.

MARINE DEPARTMENT.

The net premiums amounted to £1,411,756 against £1,508,917 in the previous year. After a transfer of £210,779 to Profit and Loss the Marine Fund was £1,920,969 representing 136.1% of the premium income.

PROFIT AND LOSS.

After making full provision for taxation, including that on the Profit for the year and after transferring £400,000 to General Reserve and providing for the increased final dividend recommended by the Directors of 3/6d., less Income Tax (3/- in 1953) on each ordinary share and meeting the cost of the Preference Dividend for the year the balance carried forward was £367,283.

BALANCE SHEET.

The total assets of the Company and its subsidiaries increased during the year by £5,508,863 to £48,405,603.

ALL THE PRINCIPAL CLASSES OF INSURANCE TRANSACTED.
The Company undertakes the office of Trustee, Executor and Administrator.

Head Office: 68 KING WILLIAM STREET, LONDON, E.C.4.

CAMMELL LAIRD & COMPANY, LIMITED

SATISFACTORY YEAR DESPITE CONTINUING DIFFICULTIES

CAPITAL DIVIDEND AND SCRIP BONUS ISSUE

MODERNISATION AND DEVELOPMENT OF BIRKENHEAD SHIPYARD

MR J. C. MATHER ON NEED FOR INDUSTRIAL STABILITY

The ninetieth annual general meeting of Cammell Laird & Company, Limited, was held on June 2nd at Birkenhead, Mr J. C. Mather, JP, the chairman, presiding.

The following is the chairman's statement, which had been circulated with the report and accounts: During the year Sir Archibald Boyd, who has been associated with your company throughout his business career and for the last twenty years has been managing director of Metropolitan-Cammell Carriage and Wagon Company, Limited, was appointed to the board and will come before you for re-election.

A resolution will also be submitted for the election to the board of Mr E. Bernard Jones, who is retiring on June 30th after more than 50 years' service with the company. Mr Bernard Jones commenced his service as an apprentice with Laird Brothers, and, after holding various appointments, has been secretary, chief accountant and a local director since 1943.

Mr P. J. T. Macaulay, one of our leading engine draughtsmen, was awarded the BEM in the Coronation Honours List, and I am sure you will share our pleasure at this recognition of his services in connection with our Admiralty work.

In spite of continuing difficulties, we have again had a satisfactory year, and I would like to pay tribute to all those who have worked together to produce these results, the managing director, the management, staff and workpeople.

BALANCE SHEET

Dealing first with the assets shown in the balance sheet, you will note that the book value of our fixed assets is £113,000 higher than a year ago, additions less realisations being £224,789 and depreciation £111,740.

The increase of £40,000 in trade investments represents further and final calls on our interest in the two Tugs to which I referred last year.

Under current assets, stock-in-trade and work-in-progress show an increase of nearly £4½ million, chiefly accounted for by long term contracts: against this, instalments received are £3 million higher, making the net increase about £1½ million.

Our investments have been kept under constant review and changes have been made from time to time which, in the opinion of your board, have resulted in greater strength and flexibility and, incidentally, produced a book profit of £38,000. You will note that the market value of these investments on December 31, 1953, was £280,000 in excess of their book value.

RESERVES

Considerable progress has been made with the plans for the modernisation and development of the shipyard at Birkenhead to which I referred last year. The new welding bay is now in full production and a start will be made on the construction of a new drydock for large tankers as soon as the scheme has been approved by the authorities concerned. An extensive programme of reconstruction is essential to maintain the yard in a competitive position and further plans are receiving careful consideration.

In regard to the re-acquisition of an interest in the English Steel Corporation, to which I referred last year, I am very disappointed that I am again unable to tell you anything more definite than that negotiations with the Realisation Agency are still proceeding.

After allowing for all foreseeable commitments, your board is now satisfied that approximately £2 million of our reserves are surplus to requirements and it is therefore proposed to distribute 2s. 6d. per ordinary stock unit as a capital dividend.

Your board feels that the issued capital should be brought more into line with the capital employed in the business and subject to the consent of HM Treasury a scrip bonus issue of one 5s. share for every two ordinary stock units held, will be proposed at the annual general meeting.

The various changes in the reserves necessary to implement these proposals are explained in Note 1 to the accounts. Capital reserve has been closed, partly by transferring to capital bonus reserve the sum of £1,606,238, which with the profit on sale of securities (£38,347) and a transfer of £130,415 from general reserve, provides the sum of £1,775,000 required for the proposed scrip bonus issue. The remainder of capital reserve (£4,110,303) has been transferred to capital profit reserve, against which the proposed capital dividend of 2s. 6d. per ordinary stock unit has been charged. The payment of this capital dividend involves a profits tax charge of £355,000 (20 per cent) which has been debited to general reserve. Resolutions will be submitted at the annual general meeting to cover these proposals.

It gives your board satisfaction to be able to take this further step towards restoring the loss which shareholders suffered when the capital reconstruction took place in 1932.

PROFIT AND LOSS ACCOUNT

Trading profit is £53,000 higher at £1,142,473 after taking into account the same amount of profit on work-in-progress as last year. Income from investments is down by £35,000, mainly due to realisation of securities.

After allowing for an increase in taxation of £24,000, the net profit brought into appropriation account is only slightly higher than last year, but net profit applicable to previous years, amounting to £220,000, can now be brought into account. Adding £184,693 brought forward from 1952, and deducting the interim dividend, the available total is £966,334, and your board's recommendations for the allocation of this sum are contained in the directors' report. The dividend for the year is maintained at 15 per cent by the payment of a final dividend of 10 per cent but it is proposed that a special bonus of 4 per cent free of tax should be paid from the additional profit mentioned above. £250,000 is being transferred to capital reserve for increased replacement costs of fixed assets and £185,415 to general reserve, bringing the total of that reserve to £1,850,000.

METROPOLITAN-CAMMELL CARRIAGE AND WAGON COMPANY, LIMITED

The Metropolitan-Cammell Carriage and Wagon Company, Limited, started the year with a record order book and also achieved a new record in deliveries from their railway rolling stock factories. This was largely attributable to the greater supplies of steel which became available to enable the level of employment and greater productive efficiency to be maintained, particularly during the latter part of the year.

Over 70 per cent of the value of output was against export orders, including passenger coaches for South Africa, Rhodesia, Ceylon and Egypt. Large numbers of wagons also were shipped to Commonwealth countries and to Argentina. A new development was the completion of ten diesel electric locomotives for the New South Wales Government Railways. Whilst all these overseas railways' requirements were being fulfilled over 200 new standard steel coaches and 2,500 wagons were delivered to British Railways.

However, the value of orders received during the year was appreciably lower than the total of deliveries. This reduction in balance reflected the combined effects of a falling off in inquiries owing to decreased purchasing power, and intensified competition from European and other overseas manufacturers who have been quoting low prices and early deliveries and have also offered extended credits. Since these highly competitive conditions will continue, greater productive effort to reduce costs and further Government assistance in provision of credit facilities will be necessary to retain overseas markets.

Included in the company's production programme for the present year are a number of coaches of light alloy construction for the East African Railways, and many more passenger vehicles and freight wagons for that and other overseas territories. Manufacture of coaches and large numbers of wagons for British Railways will also continue.

In its 'bus building factory, the company completed two large contracts for "Olympic" vehicles for Argentina and continued production against contracts for 'bus bodies for London Transport Executive and other operators in this country. Following the fulfilment of the heavy postwar renewal programmes of most large public transport operators, there has been a considerable falling off in new orders. The company, however, secured a substantial share of the reduced volume of work obtainable at home and is hoping to obtain further overseas orders, though here again competition is very keen.

BIRKENHEAD SHIPYARDS

At our shipyards here in Birkenhead 1953 has proved another busy year for all departments. We launched eight ships totalling 61,750 gross tons and delivered nine ships totalling 71,973 gross tons. The main propelling machinery and boiler installations for the ships represented by this tonnage have, in the majority of cases, been built here in our works.

In addition to these merchant ship contracts your company has been busily engaged on important ship, engine, and boiler construction for the Royal Navy, and I am pleased to report that HM aircraft-carrier *Ark Royal* will shortly be undergoing builders' sea trials.

Our shiprepairing department has dealt with 152 ships during the year, and the contracts undertaken included the re-preparation of the s.s. *Gothic* for the Royal Tour, and two extensive refit jobs for the Royal Navy.

Since my last report I am pleased to say that there has been a great improvement in steel supplies, which we hope will be maintained, and this, coupled with the new welding bay, should enable us to speed up our output.

Since the Second World War we have found it difficult to obtain certain classes of skilled employees, and this is, to some extent, due to the creation of new demands for labour from additional industries that have been established in fairly close proximity to our works.

At the end of the year our order book included 14 tankers, one ore carrier, one first-class passenger/cargo liner, one passenger ship, three insulated fruit ships, one bulk sugar carrier, nine general cargo vessels and work on hand for the Admiralty. Although this programme means steady employment for about two years, we must not be complacent about the future, as we now have to compete for fewer orders in the face of extremely keen competition. During the past year we received orders for five new ships, whereas we delivered, as I have previously mentioned, nine ships.

What our industry needs is stability in order to encourage shipowners to place orders for new ships, and the unstable conditions created by continual wage demands, spasmodic strikes, bans on overtime, and trade demarcation disputes may well result eventually in empty slipways and unemployment. This can be avoided if we each pull our full weight in the task of achieving speedier and more economic production.

The report and accounts were adopted and the dividends, as recommended, were approved.

The retiring directors, Sir Archibald J. Boyd, Mr J. C. Mather, JP, and Mr F. O. John, MICE, were re-elected, and the appointment of Mr E. Bernard Jones, OBE, as a director, was confirmed.

The remuneration of the auditors, Messrs Cooper Brothers and Company, was fixed.

The special capital dividend was approved, and, the consent of HM Treasury having been obtained, the bonus issue proposals were sanctioned. The proceedings terminated with a hearty vote of thanks to the chairman, directors and staff.

B.E.T. OMNIBUS SERVICES LIMITED

MR J. S. WILLS ON PARTNERSHIP BETWEEN PRIVATE ENTERPRISE AND THE STATE

The twelfth annual general meeting of B.E.T. Omnibus Services Limited was held on May 27th, Mr. J. S. Wills, MInstT, chairman of the company, presiding.

After dealing with the report and accounts, the chairman said:

Before I refer generally to the year under review, I think I should tell you that your company's interests, hitherto confined to the passenger road transport industry in this country, have recently been extended to include an interest in passenger road transport overseas by the acquisition of a substantial, but not controlling, interest in the African Transport Company Limited, which is the parent company of a group of omnibus companies operating in Central and East Africa. This interest has been acquired on terms which will, I think, prove to be satisfactory to your company.

NEW HIGH LEVEL OF COSTS

Concerning affairs at home, I am afraid I must continue the sad but now familiar story—a new high level of costs.

Labour and fuel costs are, as you know, the two principal elements in bus operating costs and they have been primarily responsible for the enormous increases which we have had to meet during the past few years. I mentioned last year large wage increases awarded in September, 1952. Since then we have had two more. The direct result of these increases is bound to be applications to the various Licensing Authorities for permission to increase bus fares, which applications, I may add, are no more popular with the industry than they are with the travelling public.

FUEL TAX

The Chancellor of the Exchequer missed a splendid opportunity in this year's budget to halt this apparently continuous process by providing for a reduction of the fuel tax, about which I have said so much during the last few years. His decision came as a great disappointment, for earlier this year he had reduced the tax on a number of luxury goods, and it was generally and confidently expected by the industry that he would now at least reduce the 2½ per cent tax on fuel oil; the latter is surely very far removed from the luxury class, yet it is apparently taxed on the basis of what our American friends might call a luxury "super-colossal." Strangely enough, this enormous tax on fuel oil is not even shared equally amongst consumers. The road users, who consume less than 20 per cent, pay the tax for all.

This major inequity, to which I referred last year, has been recently underlined by the announcement of plans for the extension of the use of diesel-powered trains by our competitors, British Railways. It is all to the public good that our competitors should take whatever steps they can to operate more economically but it seems a somewhat Gilbertian situation—I am putting it mildly—that they should be able to do so by the extended use of a source of power which is tax free to them and subject to a tax of over 200 per cent to us. The complete abolition of the tax would best suit passengers.

SEARCH FOR GREATER EFFICIENCY

The constant search for greater efficiency and economy in bus operation has continued. New types of engines, new methods of vehicle construction, larger but lighter-weight buses, new methods of maintenance and new materials and devices of many kinds are constantly being tried. An example of an interesting device recently adopted is a new type of electrically-operated exhaust brake from which, apart from improved braking efficiency, considerable benefits are hoped for in improved tyre life and reduced maintenance and docking costs. But let no one think that this search for greater economy and efficiency was prompted by the imposition of a penal fuel tax—it has been going on since the internal combustion engine replaced the horse as the motive power of the omnibus and it cannot be expected to produce, as if by magic, the answer to the fuel tax. That rests entirely with the Chancellor of the Exchequer, and there is still time for him to produce it, if he will, before this year's Finance Bill reaches the Statute Book.

PRIVATE ENTERPRISE AND THE STATE

I concluded my address last year with some observations on the position of the provincial bus industry in the light of the relevant provisions of the Transport Act of 1947 and the amending provisions of the Transport Act of 1953. It is a matter of paramount importance, not to any particular section or sections of the community, but to the community as a whole. The question really is how the industry shall in future be owned and controlled and what shall be its relationship with the state-owned railways. The present position, which arose from the 1947 Transport Act, is that in large areas of the country road and rail passenger transport is under common ownership and control—that of the British Transport Commission. For the reasons which I mentioned last year, I do not think this is a position which ought to continue. The Report of the Thesiger Committee, appointed to review the working of the licensing system, confirms my misgivings. On the subject of the control of passenger road transport undertakings by the British Transport Commission, the Committee found, as a fact, that where the Commission's bus companies operated services in competition with the railways and there was no independent operator, the control of such competition, previously exercised by the Licensing Authorities, had largely passed to the Commission. This is surely contrary to the whole spirit of the 1953 Act.

I made special reference last year to the position of our underlying omnibus companies in which, since 1929, there had existed a road-rail partnership through joint control by this company and its predecessor on the one hand and the British Transport Commission and its predecessors, the former railway companies, on the other. This year sees the twenty-fifth anniversary of the inception of that partnership, and I think it cannot be gainsaid that, throughout the years, the system has worked smoothly and harmoniously. It should be noted that on January 1, 1948, the railways companies' interests in our companies became vested in the British Transport Commission, so that the partnership which started as one between road and rail has, since 1948, become one essentially between private enterprise and the state.

INTRUSION OF PARTY POLITICS

The only disturbing influence during the whole history of the partnership has been the intrusion into the transport industry of party political dogma. Up to the passing of the 1947 Act our railway partners, like ourselves, fought hard against the threatened nationalisation of their undertakings; after

that time, those who were left suppressed their personal convictions and loyally served their new masters.

The 1947 Act did not, however, nationalise road passenger transport; it merely provided that road passenger transport could be nationalised in certain specified circumstances; further, it gave a form of extra-legal power to the British Transport Commission to indulge in unrestricted competition on the roads with existing operators. It gives me great pleasure publicly to pay tribute to Lord Hurcomb, the former chairman of the British Transport Commission, and to his colleagues for the statesmanlike way in which they dealt with this part of their tasks. First, they acknowledged the right of the partnership companies to defend themselves against nationalisation by all the means available to them under the 1947 Act; they agreed that the mere fact that the Commission owned up to half the shares in a company could not properly be used to prevent it from fighting for its existence. Secondly, they decided it would not be right for them to use their powers of unrestricted competition. In both these decisions they were supported by Mr Barnes, the Socialist Minister of Transport, for whom, for these and other reasons, we always had considerable respect.

CONSERVATIVE PARTY'S PLEDGE

At the beginning of 1949 and several times subsequently the Conservative Party publicly pledged themselves to denationalise any road passenger transport undertakings which might become nationalised, pledges which gave an undoubted stimulus to the resistance which was later to prove so successful. In their Transport Act of 1953 they took powers to fulfil these pledges, and there are now some forty omnibus companies, in the ownership of the British Transport Commission, which fall to be dealt with. It is now up to the Government to use the powers they have taken.

During the seven years since the passing of the 1947 Nationalisation Act there have inevitably been occasions on which we and our partners have found it somewhat difficult to reconcile our duties to our varying masters and owners and to each other. Yet it is remarkable how very few those occasions have been, how very rarely we have "trodden on one another's toes"! A partnership which can successfully withstand such stresses is not lightly to be disturbed. It is a partnership, as I have said previously, between private enterprise and the state. Is there not a great deal to be said for a wide extension of this principle?

The report and accounts were adopted.

THE UNITED SUA BETONG RUBBER ESTATES

NATURAL RUBBER'S INCREASING ABILITY TO COMPETE WITH SYNTHETIC PRODUCT

SIR JOHN HAY ON RESEARCH EXPENDITURE

The forty-fifth annual general meeting of The United Sua Betong Rubber Estates, Limited, will be held on June 9th at 19 Fenchurch Street, London, E.C.3.

The following is an extract from the statement by the chairman, Sir John Hay:

It is appropriate that on the eve of the termination of General Sir Gerald Templer's office as High Commissioner for Malaya we should be able to report a definite advance in the progress towards the suppression of lawlessness and violence. His timely appointment was made little more than two years ago. The energy and resourcefulness with which he dealt with a complex and seemingly intractable problem did much to re-establish a then too rapidly declining confidence. Through our operations in Johore we are only too painfully familiar with the continuance of disturbance in that State. We are nonetheless grateful for what has been accomplished in other states, and we hope very much that those who succeed General Templer on the military side will, with the co-operation of the civil authorities, carry to a successful conclusion the difficult task which he has so far performed.

The drama of recent events in the neighbouring country of Indo-China has produced a greater awareness of the threat to the freedom and security of South East Asia from the spread of Communist aggression. None of the countries within that territory is strong enough in itself to resist successfully any large-scale attack. Only the free powers acting together could afford effective protection. Whatever may be the outcome of the Geneva conference it is much to be hoped that some agreement between the free powers in that sense will be reached, the existence of which would almost certainly ensure a curtailment of hostilities and a re-establishment of confidence in neighbouring territories. Given these conditions, the task of dealing with disorders in its own territory should be one which could be discharged effectively by the Malayan Government.

ACCOUNTS

The heavy decline which took place in the price of rubber during 1953 resulted in a fall of over £440,000 in the sale proceeds of our main crop although in volume it was greater than that of the preceding year. Happily, we are able to show a profit which reflects no such decline. The contributing factors to this satisfactory result were a substantial saving in estate expenditure, a turnover in our tea operations from loss to profit and a refund of replanting cess collected from us over the period July, 1952, to September, 1953. This cess is even and regular in its collection by Government: in its return it is irregular and uneven, thus incidentally distorting or disguising the fluctuations in our fortunes which are such a notorious feature of the rubber industry. Perhaps I should make the point that our profits are struck only after making provision for replanting, which in this instance amounts to £118,000. Although this is not customary throughout the industry, we are of the opinion that it is a proper and correct charge before the exact ascertainment of profit.

We are taking the occasion of the forthcoming annual general meeting to submit resolutions for a capital adjustment involving the issue to stockholders of one new fully paid share for each £2 stock now held. This is a course unusual in a company so largely identified with an industry whose fortunes are so precarious, but the circumstances of this particular company are in many respects unusual. Although our issued capital is expressed as £900,000, much of it was raised at a premium and the actual capital subscribed in cash was nearer to the figure of £2 million. Moreover, it has been our well-established custom to plough back into the business quite a considerable proportion of such profits as we have been able to retain. During the comparatively short period from 1948 to 1953 we have placed to reserves over £1,250,000 and the actual capital now engaged in the business is in excess of £3 million. If perchance we followed the course of putting replacement values on our estates and their equipment that sum would be very much greater. When the capital has been increased in the manner proposed, without taking any account of our liquid assets and investments our planted properties will stand in at £36 per acre, a mere fraction of replacement cost. In all these circumstances, we feel that the proposal now being made represents a modest and prudent step in capital adjustment.

It is my duty to emphasise the warning given in the directors' report, namely, that this operation carries with it no undertaking regarding future dividends. These must depend, as formerly, on our earnings and our financial position in relation to our commitments, but stockholders are entitled to derive such encouragement as they may from the fact that our revenue from rubber is supplemented by the proceeds of a not insignificant tea crop and the dividends we hope to continue to receive from our shareholding in Oil Palms of Malaya, Limited.

After reviewing the company's domestic affairs, Sir John Hay continued:

SYNTHETIC RUBBER AND SUBSTITUTES

We have become only too familiar with large-scale production of synthetic rubber in the USA and Canada. The spring announcements which were made on three successive days in March last of the planning and erection of three new plants in this country for the production of synthetic rubber and rubber substitutes served to emphasise that the trends in this direction were not to be limited to particular territories. Although we do well to heed the warning implicit in these announcements the natural rubber producer need not be too discouraged. At the present level of price natural rubber has exhibited an increased ability to compete with the synthetic product. Whereas for the year 1953 the consumption of synthetic was running at the rate of 59 per cent and natural at 41 per cent, the division between the two products is now almost exactly equal. The new plants to be erected in this country are of modest dimensions. Present plans will not materialise into production for some time yet and, even then, the volume will not be such as to be of much significance in the larger context of world production. But the comfort which may be fairly derived from these facts should not induce complacency. For the natural rubber producer there can be no relief from a continual striving for greater efficiency. We are likely to be helped in the realisation of that aim through the medium of

RESEARCH

In some quarters, however, research is being represented as a *deus ex machina* who will only emerge to perform his miracles on the payment of an arbitrarily specified sum. This emotional approach is singularly unsuited to a subject which calls for a strictly objective outlook, for cool and sober judgment in the choice of a programme, for expertness in its execution and for an integrity of mind in the diligent pursuit of knowledge. Monies devoted to research are raised mainly through the medium of a cess enforced by Government on exports of rubber, and research activities are carried on by institutes or associations located in Malaya and London. There is also a variety of forms of activity operating under the euphemism of "development." The expenditure so incurred over the period 1949/53 was over 30 million Malayan dollars—a not inconsiderable sum. Supplementing such institutional activities, research work is carried on by companies or groups of companies and financed out of their own resources. It is important that private enterprise of this enlightened character should be encouraged. Its existence acts as a spur to the endeavours of the central institutions and a check on their findings. In the realm of productive research probably the greatest progress has been made in the field of genetics, and it is significant that in that field private enterprise, relying only on its own limited means, has at least equalled the findings of the institutions, with their greater financial resources.

Attempts have been made to compare expenditure on research by the natural rubber producer with what is alleged to be spent by the rubber manufacturers of America. No informed person would seek to deny the high technical efficiency of the latter or their enlightened and progressive outlook, but the comparisons that have been made have little validity and less of the exactitude which should rightly appertain to a scientific subject. Recently, however, there has been one authoritative statement made regarding American expenditure on research. It was to the effect that as from July 1st of the current year some 4 million American dollars were being set aside for research on and development of synthetic rubber. On the basis of last year's output of synthetic rubber this would be the equivalent of .67 of a Malayan cent per lb. Far from being in excess of the rate of expenditure incurred by a company such as this, in its incidence it is actually less, despite the fact that the synthetic rubber industry, in contrast to the excessively taxed natural rubber industry, enjoys the privileged position of having at its disposal profits which are not made subject to any tax whatsoever.

Members of the board of this company are firm believers in research and are convinced of the need for its continual pursuit. My colleague, Sir Andrew McFadyean, was chairman of the committee which reported in favour of the establishment of the Rubber Producers' Research Association, and each of us continues to have some responsibility for the direction of research in different spheres. We do not believe, however, that research should be freed from financial controls which must necessarily be exercised over all expenditure if extravagance and waste are to be avoided. Experience has by now surely demonstrated that expenditure incurred on some of the items in the diversified and varied programmes adopted by the institutions and associations is not likely to be fruitful and might well be terminated in favour of some practical and more promising lines of research. With such adjustments and with the exercise of an effective financial control the view might well be accepted that the very considerable sums now being collected should be ample to meet all the costs of a well-planned, expertly executed programme of research. Efficiency in natural rubber production must in the ultimate end be expressed in lower costs. It would be ironic indeed if research, which should be the aid towards that end, should operate to an opposite conclusion. I am aware that expenditure on research is a subject which is now under examination and I should have been content to await the outcome of that were it not that there have been attempts from certain quarters to prejudge the issue.

SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED

A PROSPEROUS YEAR

MR CECIL H. KING REVIEWS THE BACKGROUND SCENE

The thirty-fourth annual general meeting of Sunday Pictorial Newspapers (1920) Limited was held on May 28th, at the Memorial Hall, Farringdon Street, London, E.C. Mr Cecil H. King, chairman and managing director, said:

The past year has been one of prosperity for your company and for nearly all its associated companies. As you have seen from the accounts, the trading profit increased and the dividend income decreased. Net profits before taxation at £895,951 were £109,526 up, and an increase of 2½ per cent in the final dividend is recommended. Factors which helped the satisfactory trading result included some reduction in the price of newsprint, and an increase in the advertisement revenue. But salaries, wages and pension payments increased, distribution costs went up, and we spent more on editorial matter and publicity. The main change in the balance sheet lies in the reduction of liquid resources to a more normal level and the increase in trade investments. You will recall our intention, of which I spoke last year, to invest some part of these resources.

FLOURISHING CIRCULATION

The circulation of the *Sunday Pictorial* is flourishing. For the second half of last year, our average sale of 5,373,000 showed an increase of 244,000 over the second half of the previous year. No other national Sunday newspaper had an increase of more than 58,000.

Our great associated newspaper, the *Daily Mirror*, has been doing well. Its circulation remains the largest of any daily newspaper in the world, and during last year the margin of its lead over the *Daily Express* increased to nearly half a million.

Reveille, of which your company and the Daily Mirror company share the ownership, continued its remarkable circulation climb last year without being seriously inconvenienced by the competition of its imitators, and its profits increased.

OVERSEAS INTERESTS

The chain of Australian commercial radio stations in which your company has an interest is proving profitable, and the overseas publishing interests are making progress. The largest of them, the Argus and Australasian company in Melbourne, is still losing money, but the rate of loss has already been substantially reduced, and energetic steps continue to be taken to improve the position. The undertakings in Nigeria and the Gold Coast have been through a period of development during which new Sunday newspapers have been successfully launched, and both companies are making a useful profit. The newspaper in Sierra Leone is in its infancy, and steady profits are still some way off.

Apart from publishing activities at home and abroad, the main investments of your company are in the paper and pulp industry. Here also all is going well. The Anglo-Canadian Pulp and Paper Mills company of Quebec ended last year with an increase of over 50 per cent in net profits, and has acquired an important stake in the kraft paper industry. At home, the Albert E. Reed company has announced increased profits for its recently ended year, and that company is also expanding into new fields. You may well feel satisfied with the prospects which these investments hold.

HOW NEWSPAPERS ARE FARING

The circulations of the Sunday newspapers generally are very healthy. There are 11 national Sunday newspapers. Of these six, including yours, have been doing well in recent years and only two have been slipping badly. The daily newspaper field has a different story to tell. Of eight national dailies, two, the *Daily Mirror* and the *Daily Telegraph*, have been doing really well: while four have been losing circulation, some of them heavily.

In spite of some talk of the need for new daily newspapers in London, the figures over the last few years suggest the exact opposite, that there are two Sunday newspapers and anything up to four dailies that have been finding life difficult.

OUTBURST OF COMPETITIONS

In Fleet Street we saw before the war frenzied competition in every field except the journalistic one—and this in spite of the fact that improvement of the product has always been far cheaper than expensive free gifts, free insurance or canvassing. Now the rules of the rationing committee do not permit of these prewar excesses, so we have seen an outburst of competitions. It may be that we shall decide to invade this field, too, in a big way. But it will probably be better to watch our competitors fritter away their money while we devote our attentions to the quality of our papers.

During the past year there did seem room for another edition of *Reveille*, which was accordingly launched in February. It was very well received by the public, and from the outset made a worthwhile contribution to our profits. This type of paper was our own invention, but it has since attracted imitators who have had a fair measure of success. However, our sales are enormously greater than those of our competitors.

NEWSPRINT RATIONING

It is likely that in the year 1955 newsprint rationing will come to an end. While some newspapers have been pressing for this for a long time, others have not. The different attitude is in part due to the fact that larger papers tend to be more profitable to newspapers with small sales, but less profitable to newspapers with large sales. If we were today to print larger papers, with our immense sales, we might make less money.

It is also possible that if all newspapers printed more pages the total sales would fall. The whole outlook is rather fluid. At present, with rationing, some newspapers, and perhaps some magazines, are carrying advertising that has overflowed from other more worthwhile media, that cannot carry all the business they are offered.

COMMERCIAL TELEVISION

There is also the possible effect of commercial television. Last year it seemed that the Government intended to introduce commercial TV in a reasonably workable form and so enable viewers to see something less dreary than the BBC programmes. However, it now appears that the Government is more afraid of Lord Halifax and his friends than of its own back-benchers, and has retreated step by step into a position where the initial losses of commercial TV are likely to be as great as ever, but the chances of subsequently recovering those losses have become more and more problematical.

The whole story has been a shocking one of ignorance and cowardice. We might still intervene in this field, but recently the outlook has not been an encouraging one.

If, however, commercial TV does develop vigorously, then it is bound to have some repercussion on newspaper advertisement revenues—particularly the revenues of the weaker newspapers.

PRINTING IN COLOUR

Another development which may lie ahead is colour. Colour in daily and Sunday newspapers is nothing new, and has been used regularly in some American papers. We have ourselves pioneered with it in Australia. It is expensive, and the plant needed for printing an appreciable amount of colour in the *Sunday Pictorial* would be formidable. Furthermore, it slows up the production of the paper to an extent which can be serious. Some papers in this country have played with colour, but the results have so far been damaging to the appearance of the paper.

As it is generally known, our papers are only printed in London, while our competitors print in Manchester as well, and some of them in Scotland too. Some of them have substantial sales in the Republic of Ireland where we do not circulate. We are unlikely to be satisfied with this position indefinitely, and may well decide to compete on equal terms with our contemporaries both in Northern England and elsewhere. Our present printing arrangements are economical, but leave us rather vulnerable to really serious competition which, so far, we have not had to encounter.

HIGH RATES OF PAY

The cost of production of a London newspaper has risen enormously and is still rising. This is partly due to wages and salaries which, compared with those in other home industries, are very high.

An editor in Fleet Street today can command anything up to £7,500 per annum and in some cases beyond; cartoonists have always been a specially favoured group and in the last 30 years several have been in the £5,000-£10,000 a year class. An important editorial executive on a national newspaper commands between £2,500 and £4,500, and a reporter or sub-editor not infrequently earns £1,250 or £1,500. Executives in other departments enjoy comparable terms. The gross weekly earnings, including overtime, of our machine managers are around £20, of oilers in our machine room around £18 10s., of our compositors from £16 to £27 10s.

On the one hand these figures mean that the bad old days of sweated industry in Fleet Street are no longer even a memory, but on the other hand they remind us of newspapers that cannot stand such a pace and have ceased publication. Further casualties, the result of the present high cost of production, can be anticipated.

TRAINING OF JOURNALISTS

In the case of the journalists, who are the most important people on a newspaper, the great recruiting ground for Fleet Street is the provincial press, where initial training is now being developed on a more systematic basis. It still seems to be true that journalists are born, not made, but organised training may help to develop natural flair where it exists.

In our newspaper we continue to employ the cream of the profession. In Geraldine House there is always room for young men and women of promise—and there is plenty of room at the top for anyone who looks like making the grade.

THE PROVINCIAL PRESS

The holier-than-thou press has continued its sniping at the gayer and more successful end of the business. The Press Council has now reduced itself to a minor joke. The provincial press continues to maintain that it has some undefined quality which renders it superior to its London contemporaries. Actually, the provincial newspapers, which were galvanised into some sort of temporary life by the Northcliffe Newspaper competition which began in the twenties, have now subsided into an uninspired drabness relieved only by the *Manchester Guardian*. It is to be hoped, in the interests of the press generally, that this newspaper will push forward with its plans to invade seriously the South of England.

FUTURE OUTLOOK

It is hard to be very informative about the future. At present everything seems set fair for your company and we have no reason to anticipate any reduction in profits in the coming year. But it is quite possible that competition will become tougher, and if it does we shall doubtless be involved in some expense in keeping our competitors in their place.

In conclusion, I would like to pay a warm tribute to the staff of your company, who, by their skill and hard work, have contributed so much to the successful results obtained.

The report and accounts were adopted.

THE BURY FELT MANUFACTURING COMPANY

ALL FACTORIES FULLY EMPLOYED

LT-COL A. BUCKLEY ON COMPETITIVE CONDITIONS

The forty-ninth annual general meeting of The Bury Felt Manufacturing Company, Limited, was held on June 3rd in Manchester, Lt-Col A. Buckley, CBE, DSO, JP (the chairman), presiding.

The following is his circulated statement: The trading profit of the group for the year ended December 31, 1953, amounts to £284,394, to which must be added investment income and sundry credits totalling £9,269. After charging directors' and auditors' remuneration £9,709, depreciation and development £23,112 (of which £20,000 is credited to reserve account as in previous years) and providing £143,882 for taxation, there remains a net profit of £116,960 as against £101,740 for 1952.

The balance brought forward on profit and loss account £147,841 together with the net profit for the year and £3,500 credited in respect of over-provision for taxation, provides an available balance of £268,301. Your directors recommend that £50,000 be transferred to general reserve and £2,000 set aside to augment the staff pension scheme. Capitalisation of £100,000 from stock depreciation reserve has been effected during the year, and your directors recommend that a dividend of 1s. 9d. per share, less income tax at 9s., be paid on the doubled ordinary capital against 3s. 3d. per share on the original ordinary capital for the previous year.

Your subsidary companies have made satisfactory profits, and a substantial dividend has been received from one of them. The results of the manufacturing subsidiary company have justified the investment, and that company continues to be well and efficiently managed.

Revenue reserves (excluding the reserve for future taxation) and surplus on profit and loss account carried forward total £631,883.

SATISFACTORY LIQUID POSITION

The liquid position is again satisfactory. Investments, tax reserve certificates and cash aggregate £683,873 compared with £654,510 a year ago.

Shareholders may feel that the substantial figure representing liquid assets is not fully employed in the business. It should be borne in mind, however, that no less than £316,768 is outstanding for present and future taxation. During the year, your directors have investigated several proposals which might have led to the remunerative employment of surplus liquid assets but none of these has been proceeded with.

The past year has been one of exceptionally severe competition, both in the home and overseas markets and your directors see no immediate prospect of any alleviation in this situation.

NEED FOR REDUCTION IN MANUFACTURING COSTS

All the company's factories continue to be fully employed. The paramount requirement today is for a reduction in manufacturing costs. Since the end of 1953, wages rates have again increased. Since 1946, coal prices have increased by approximately 45 per cent, electricity charges by 75 per cent and transport costs by 35 per cent.

The very wide field of industrial and domestic purposes for which felts are produced calls for the extensive use of specialised machinery much of which has been evolved and developed by your company. With its resources, your company should remain in the forefront of the industry and whilst its results must be affected by world conditions there appears to be reasonable hope that a not unsatisfactory year's trading during 1954 may be anticipated.

The experience and ability of the staff and employees calls for our continued appreciation.

The report and accounts were adopted.

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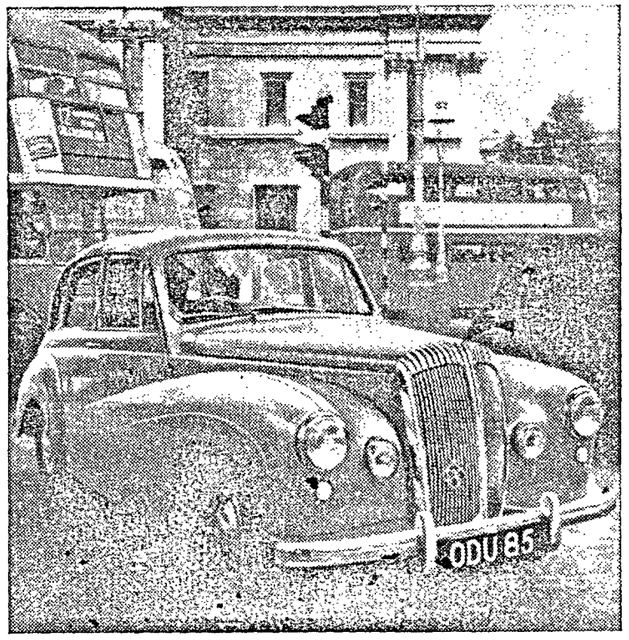

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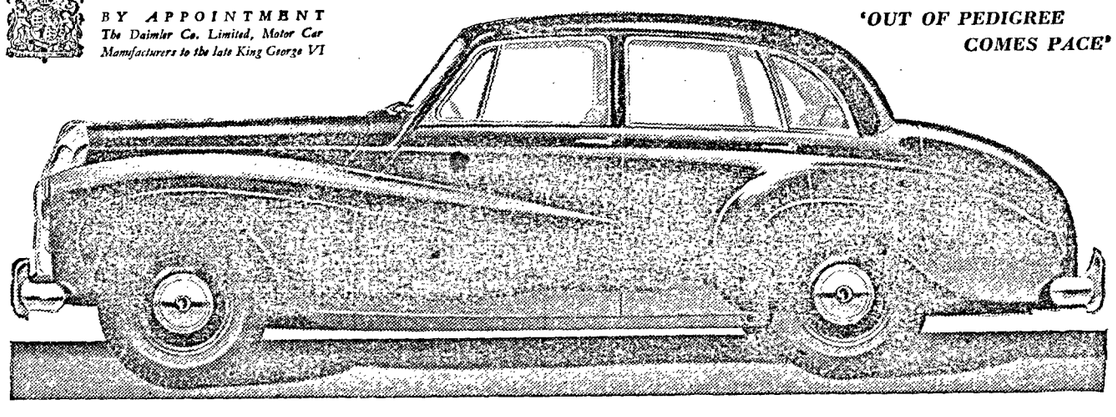

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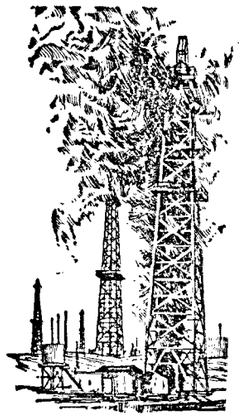

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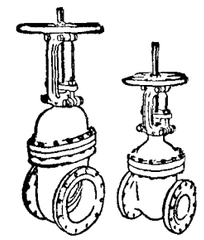

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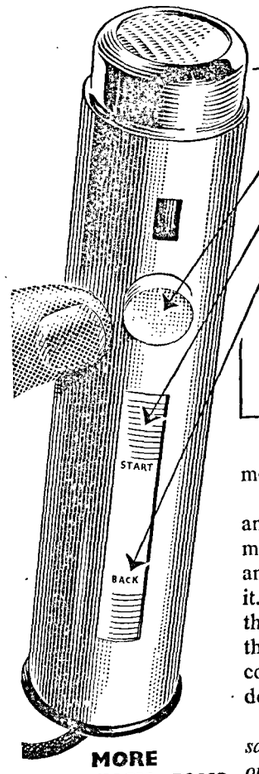

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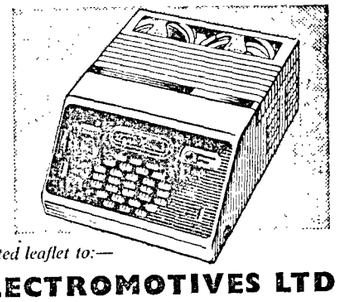

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JUNE 12, 1954

ONE SHILLING

Next Step for Sterling 869
American Aid to India 871
Friends Among the Germans . . . 873
Boundaries on the Move 874

NOTES OF THE WEEK

Paralysis at Geneva; What Hanoi Means; The Tories New Need; M. Bidault on the Ropes; Mollet *versus* Moch; What Size Agriculture?; Sir Dudley North; Quotas for Bright Children; Mr Yoshida Grounded; China Trade Back on the Rails; Keeping Back the Floods; West Indian Lament; Talking to Kenyans; The Nationalised Pullman; More About the Balkan Alliance; Hungarian Communists Take Stock; Waiting in Hospitals; New Drift from the Land. 876

BOOKS AND PUBLICATIONS . . 886

AMERICAN SURVEY

The Oppenheimer Decision . . . 891

Waiting for Allies; Housing Escapes; Stockpiling to the Rescue; More Security for More People; Depletion Allowances; Waters Over Texas; No Subsidies for Substitutes.

THE WORLD OVERSEAS

Canada Looks at the Far East . . 899

Iraq at the Polls; The Servitude and Grandeur of French Communism; Spies in the Arctic; Mr Costello's Prospects; Bao Dai and the Future; Journal of Geneva—VII.

THE BUSINESS WORLD

What Price Wheat? 909
Local Authority Borrowing . . . 911
The Viscount's Century 912

BUSINESS NOTES

Good Sense on Export Subsidies; Borrowing for Utilities; Courtaulds go One Better; Rayon in Demand; Accounting Centenary; £4 million for Rolls-Royce; Lombard Street Springs a Surprise; Britain's Sweet Tooth; Who Sells to Whom?; The Cup that Cheers; £30,000 Million in Throgmorton Street; Oil Power for Copper; Conditional Research. 914

COMPANY NOTES AND SECURITY PRICES 923
STATISTICS 926

British Banking

FOLLOWING PAGE 902

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Next Step for Sterling

THE signs are multiplying that the Government's generalised aspirations to make sterling convertible when it proves possible are maturing into a definite intention to do so by or before next spring. There will be a meeting of European finance ministers in London next month, at which Mr Butler will be able to co-ordinate his plans with Germany and other European countries that are also eager to take the plunge. Then, in September, Mr Butler is likely to go to Washington for the annual meetings of the International Monetary Fund and the World Bank, and he will be able to discuss matters there with the Americans and with most of the finance ministers of the sterling Commonwealth. Thereafter, action may follow quickly. Or it may be delayed until or about the time that the next British budget is presented in April, 1955.

This, at any rate, is the present current of expectation in the City. The prospect is being greeted there with enthusiasm and excitement; the City assumes that, once convertibility is achieved, the road will lie open towards the cherished aim of virtually total abolition of Britain's crippling system of exchange control. The enthusiasm may be sensible, but the atmosphere in which it is being generated is not. Sterling convertibility would be only one step, and a rather narrowly technical step, towards the abolition of exchange control. Other and alternative steps—such as the removal of further import quotas and the freeing of the travel allowance—might be partially delayed thereby. It is against this technical background that convertibility needs to be examined. What exactly would it mean, and what advantages or dangers would it bring with it?

Initially, it may seem that sterling convertibility would not mean very much to very many people. The initial aim is apparently only what is called "non-resident convertibility," that is to say, a state of affairs in which non-residents (and that means foreigners resident outside the sterling area) will, in general, be allowed to convert into dollars any sterling that they earn in the future by current trade. Even for foreigners, almost every word in this definition has a restrictive significance, and for the ordinary citizens of this country, the move will have no direct effect at all; they will continue to be hemmed in by the same exchange and import restrictions as they suffer today. This sort of convertibility will also have no direct effect on British trade with America and other dollar countries; Americans who earn sterling are, of course, allowed to turn it into dollars already. It will have no direct effect on British trade with the countries of the sterling Commonwealth; they will continue to be allowed to buy dollars from the common pool in London when they want to, but will also continue to maintain a voluntary check on dollar spending in roughly the same way that Britain does. The only direct advantage from "non-resident convertibility" will accrue to the forty-odd countries of the so-called transferable account area—countries in Western Europe, southern South America, behind the Iron Curtain, and a few other countries

such as Japan. At present these countries can turn the sterling that they earn into dollars only through a series of illegal or semi-legal manœuvres and markets. After convertibility they will be able to use their sterling to buy dollars from the central pool in London, openly and above board.

The indirect consequences of the advance, however, should be much greater than this bare recital of technique would suggest. They deserve careful consideration before Britain takes the plunge. In the first place, convertibility will mean that foreign purchases from Britain and the rest of the sterling area will include just as great a "hard currency element" as imports from the dollar area; each pound that foreigners spend will then appear as a straight alternative to spending 2.80 dollars in the United States. There must be many goods that are bought from Britain instead of from the United States today precisely because they do not yet contain this "hard currency element"; and Britain must therefore expect that convertibility will waft a fresh wind of competition across its export trade.

★

Secondly, convertibility is likely to have some effect on foreigners' willingness to hold sterling. At first sight, since convertibility will be a sign of confidence, it may seem that this effect should be favourable. But, at the moment, foreigners hold sterling rather than dollars for one of three main reasons: because they are forced to do so by British exchange controls; or because interest rates are higher here than in New York and there is confidence that the sterling exchange rate will be maintained; or because foreigners need to hold a working balance in the currency in which nearly half the world's trade is transacted. The first of these three reasons will be largely washed away by convertibility. If there was widespread fear about the strains to which convertibility might subject Britain, and if British exports suffered as a result of their new hard currency element, the second and third reasons would also become less strong.

Another effect of convertibility would be the jettisoning of the various payments mechanisms that have been built up during the era of widespread inconvertibility, of which the most important is the European Payments Union. There is a temptation for some economists to exaggerate this point; when a man who has been a cripple for fifteen long years tries to walk upright, one's first thought should not be that this is a waste of his present serviceable pair of crutches. But the EPU has had useful by-products: it has provided a framework within which European countries have felt able to reduce their restrictions on imports from one another, and some of the weaker members would be harshly hit by the sudden withdrawal of the credit facilities associated with it. Arrangements should be made to continue these advantages, in some form, if convertibility is to sweep EPU away.

The final point that the British authorities should bear in mind before they attempt "convertibility for non-residents" is the most important of all. Sterling's marriage with freedom would have to be for better for worse, in sickness and in health, and not merely until the next crisis or the next Socialist government do them part. It is generally agreed that non-resident convertibility would not lead to sudden catastrophe so long as sterling stays as robust as it is now. But it is highly probable that in some future years sterling will look less robust: the terms of trade may turn adverse, or an American recession may shrivel up markets abroad, or inflation in Britain may get out of hand again. At an earlier stage, a substantial liberalisation of American import policies was laid down as one of the essential conditions for a move towards sterling convertibility. It is now quite clear that there is not going to be any liberalisation in America; but the condition appears to have been dropped. Has the Treasury perhaps been so over-impressed by the present strength of sterling that it is tending to dismiss the possibility of exchange difficulties ever again arising? That would be very foolish. Yet whenever misfortune or mismanagement of this sort has arisen in the past, foreigners have fled from sterling into dollars; and convertibility would mean that this flight would become much easier, and much more costly to the British reserves, than it has been before.

★

The British Government's plans presumably provide for bulwarks against such misfortunes. There are hopes of "stand-by" lines of dollar credit from the International Monetary Fund and (possibly) from the American Federal Reserve System, rumours of resort to a fluctuating exchange rate, and perhaps even an acceptance of the need for tougher internal economic policies in Britain and the sterling dominions in times of emergency. But before the Government attempts convertibility it should make very sure that these defences are strong enough; in fact, it would even be wise to try to inject some bipartisanship into the policy, to try to persuade its potential Socialist successors in Britain (as well, of course, as the dominion governments of many different political hues) to agree that the line can and should be held. If such approaches show that convertibility is likely to be an object of political controversy, and still more if it remains an object of economic controversy among the Government's expert advisers themselves, then delay may serve the country better than determination. For if ever any suspicion arose that any British government was likely to run away from convertibility, there would be a wild stampede of foreigners trying to turn their sterling into dollars while they still had time. Any such stampede would leave the currency and the economy in a much sorrier state than before the experiment was tried.

Nor is this a simple matter of giving a promise (the Labour Government gave it just after the war), and sticking to it. To maintain convertibility year in and year out means pursuing policies of financial self-restraint and economic vigour all the time. Hurried expedients at the last minute, when convertibility was seen to be endangered, even if they were pursued with the utmost good faith, might well be useless. Are promises by political parties not to be extravagant or unwise very reliable?

There is a danger that this may have seemed a crabbing and discouraging article. It has not been meant to be. Of course, since sterling is strong, the British Government should be encouraged to go forward as fast as prudence will allow. Of course, non-resident convertibility—and, still more, an advance towards the complete abolition of exchange control—would be a magnificently worthwhile achievement; it would bring with it those advantages of international division of labour and freer worldwide competition which economists should always recall and politicians should never forget. But this article has also sought to recall that there are many technical problems still to be solved; and politicians should not forget these either.

Above all, convertibility ought not to become a political catchword. At the moment, some politicians and officials seem not to mind how small the relaxation of exchange control is, so long as this word, with all its emotional associations of freedom and strength and achievement, can be applied. Might it not be prudent to adopt the contrary policy, to advance as far and as fast towards decontrol as circumstances allow, but to delay tying on the label "convertibility," or making any binding promises, until it is certain that they can be performed? For the label is significant in itself for only one reason: the reason that it is a label, that it marks a stage on what should be a steady and testing advance towards freedom and declares that from it there can be no retreat. There is all the difference in the world between the confidence that one is now fit enough to assault the last ridge to the peak of Everest, and an undertaking to pitch a permanent camp and live there. And it is this undertaking that will need to be given if convertibility is to be achieved.

American Aid to India

TOO little attention has been paid to Mr Dulles's brave stand last Saturday on the question of American relations with India. Testifying before the Senate Foreign Relations Committee on the mutual security programme, the Secretary of State came out in full support of a large slice of economic aid for India. He insisted that this help ought to be given whatever the disagreements on foreign policy between Washington and Delhi. It should be remembered, he said, "that among free nations there is room for diversity of views . . . [to] continue help . . . [is to] serve our enlightened self-interest." Some of Mr Dulles's recent statements about events in Asia have not increased his prestige, either at home or abroad; and many of his countrymen are scarcely likely to welcome his throwing an arm round the shoulder of a country they feel is letting them down. But the Secretary of State is right and they are wrong. For, however exasperating the Indian attitude in international matters may sometimes be, no settlement in South East Asia that ignored it would have much chance of success.

Those who have had experience of direct dealings with the Russians over the past decade, from the period before Yalta to the present day, have learned the hard way about Soviet aims and Soviet tactics. They have learned that appeasement pays no more than it did with Nazi Germany. In Asia, too, there was evidence only this week of the Communists' view that "he who is not for us is against us," when they refused at Geneva to admit that India or any other non-Communist power could be regarded as a neutral for the purpose of supervising an Indo-Chinese agreement. In the West, however, there have been two results of the experience with the Russians, one good and one bad. The good has been to bring a far greater unity and resolution to western diplomacy than it would otherwise have had. The bad has been to encourage in some quarters, particularly in the United States, an equally dogmatic assumption that to refuse to take sides in the global quarrel is in fact to play the Communist game.

If Communist ambition is to be held in check without war, a course must be steered somewhere between these two attitudes. An attempt must be made, that is, to avoid demanding from the free world a spurious diplomatic unity without any genuine basis of public support, but also to discourage neutrals who are obvious Communist targets from adopting head-in-the-sand policies which lead in the end to disaster. This problem is at its most acute in Asia. There Communism is not regarded as the menace that it is held to be in Europe; it sometimes appears to offer solutions to economic anxieties that are far more pressing than any concern about the loss of individual freedom. Indeed, many Asians feel that they have almost no freedom to lose. To them the issue of the age is the end of imperialism, not the advance of Communism.

★

In this complex of emotions and fears, the Indian and American attitudes constitute the outstanding examples of their own school of thinking. To many an Indian the Americans really are imperialists of a new kind, who seek to perpetuate in Asia the superior attitude of the white man; and nothing will convince him that the United States has itself gone through an

agonizing revolution of thought in moving from an all-embracing anti-colonialism to an all-embracing anti-Communism. The fact that the shift has been caused by facing reality is lost on the Indian, just as the American for his part fails to see that his own realism has not carried him quite far enough towards appreciating Asia's real feelings. The result is that he tends to favour policies of forceful intervention which themselves run a serious risk of promoting Communism, the very thing that he seeks to avoid. To many a citizen of the United States, on the other hand, the Indians are hopelessly lost in a sea of wishful thinking which is a danger to others as well as themselves.

At Geneva, Mr Eden has committed Britain to a policy which may be defined in this context as trying to wait for the Indians without losing touch with the Americans. If it is possible, this is obviously right. But it would be foolish not to ask what hope the Foreign Secretary really has of carrying with him some at least of the Colombo powers—India, Pakistan, Burma, Indonesia and Ceylon—into the period after the conference is over, whether it succeeds or fails. Admittedly, public opinion in Britain demands a sincere and determined effort to make a success of the Geneva conference, with or without their support. But the desire not to drive the Asian members of the Commonwealth off in dudgeon also runs very deep in London, even if there is not always agreement with their views. Seen from Britain, Mr Nehru often looks wrong in his interpretation of Communist ambitions and his assessment of Communist power. It is, however, a case of "I disagree with what you say, but I shall defend to the death your right to say it."

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The fact is that the Indian attitude to the problem of containing Communism is changing in the right direction, but remains in practice naïve. Delhi is still dominated by the belief that, if once a cease-fire could be obtained in Indo-China, the main danger would come not from Russian or Chinese-sponsored aggression but from the Asian countries' own poverty and lack of true independence. Consequently, Indian policy is based on the intense desire for peace. Peace is essential for the development of the country's own five-year plan; and it is assumed that, unless something can be done to raise living standards both in India itself and among its neighbours, Communism will grow spontaneously. In reality, this is only half the picture. The Indian belief was shared by many in the West until experience had dispelled it. The truth, as Communist tactics have shown, is that hand-in-hand with internal unrest goes pressure from outside, and that neither half of the problem can be treated alone.

In no quarter have Indian views changed more decisively than over China. Delhi is still as anxious as ever to remain on the closest possible terms with Peking, and rightly so. But the Indian mission in the Chinese capital no longer has the ear of Mao Tse-tung or Chou En-lai, and in Delhi itself the experience of dealing with the Chinese over Tibet, in Korea, and along the north eastern frontiers has led to a new note of wary watchfulness. China has begun to give India the experience the West has long had with Russia.

To say that bluntly, however, is neither to crow nor to criticise. For Britain it is a vital factor in assessing the wisdom of risking a misunderstanding in the United States in order to achieve Asian support for stabilising the situation in Indo-China. Although the Communists will always try to exploit weakness and the countries of southern Asia are militarily weak, there can be no hope of success from any attempt to impose a solution from outside. Asia's problem cannot be solved without Asia itself; President Eisenhower has recently said as much. This being so, it is fortunate that the chances of moving forward in step with India are in fact improving, however slowly. It was for his growing recognition of this essential fact that Mr Dulles, in the overheated atmosphere of Washington, deserved most credit when he so strongly recommended American aid to India.

Her Majesty at Sydenham

This day Her Majesty will grace by her presence the opening of the Crystal Palace at Sydenham. With the most attentive regard to the welfare of her people, she is to sanction the inauguration of a splendid structure devoted to their permanent instruction and amusement. There is, however, nothing that can be called national, nothing governmental, nothing appertaining to the functions of the state, which she can be called on to preside over, but a commercial speculation of a private company, which calculates, and we hope not without good reason, on making money, by providing for the rational amusement of the multitude. Her attendance is not required by the strict line of her duties; nay, she might with propriety decline to attend, lest she might be called on to honour with her presence the inauguration of other buildings destined to a similar good purpose; but, being desirous of promoting the intellectual improvement of her people, and encouraging those rational pursuits which carry man away from what is low and unworthy, Her Majesty waives all personal considerations, and takes on herself much unnecessary trouble. . . . This [structure] is the work of private interest, which never dies, which is ever wakeful and watchful to perform services which it expects will be rewarded . . . to be successful, [it] must be engrafted on the great stem of popular life. . . . It must draw its nourishment from all the roots. It cannot flourish by being confined to any partial sectarian or class source. It must embrace all. It must neither be shut up on the Sunday nor exclude needful refreshments. It must be neither an instrument of teetotalism nor of "*bitter*" Sabbath observance. It must, like our complex community, be of all shades and colours, of all opinions, and be everything to all men. Her Majesty reigns over the wise and the unwise, the religious and the irreligious, the sanctified and the unsanctified, and she desires alike the improvement, the benefit, and the happiness of all.

The Economist

June 10, 1854

Friends Among the Germans

THERE has been heard recently in Western Germany friendly, hopeful but sometimes rather loose talk about a new era in relations with Britain. It was given a fillip by Mr Butler's visit to Bonn and by the ideas of collaboration in economic policy that were then opened up. And now a small and still frail snowball of realistic calculation and wishful thinking is rolling towards London. Little notice of it has been taken in this country, for the simple reason that few people have realised how actual the question of future Anglo-German relations has already become.

That it should be urgent and inescapable is a symptom of the grave situation in which the Federal Republic finds itself. This year was to have brought a decision about its future, but nearly six months have passed without any real progress. There was to have been either German reunion in agreement with the Russians, or else the establishment of the EDC, the European political community, and German sovereignty as accorded and defined in the Bonn conventions. Instead there is deadlock. The French continue to postpone decision on the EDC treaty and German sovereignty is still not granted because the Bonn treaty is tied to it. The occupation regime is, it is true, largely defunct, but the government's lack of freedom in foreign policy causes bitter feelings among Germans who see Britain fostering relations with the Soviet Union and China, while they can make no more than unofficial approaches to those countries.

Not only in the Socialist opposition, but even in Dr Adenauer's coalition, more and more voices are declaring that this passive role must cease. "German fate must again be taken into German hands," the politicians declaim. Men from the past like Dr Bruening and Herr Rauschning criticise the Chancellor for not being more active in the cause of unity or for not seeking a middle course between East and West. Others say that nothing will be achieved unless diplomatic relations with the Russians are established. Herr Pfleiderer on behalf of the Free Democrats, has talked with a Soviet official in East Berlin and has proposed in the Bundestag that a deputation should visit Moscow. The Social Democrats urge that technical talks should be started with the East Germans, and that the western powers should make a new approach to the Soviet Union. Britain, some think, would be less opposed than America or France to such moves.

Nor is that all. Germans, even in Herr Blank's embryonic Defence Ministry, are talking about alternative ways of creating German forces for a "coalition army" or in other forms. Indeed, in spite of Dr Adenauer's reluctance to discuss alternatives, the whole policy of western integration is being called in question. Many industrialists, who accepted the coal-steel community because the Chancellor forced them to and because they had an interest in ending Franco-German hostility, have held all along the view that it is a superbureaucracy, which must not be taken as the model for further partial integration of Europe. They demand instead complete freedom of trade and full convertibility of currencies, not a "green pool" or any other limited experiment.

In other words, German thinking about foreign policy in the broadest sense is showing all its old vigour and restlessness. If it is compelled to abandon the EDC conception, there are, broadly speaking, three other courses that it could pursue. It could go over to the Communists; or it could try to play the East off against the West (which would probably come to the same thing as the first course); or it could find another form of friendship and alliance with the West. It ought to go without saying that the last is, from the British point of view, infinitely the best. What is perhaps not quite so obvious is that, if there is to be another sort of western association for the Germans, alternative or supplementary to the legalistic ties of a "community" with France and the Low Countries, then it is almost inevitably one that requires a response, and a warm response, from Britain.

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Any movement to seek out the bases of a lasting friendship between Britain and a free democratic Germany is, in principle, to be welcomed. But it is not to be welcomed entirely without qualifications, and there are certain preliminary reservations that ought to be made with all candour. To take first the idea of economic collaboration. German opinion tends to make three doubtful assumptions. One is that trade rivalry was one of the basic reasons why Britain was Germany's opponent in two world wars, and that therefore an economic understanding would remove all possibility of political differences. For the British the fallacy is too obvious to need refuting; but Germans have still to be persuaded that there is a fallacy. Moreover, secondly, they tend to assume that the best way of seeking economic agreements is to make cartel arrangements with this country. German industrialists cling to the idea of their prewar cartels and are proposing that they should be set up again. (Dr Erhard, it should be noted, has consistently opposed restrictive practices.) A third assumption is that the two countries should collaborate in the export of capital to underdeveloped countries—as if the British had not long and unhappy experiences of what that means. If Anglo-German relations are to be discussed realistically, the German press will have to instruct its readers in the principles of British trading policy since the war.

More dangerous and misleading are some of the

assumptions that underlie German thinking about military and political possibilities. First, it has to be made clear that the Anglo-American relationship is fundamental; there can be no question of Britain lining up with Germany to form a third force between an isolationist United States and a threatening Soviet Union. Even if the United States should turn to a peripheral strategy—which is still doubtful—the first principle of British policy will be to work with the Americans, if possible, in all matters. If there is to be an Anglo-German effort to defend Europe, to raise living standards around the frontiers of the Soviet Union, and to expand markets—which is what many Germans are proposing—that must be done in company with the United States.

Likewise, there is no question of substituting an Anglo-German *entente* for the *entente cordiale*. Too many names on too many memorials stand in the way. In this cabined corner of the world that is western Europe the days of bilateral manœuvrings are over; if there is to be a cordial and effective Anglo-German partnership it must be within the limits of an Atlantic community that embraces Europe and North America.

These things have to be said not for Dr Adenauer himself and the wiser heads around him, but for those whose thoughts are harking back in old and dangerous directions. It is a good moment to say them because the die is not yet cast against EDC and all that goes with it, and because ideas of an Anglo-German *entente* are still fresh and nebulous. There is much thinking to be done against the day when, by one means or another, the Federal Republic is a sovereign power, and it is most undesirable that all initiative and reflection should be left to the Germans. Previous attempts in the last sixty years to lay fresh foundations for Anglo-German understanding have failed because they started from false assumptions. It is important that Germans should not for the third or the fourth time seek Britain's friendship for reasons that run counter to Britain's interests and obligations. If the attempt is to be formally made—and it has not come to that yet—the British response should be cordial, quick and above all frank. As a beginning, all possible ways of collaboration in the economic field should be worked out. Fate—aided by human arrogance and stupidity—has too often got in the way of that close friendship between the British and German peoples which our Victorian grandfathers thought so natural. An opportunity to repair one of the basic mistakes of the last half-century may be at hand, and it would be as tragic for it to be let slip by indifference on the one side as by insensitiveness on the other.

Boundaries on the Move

PEOPLE who make prophecies about the date of the next general election—particularly those who expect a snap vote to be taken in the autumn or next spring—often leave an important factor out of their calculations. Parliament is not likely to be able to consider the proposals of the boundary commissions before November of this year. It is improbable that the Conservatives will wish to go to the country before these proposals are approved, because they must now know that the proposed rearrangement of constituencies is almost certain to be to their advantage. And, once the changes are put into effect, the local party organisations may ask for at least six to nine months to become acclimatised to them.

This rather startling realisation—that bodies composed of distinguished civil servants, lawyers and other independent experts have suddenly and unintentionally assumed a possibly dominant influence on so important a constitutional matter as the timing of the next election—is only one reason for looking very closely at the activities of these commissions. The other main reasons are that their activities are likely to raise an unpleasant party row at Westminster, and that they will cause considerable local political disturbance. The misfortunes arising from the present system of boundary revision will fall largely on Labour, which endorsed the system in its Act of 1949; but that is no reason why the case for revision should not be reconsidered now.

Constitutionally, the most important (although the least appreciated) issue raised in the present controversy is the possible effect of the commissioners' timetable on the timing of the general election. The Act of 1949 required the four boundary commissions (there is one each for England, Scotland, Wales and Northern Ireland) to recommend readjustments in constituency boundaries from time to time, and to make general and more sweeping reviews at intervals of not less than three and not more than seven years. In effect, this means that there has to be one general review in each Parliament with a normal life span. As the last general review took place in 1948, the commissions are legally bound to complete the general review that is now in progress before July 30, 1955. So far, they have published provisional proposals for 468 constituencies in England and Scotland; to everybody's surprise, they have suggested changes in no less than 190 of them. The commissions' proposals for the two most important remaining areas in England—London and Lancashire—will probably be published later this month. The proposals must then be considered in the light of local objections; if necessary, local inquiries have to be held.

The commissions' revised proposals will then be laid before the Home Secretary; he may modify them, if he wishes, but must eventually lay his own proposals before Parliament in the form of draft orders in council. These orders seem likely to be debated in the Commons some time in the late autumn or early winter; since more than a third of MPs will probably be personally affected by them, there should be no lack of speakers in that debate. Even if the orders are accepted without further amendment, they can hardly be brought into effect before the early months of next year. There will follow a period of redeployment of local party machines in more than a third of the constituencies in the country. It seems to be generally agreed by officials of both parties that this redeployment cannot be accomplished before October, 1955, at the earliest. In other words, the next general election is most unlikely to be held before that date.

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The second issue in the controversy, the probable benefit to the Conservatives of the present series of proposals, cannot be accurately estimated. Rough calculations, based on tentative checks in some of the most obviously affected areas, can, however, be made—along the lines explained at the bottom of this page. Although local estimates differ, it seems probable that, if each individual elector voted in exactly the same way as he did in the general election of 1951, the proposed new boundaries should increase the Conservatives' majority by at least ten; they might increase it by twenty.

The reasons for this apparent Tory advantage do not, of course, lie in any gerrymandering by the commissions. The commissioners are merely following the rules laid down for them. One aim is to bring each constituency to within striking distance of the average British constituency of 55,650 electors. There are other guiding rules for them to follow—they must respect local government boundaries so far as is practicable, scattered country districts should have a smaller electorate than compact towns, Wales and Scotland are guaranteed a minimum number of constituencies, and Northern Ireland (which is also represented by members of its own Parliament) can have an average constituency of over 70,000 electors—but the commissioners' main job tends to be simple counting of heads.

In abiding by this rule during their present general review the commissions have found themselves making reflex actions to two main developments. First, the movement in population since the last general review in 1948 has continued to be away from the poorer "East End" districts and towards the more Tory-minded suburbs; some seats are therefore being withdrawn from the former, but comparatively few individual suburbs or county areas seem to have received a large enough influx to turn them Labour. Secondly, and more important, the Labour Government, under the impetus of a speech by Dr Dalton, created 17 additional seats that were not originally recommended by the commissions after the 1948 review; Labour believed that the commissioners had given too heavy a representation to country districts at the expense of big towns. So far as can be judged, this amendment gave Labour 12 additional seats in the 1950 election and the Tories 5, a net Labour gain from the transaction of 7; in the 1951 election, the net Labour gain was reduced to 3. The commissions, which have to abide by the written rules and not by Dr Dalton's strictures upon them, are now setting about wiping out some of these 17 seats, and are amalgamating others with surrounding and more Tory-minded suburban districts. This must result in some Labour losses.

The final grievance aroused by the commissions' proposals is the disturbance that they will cause to individual politicians and individual constituency parties. A certain amount of humbug is talked about this; an occasional shake-up of local political livers is good for a democracy's health, and the "local patriotism" that is supposed to be troubled often exists mainly in town councillors' imaginations. But some of the strains imposed are startling. The constituency of Rye was abolished in 1948, and the local party organisations disbanded; now, six years later, the commissioners propose to reinstate it, and the organisations will have to be started up again. One Labour constituency party has derived most of its income from a profitable social club; a minor readjustment of its boundaries has

The Proposals to Date

So far the commissioners have reviewed the boundaries of 468 English and Scottish constituencies. In 278 they have recommended no change. Their proposals for changes involve:

(1) The creation of 11 new seats. Of these, 7 seem likely to go Tory, and 3 to go Labour. The other will probably go Labour, but is marginal.

(2) The abolition of 3 seats. Of these, 2 will be Labour losses. The other is due to the amalgamation of Mr Mikardo's marginal Labour constituency of Reading South with the marginal Conservative constituency of Reading North (minus trimmings from each); the odds seem to be slightly against Mr Mikardo winning the new seat. The net addition of eight seats in Parliament from these proposals therefore seems most likely to lead to 7 Tory gains and 1 Labour gain.

(3) Changes in 190 constituencies, of which 99 are Labour and 91 are Conservative. It is very difficult to judge the effect of all of these, but the most usual consequence seems to be to make some safe seats (especially Labour seats) safer still and some marginal seats (again, especially Labour seats) more marginal still. One example is Bradford, which at present has three relatively safe Labour seats and one relatively safe Conservative seat; the new proposals would make one very safe Labour seat and three exceedingly marginal seats. According to the best available (though admittedly hazardous) estimates, each of these marginal seats would probably go Conservative if everyone voted as he did in the last election; but they could all go Labour if there was even a slight swing of the political pendulum towards the left.

(4) The commission's proposals for the important Lancashire and London districts have not yet been published. It seems likely that these will involve the abolition of at least two (and possibly more) Labour seats that were created in Labour's so-called "gerrymandering" operation of 1948.

moved this club into a neighbouring constituency, and the Labour candidate concerned will now probably have to do without the services of a full-time agent. The Labour seat that is abolished in Sheffield is that held by Sir Frank Soskice ; the other four Labour MPs from Sheffield must now be looking at him askance, in the fear that the party leaders may suggest that he should move over into one of their domains. There are many other awkward personal problems of this kind. They are not national tragedies, but—sometimes unnecessarily—they are inconveniences that cause bad blood.

There is probably nothing that can be done to avert the current disturbance. The Conservatives seem determined to carry out the commissions' proposals ; they feel that they are merely correcting the "gerrymandering" of which Labour was guilty when it created the seventeen new seats in 1948. Possibly there is a balance of justice on their side. But, after this reorganisation has been effected, the parties should consider again whether the 1949 Act really was wise to demand that these general reviews should be held so frequently, whether there should be such unyielding emphasis on tidy counting of heads. A major anomaly in the electoral system today is that Labour—because so many of its votes are wasted in piling up massive majorities in mining and other working-class constituencies—won 23 fewer seats than the Tories in 1951, although it secured 200,000 more votes. No system of boundary revision can rectify this anomaly ; but it is a little hard that the only system of revision that does exist—by taking account mainly of the steady efflux from working-class districts into the suburbs—seems bound to make this anomaly progressively worse.

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The commissions' powers of making *ad hoc* changes in individual constituencies should suffice to prevent the growth of anomalies such as the old Romford constituency, which reached more than 200,000 electors at one period before the war. With this safeguard in being, it might be wiser to ensure that the general reviews took place immediately after, say, every third general election instead of in the course of each successive Parliament. This formula would have the advantage of ensuring that the reviews did not stretch into the third or fourth year of a Parliament's life, and thus did not have their present undesirable influence on the timing of subsequent general elections. There are issues of some constitutional importance, as well as of merely local inconvenience, here ; in the course of the next few months some hard things are likely to be said, which will not be to democracy's advantage.

Notes of the Week

Paralysis at Geneva

MR MOLOTOV and Chou En-lai have, between them, succeeded in turning the clock back nearly to the point at which the Geneva conference started. They insisted, this week, on dragging the Indo-China discussion out of the relative calm of restricted sessions, and used the plenary sessions of Tuesday and Wednesday (summarised on page 906), simply as a forum for propagandist diatribes. They have, in fact, reverted to their original and wholly unpromising practice of speaking, not to their fellow delegates, but over their heads. Inevitably, they drew tart retorts from Mr Bedell Smith, M. Bidault, and even Mr Eden ; but this clouding of the atmosphere of debate was not by any means the most depressing feature of the week. If symptoms of mortal paralysis are now rapidly appearing in the conference, it is primarily because the Communist negotiators have deliberately stiffened the presentation of their terms.

The Soviet and Chinese governments now appear to be explicitly and finally committed to what, in the language of an older imperialism, would have been called a "forward policy" in Indo-China. Not content with the opportunity for the Vietminh to consolidate its gains that would be provided by a cease-fire and a military regrouping, they call for broader political negotiations that would open doors for the extension of Ho Chi-minh's influence in southern Vietnam. Not content with that, they insist that the footholds the Vietminh has gained in Laos and Cambodia must be respected, and that the shadowy "resistance governments" in those two states must be granted a degree of international recognition which even the Communist nations themselves have hitherto grudged them. Finally, they reject out of hand Mr Eden's suggestion that the five "Colombo" powers would be suitable supervisors of a settlement in a neighbouring Asian area ; and Chou En-lai now at last unveils the official Communist interpretation of "neutral" supervision, which is that the "neutrals" must include Communist governments with full power of veto.

If these positions are to be maintained, there is no hope of reaching an agreed and satisfactory settlement in Indo-China, however long Mr Eden extends his efforts, and whatever new formula Mr Casey may bring from Australia, via Delhi. The Communist terms are not new ; but while the restricted sessions and private meetings at Geneva continued, there was at least a slender chance that they might be modified. After this week's speeches, that chance has dwindled to vanishing point. What, short of a *deus ex machina,* can now save the conference from becoming another, and a more intolerable, Panmunjom ?

What Hanoi Means

A GREAT temptation and a great responsibility now face Ho Chi-minh and his commander-in-chief, General Giap. Their crack divisions, flushed with costly but spectacular victory at Dien Bien Phu, are closing in on Hanoi ; and it is widely believed that if they chose to launch an all-out assault on the capital of Tonking they would stand a good chance of breaking through its defences within a few weeks. Morale has been gravely impaired on the French Union side by recent events ; the new French commander-in-chief, General Ely, has not yet had time to plan a new strategy ; and the Communists have learnt, in the past three months, how effectively their military pressure can be made to work upon the politicians in Paris. Moreover, the city of Hanoi is itself a glittering prize for a government which still lacks a suitable capital.

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One thing, however, ought to be quite clear to the Vietminh leaders—and if it is not yet clear it should be made so. If they seek a second spectacular victory now, while the Geneva conference is still wrestling with the problem of bringing the Indo-China war to an end, they will make nonsense of the Communists' argument that only their antagonists wish to extend the war. They will strengthen the hand of the extreme interventionist faction in Washington ; and they will place Mr Eden in an impossible position at Geneva. It is unthinkable that Britain could continue to play its present restraining role if, in two or three weeks' time, the quiet of a restricted afternoon session at the Palais des Nations is broken by the news that General Giap's artillery is firing on the centre of Hanoi. If France's allies take a full-scale assault on the Red River delta as a signal that they must intervene at once in order not to be too late, the responsibility both for the extension of the fighting and for the frustration of the peacemaking effort at Geneva will rest squarely on the shoulders of Ho Chi-minh's government.

The Tories' New Need

WHEN Conservative backbenchers come back to Westminster next week they will need to pay more attention to foreign policy. For a long time the only serious challenge to the Government's diplomacy has come from the Bevanites, and has been aimed less at the Ministers concerned than at their allies on the Opposition front bench. This has absolved the average Tory backbencher from having to make any serious defence of the Government's foreign policy, and has left him free to whip himself into a frenzy over such important matters as teachers' pensions and MPs' pay. But bi-partisanship, always a delicate plant, is now threatened by Mr Attlee's tortuous wooing of the Left. If Geneva ends in deadlock and firm steps have to be taken in the East, the Tories may find themselves pushed into a straight party fight over foreign policy. For this they are ill prepared, either emotionally or intellectually.

Only two groups within the Conservative party have been taking any sustained interest in foreign affairs—the Suez group, which also propagates most of the other Beaverbrook myths, and a small clique of experts who, in or out of office, faithfully follow the Foreign Office line. There are also a few individuals whose speeches show an intelligent understanding of foreign affairs, but the average Tory backbencher seems to consider his duty done by perfunctory applause at every mention of "Mr Eden's gallant efforts for peace." In part, this apathy among the Conservatives is due to the misguided feeling that, with Sir Winston Churchill and Mr Eden as their leaders, they need not worry their heads over foreign affairs ; in part, it is due to the knowledge that they are certainly better able to staff the Foreign Office than their opponents. But isolated expertise is not enough. The need for more coherent and considered foreign policy speeches, both on the Tory back benches and on their hustings, is rising. The challenge from an irresponsibly united Labour may not come until after the party conferences in the autumn, but a disastrous end to Geneva could bring it next week.

M. Bidault on the Ropes

M. BIDAULT has found Paris no relaxation after Geneva. Indeed, the government's opponents in the French Assembly seem almost as determined to stick to their guns as are the Communist delegates at Geneva. M. Bidault, it is true, has probably benefited momentarily from the stiffening of the Communist line, and there is less tendency in France now to question his willingness to negotiate. Yet, in spite of this, his anguished appeal against being asked to conduct diplomacy on probation has not prevented the National Assembly from forcing the government to seek another vote of confidence on Indo-China. This has by now become a routine operation, though with the governmental majority dwindling rapidly each new performance may cause a real crisis.

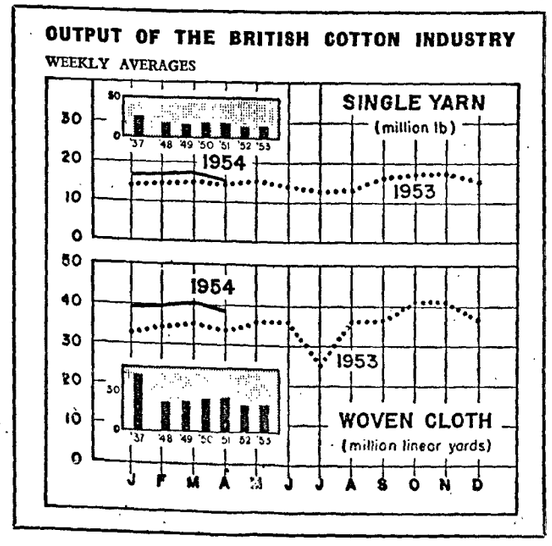
The tragedy is that a crisis at this stage would not even produce an alternative government. Many eyes were fixed on M. Mendès-France, who spoke at length after M. Bidault, but his hour has not come ; he has the brilliance but hardly the stamina for a situation of danger. He was on strong ground when criticising the past sins of French policy, but he disappointed his admirers by offering rhetoric instead of a coherent plan of action. Even if he could offer a policy, he would almost certainly find no majority to back it. This may decide the Assembly to tolerate M. Laniel's

government slightly longer, at least until its first anniversary later this month. M. Mendès-France spoke against changing men and keeping the policy, but a crisis provoked for its own sake is not to be excluded in the present mood of the Assembly. Governments have tumbled before in France to the mournful tune of *plus ça change*. . . .

Mollet *Versus* Moch

THE division over EDC is probably the chief obstacle to a regrouping of French parliamentary forces. A realignment on traditional lines is precluded as long as this issue, cutting across all allegiances, is not settled one way or another. In the current parliamentary battles many exchanges are ostensibly over Indo-China, but are in fact about EDC. This week a new step was taken in the drawn-out struggle over the ratification of the Treaty, when the Foreign Affairs Commission of the National Assembly approved a report hostile to the creation of the defence community. The approval of M. Moch's report was expected and the majority was a narrow one, but this move is significant, as all the Socialist "rebels" have voted against the treaty in defiance of their party's orders.

Two weeks ago at a special congress M. Mollet managed to issue official whips ordering Socialist MPs to vote for EDC, but the opponents of the treaty, numerous in the parliamentary group, refuse to toe the line. What sanctions will the executive take against the six recalcitrants in the commission, who include such important figures as MM. Moch, Daniel Mayer and Naegelen? This is an important test case, since less influential deputies will probably take their cue from the result of this trial of strength. In the Assembly as well as in the commission the fate of the treaty will depend largely on the Socialist vote. Thus the struggle between M. Mollet and M. Moch may prove decisive for the European Defence Community.



What Size Agriculture?

THE Opposition chose to launch the last major debate before the Whitsun recess on to the familiar topic of agriculture; and most of the argument in that debate revolved round the equally familiar question of how much food Britain should grow at home. It is a sign of the relative progress that has been made in British agricultural policy that the Minister of Agriculture did not seek to outbid the Opposition. Instead, he tried to ride two horses at once. He was anxious to claim credit for the record output achieved by British agriculture last year (which was equal to 156 per cent of the prewar figure). He insisted that the Government meant to bring about a further expansion of agriculture in general. But, in dealing with individual commodities, Sir Thomas was wary. In each case, he intimated, the level of output should depend upon the efficiency of producers, the level of world prices, and the cost of the Government guarantees; and he clearly implied that, if any guarantee cost too much, it would be restricted quantitatively, as has already been done with milk.

This sort of talk understandably leaves farmers puzzled about whether it is worth growing more food at the risk of a cut in the price guarantee. But the remedy most certainly is not to accept the facile recipe of a new "production programme" offered by the Opposition spokesmen. What exactly would this programme amount to? If farmers were offered an unlimited market at present prices, the cost to the nation would quickly prove intolerable. But if price guarantees were first cut as a necessary condition of further expansion, the Opposition would be the first to say that the farmers' "confidence" had been undermined.

Whether or not the present world surpluses will vanish in a few years' time, as some experts believe, they are facts that cannot wholly be ignored. The latest cuts in Canadian wheat prices, for instance, will add further to the large subsidies that are already being paid to ensure that British cereal producers still receive their guaranteed price. In these circumstances it is folly to ask for more production at home—unless it can be achieved at lower prices. That is in fact the direction in which Government policy is moving. Where the policy is failing is in not bringing home to the farmer the close connection that ought to exist between his degree of efficiency and his level of profits. The farmer has the idea that if he works harder the Exchequer will take the rake-off, but that if he works less the taxpayer will cushion the shock. It is a pity that Sir Thomas Dugdale did not specifically seek to disabuse him of both suppositions.

Sir Dudley North

PUBLIC opinion and naval opinion are liable to become at cross purposes in the new *cause célèbre* of Sir Dudley North. Nobody should dispute the right of the Admiralty quietly to remove an officer from a post of the highest

responsibility if it has lost confidence in him, especially in time of war. But Sir Dudley was summarily dismissed as Admiral Commanding North Atlantic in 1940 after a charge of "neglect of duty"; as five Admirals of the Fleet have pointed out, in a memorandum published this week, this sentence was the "most severe that could be given in time of war to a Flag Officer of distinction and high standing, such as might have been given for cowardice." It is not surprising that Sir Dudley should have pressed ever since for a court martial or a service enquiry to clear his name.

The charge against Sir Dudley arose out of the passage of French warships through the Straits of Gibraltar in September, 1940; they turned up at Dakar where they had an effect (in 1940 it was believed the deciding effect) in rendering abortive General de Gaulle's attempt to capture that port. Sir Dudley had not been officially informed of the Dakar project, although he probably had some unofficial knowledge of it. The orders he had been given about stopping French warships were vague and out-of-date; they had been issued at the time of the French collapse in July, 1940. There was a bad lapse by the duty officer at the Admiralty, who failed to send new instructions when it was known that the French warships had left Toulon. To the layman, it may seem that most people with political judgment might have urgently pressed the Admiralty for instructions in the early hours of the morning that the warships appeared; or else have sent the *Renown* to shadow the Frenchmen until orders came through. Sir Dudley, in agreement with other officers on the spot, did neither. Since he had earlier disapproved of the bombardment of French warships at Oran, it is not difficult to understand that some people at the Admiralty may have concluded that he was "pro-Vichy" (an emotive term at that time) and felt justified in dismissing him. The five Admirals of the Fleet, who have rallied to Sir Dudley's support, have now argued, however, that Sir Dudley was not faced by "a normal naval decision"; instead "it was a problem of what was politically required of him." They have asked the Admiralty to institute a service enquiry. In view of this backing, and in view of the inevitable suspicion that has now been aroused that some other people's responsibility for this muddle and its aftermath is being hushed up, the First Lord will make a bad mistake if he obstinately continues to refuse one.

Quotas for Bright Children

THE London County Council is not alone in thinking that at present schoolchildren are too arbitrarily and irrevocably divided into sheep and goats at the age of eleven, or that the "eleven plus" examination is an imperfect way of making a decision of such importance to the child. But few people will see the point of the changes in methods of selecting pupils for grammar schools, which the council's education committee has just approved. Hitherto, as with most local authorities, the selection has been made by committees, which judge the children by their performance in English, arithmetic and an intelligence test—supported, in the case of borderline candidates, by reports from the head teachers of primary schools, and sometimes by

interview. In future, London primary school teachers are apparently to have the principal say in the selection—although, in order to protect them from angry parents, their judgment is to be reinforced by a committee in the background. That the teachers should be consulted is right and proper, but the principles that, according to the LCC report, are to guide them will not ensure that all London's brightest children are educated in its grammar schools.

The most important—and most pernicious—feature of the new arrangements is that a quota system is to be introduced into the primary schools. Teachers will be told what their share, in relation to their school numbers, of London's grammar school places should be; if they want to exceed it they will have to seek special sanction. The danger of this system—which has been tried out, in various and modified forms, in other local authority areas before—is that bright pupils may be excluded from grammar schools because their primary school has exceeded its quota, and that the schools themselves may become less efficient because competition between them will be eliminated.

The LCC is not foolhardy enough to abolish the examination altogether—although it hopes to do so later, beginning with the comprehensive schools. Meanwhile the examination will continue, heavily disguised as the "junior leaving examination" and with its relevance to the child's fate undetermined. It is difficult to see why this change of nomenclature will improve it; or, indeed, why the rest of these confusing proposals are an improvement, unless they mean no more than that due regard should be paid to the reports of primary school teachers. If that is all they do mean, then the LCC should have said so, instead of sending a shiver down the backs of parents who happen to have sent their above-average children to above-average primary schools.

Mr Yoshida Grounded

THE disarray in Japan's domestic politics is even more alarming than had been thought. Last week, just as Mr Yoshida was preparing to leave for his visit to the United States and Europe, Socialist opposition to his government's Bill for restoring centralised control of the police (decentralised by General MacArthur) culminated in a violent riot in the House. The Speaker's chair was stormed and police had to be called in to separate the battling deputies. This agitation from the left was supposed to be directed against the danger of a return to the old military nationalism; but it was reinforced by another agitation from quarters on the right representing this same military nationalism. There Mr Yoshida is accused of humiliating his country by visiting the United States, and is threatened with assassination as a traitor in the good old Japanese fashion. Caught between two fires, and dismayed at the risk of a new political crisis overtaking his government in his absence, the Prime Minister decided at the last moment to cancel his tour.

Those who wish well to Japan's postwar parliamentary democracy must deplore the Socialists' resort to violence.

For in the long run it is they who stand to lose most by any undermining of parliamentary institutions. If democracy breaks down power will go, not to them, but to men of authoritarian attitude, either Communists or reactionaries. At the root of present discontent lies a general feeling of national humiliation, to which the omissions of British and the commissions of American policy have contributed. Japan regained sovereignty under the San Francisco treaty, but has remained excluded from all collective international deliberations, even those concerned specifically with the Far East. It is represented neither at the United Nations, nor at Geneva, nor in the discussion of a South East Asian defence pact.

In fact, Japan is as entirely isolated as the Russians could wish, save for its bilateral and dependent relationship with the United States. It is to be hoped that Mr Yoshida will still be able to make his journey and press on Washington, London and other capitals the urgent need of his government for prestige and friendship. Meanwhile, is anyone keeping Tokyo informed of what is being planned for the defence of South East Asia, where Japan's principal markets lie? If not, it is a serious omission.

China Trade Back on the Rails

ENCOURAGING progress in clearing trade channels between Britain and the mainland of China has been made in recent meetings at Geneva between representatives of British industry and commerce and Chinese Communist officials. The Federation of British Industries, the London Chamber of Commerce, and the China Association, the three bodies most closely concerned in the negotiations, are to be congratulated on discretion as well as initiative. The Peking government had been trying, with some success, to play a political game with its trade offers. Though its interests are obviously best served by direct contact with firms and individuals in this country or in Hongkong, with long experience in handling China's unique trade, it has instead tried to channel business through organisations that have a propaganda value for the Communists. Furthermore, the Chinese have sought to make East Berlin their European headquarters for all trade deals. Whether they now intend to get down to business without propaganda has yet to be proved; but by accepting an invitation to visit Britain, and by easing conditions for the firms and individuals still held virtual prisoners in China, they have shown some good will. It is also a good sign that the discussion of trade channels has not so far been linked with questions about the relaxation of the embargo on certain exports to China.

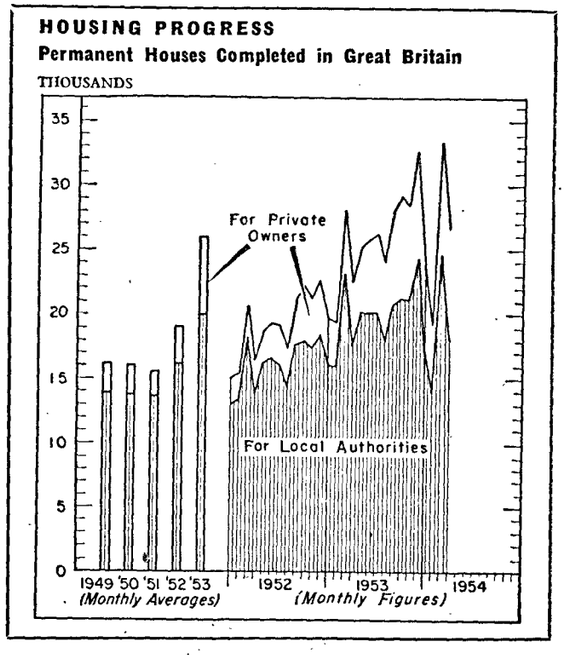
The wisdom of moving cautiously in dealing with a Communist power, even at the risk of losing business, has been demonstrated. The British showed no weakness or undignified haste and the Chinese, who understand better than anyone the importance of "face," appear to have been impressed. But there remain a number of irksome difficulties. For example, the British exporter has to wait until his goods are received and certified before he gets his money. Moreover, as Peking now boasts that 75 per cent of its foreign trade is with Communist friends, there is not much left for the West; but it is possible that the Chinese now realise how much they are losing thereby. Particularly welcome is the fact—reported by Mr Harold Wilson from his conversations with Mr Lei Jen-min, Vice-Minister of Foreign Trade—that the Chinese have at last brought their sights down. In place of the astronomical and clearly false figures that have been dangled in the past before eager British eyes, his estimate of the possible annual level of Anglo-Chinese trade is now £36 million. Though still about double of what is practicable, it is at least nearer the truth.

Keeping Back the Floods

STATISTICALLY speaking, floods as strong as those that overwhelmed the East Coast defences in January, 1953, are not likely to occur more than once in two hundred years. The committee on coastal flooding, which was set up under the chairmanship of Lord Waverley after last year's disaster, has now followed its interim report (which led to an improvement in the system of flood warnings) with a full report* that is sensibly free from panic. It says in effect that only where the value of the property to be protected warrants the expense should defences be brought up to a standard capable of holding floods of the 1953 level. Elsewhere local authorities should not be required to go further than was thought reasonable before that date; and if anyone wants protection of a higher standard he should be asked to pay for it. The committee is also satisfied that there is no major gap or overlap in the functions of the River Boards and the coast protection authorities; and that the present system whereby the costs—like the risks—are shared between the individuals affected, the local authorities in the district and the Treasury should, with certain minor modifications, continue as before.

These sensible conclusions are accompanied by an urgent warning. Few Londoners realise how lucky they were in 1953. If the flow of fresh water down the Thames had not been abnormally low, the defences of the capital might have been overwhelmed. Because of unresolved bickering between the various local government bodies, the system of responsibility for flood defence in London lags far behind that in the rest of the country; and insufficient thought has been given to the nature of the defences themselves. The committee makes the suggestion, for others to consider, that a structure might be thrown across the river with "gates" capable of being closed in the face of impending floods. There are formidable difficulties, both physical and financial, in the way of any solution; but the central government now has a clear responsibility to knock the local authorities' heads together, and if necessary to introduce legislation to remedy what seems to be a very dangerous situation.

* Cmd 9165. HMSO. Price 2s. 6d.



West Indian Lament

THE plight of citrus growers in the West Indies now being aired by a trade delegation in London, provides a striking example of the way in which schemes of colonial development are apt to run aground the treacherous shoals of world trade. Since the war the production of grapefruit in the West Indies has been stimulated and aided by the British Government as a means of diversifying the islands' economy. Now, after six years, their crops have matured, but the growers complain that they cannot compete in the British market (which is inevitably their main outlet) with the crops of other countries.

In part, this is because the small-scale production in the West Indies is uneconomic; the growers have to purchase their containers in England, pay high freight charges, and cannot compete with the mechanised production and processing in the United States and Israel. But the world citrus market is also riddled with subsidies. Two principal competitors, Israel and Spain, have both indulged in discriminatory exchange rate wangles; and now the position has been complicated by the arrival in Britain of imported grapefruit from the United States under the Mutual Security scheme. In addition, American export prices to some markets are kept low by a special subsidy to citrus growers, which was passed against the wishes of the Administration. Political jobbery in California and Florida —and financial juggling in Spain and Israel—has cast its shadow over the Caribbean.

The British Government has therefore been placed in an embarrassing position. The West Indians want Britain to put up the tariff on foreign citrus fruit (which, for historical reasons, is fairly low), while continuing to allow their own fruit to come in duty free. The Government probably has no very great qualms about raising the price of grapefruit on the British breakfast table; but the West Indians' proposal would involve an increase in imperial preference margins, and thus run foul of the General Agreement on Tariffs and Trade. In view of the need to diversify the West Indian economy and of the sour state of competition in grapefruit already, this is one of the few instances in which the opponents of Gatt can put up a plausible case. It would be in the present tradition of the citrus market if the British Government found some way to wriggle round the problem, while pretending that it was not wriggling at all.

Talking to Kenyans

IT was a novel conference that was held this week in Nairobi. Representatives of many European organisations—church, commercial, agricultural and political—gathered to hear the views of members of their new government at first hand. A panel of ministers and officials, led by Mr Michael Blundell (now European Minister without Portfolio), made a sustained effort to explain, and enlist support for, their conduct of the emergency. Most remarkable of all was the unprecedented appearance of Asian ministers in defence of the Government's policies in front of a European audience.

Mr Blundell painted a generally encouraging picture of the emergency. He estimated that in the last few months 25 per cent of Mau Mau's effective strength has been destroyed. Perhaps more important, he indicated that progress was being made in bringing the troubled native reserves under closer administration; under the new arrangements there will still be only one officer to every 25,000 people, but this proportion will be about ten times greater than before the emergency. Mr Blundell later made a strong—and reasonable—plea that operational expenses incurred on the responsibility of the commander-in-chief should be charged to the United Kingdom rather than to the Kenya Government, which has no direct control over them.

The most interesting contributions came, however, from the new commissioner of police, Colonel A. E. Young, and the Asian Minister without Portfolio, Mr Patel. Colonel Young, who went to Kenya with a reputation for straight dealing, is clearly also something of a diplomat. After praising the settlers' police reserve for "doing a wonderfully gallant job," he made it clear that he was considering replacing the full-time reserve officers with regular policemen, "so that men trained for civilian jobs could return to them." The policy of thanking these emergency settler-policemen for their services, but then getting rid of them as quickly as possible, is certainly the right one; but it will not please some people in Kenya. Nor will Mr Patel's stout defence of British methods of justice in the face of demands for more summary action. While making every effort to speed up the processes of law, he was determined "not to throw away experience gained over hundreds of years." It makes a good beginning to Kenya's new experiment in polyglot government that Europeans should find themselves

confronted with their own ideals in the mouth of a responsible leader of another race.

The Nationalised Pullman

THE British Transport Commission's offer to buy the shares of the Pullman Car Company will close next week; and it seems certain that the shareholders will accept it by a massive majority. Many Conservatives are stung to the quick by this first instance under their regime of a prominent company being swallowed up by a nationalised industry, by what they regard as the destruction of the last piece of private enterprise efficiency on the railways. Shortly before the Whitsun recess the member for the Pavilion division of Brighton initiated an almost impassioned debate on the adjournment on this subject. The initiative for the sale has admittedly come from the Pullman company itself, but Mr Teeling darkly pointed out that the chairman of the company "is also chairman of Cook's and of Dean and Dawson, both of which are nationalised, and in that sense I suppose he is closely connected with the British Transport Commission." While admitting that a very large proportion of shareholders would agree to the sale, Mr Teeling had discovered that many of the shares were held by insurance companies; he accused these companies of "always playing for safety." Other shareholdings are in the name of nominees, and some people would have liked the Government to say whether the largest block of these is or is not held by some nationalised body.

In broad outline, however, it seems clear that the sale is a commercial operation, not a sinister piece of Tory Socialism. The Pullman company has been operating under a detailed agreement with the commission about routes and time schedules. This contract is due to expire in 1962; and although the commission would probably agree to an extension, it could not make this for a long period. There are certain to be many changes in the form of rolling stock and in modes of railway operation in the coming decades, and there are also likely to be some Socialist Governments. Yet any new vehicles bought by the Pullman company to streamline its fleet would have an expected life of thirty years. The alternative lay between a system under which the company would have no incentive to build any new coaches, and operation of the service within the maw of the Transport Commission. It is difficult to see how the Minister of Transport could have intervened to forbid the transaction. And, provided the commission operates the service as a commercial venture—running the coaches only on the routes that are profitable and resisting the temptation to plough back most of these profits for subsidising less economic ventures—there is no reason why standards need suffer through this socialisation by consent.

More About the Balkan Alliance

IT was to be expected that the progress of Balkan co-operation should proceed most smoothly and with the greatest diplomatic finesse when Athens became the centre of operations. At the conclusion of Marshal Tito's visit there last week it was announced that Greece, Turkey and Jugoslavia had decided to enlarge their treaty of friendship and co-operation into a military alliance at the next annual meeting of the three foreign ministers in Belgrade. With this decision and the talks leading up to it the Turkish Ambassador in Athens was fully associated; the same could not be said of the Greek Ambassador in Ankara when Marshal Tito talked with his Turkish colleagues on the same subject in April. Moreover, in the wording of the communiqué issued in Athens, which was deliberately vague about the actual date for signing the treaty, the three Balkan partners combined due attention to friendly British and American promptings that they should not wound Italian susceptibilities by too much haste, with a clear indication that they would not let this consideration hold up their defence planning indefinitely.

A novel and interesting outcome of last week's talks is the announcement that the three governments have agreed, on the suggestion of Field-Marshal Papagos, to establish a tripartite consultative assembly. All that has been decided so far is that it is to be composed of fifteen to twenty parliamentary delegates from each country and is to meet in each capital in turn; presumably opposition parties, where they exist, will have their due representation. The idea shows that the three countries are interested in something beyond their mutual defence against a common enemy; but it is easy to be cynical about assemblies with no powers except the power to talk. In the Balkans, however, periodic meetings of parliamentary delegates could, if well managed and well mannered, do a useful job. They could spread mutual understanding of each other's problems among a small but influential group of men, and for the Balkan people generally they could provide a valuable non-military symbol of regional co-operation. In addition, for the Jugoslav delegates, they could provide an illuminating insight into the ways of non-Communist parliamentarians.

Hungarian Communists Take Stock

THE third congress of the Hungarian Workers' Party has provided plenty of testimony that the "new course" introduced nearly a year ago has not proved the panacea that its authors no doubt hoped it would be. Every conceivable culprit, except the Communist bosses themselves, has been hauled over the coals for his contribution towards the "blunders and mistakes" that have marred the start of the new policy. Of course when Communists go in for criticism and self-criticism they believe in laying it on thick. All the same, Rakosi and his colleagues are plainly unhappy about the way things are going.

In particular they are worried about the failure of the farmers to solve the country's food supply problems. Yet although Rakosi stressed the "extreme importance" of the medium-peasants, his speech was not of a kind to instil into them that confidence in the intentions of the regime that is essential if agricultural production is to be increased. On the contrary, the emphasis is now again on the consolidation and development of the co-operatives. Rakosi, alarmed perhaps by the deterioration that has set in on the

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state and co-operative farms, made it quite clear that a socialist agriculture was the inevitable aim of the government.

The difficulties of the regime are all the greater because of the confusion and disarray within its own ranks. It has long been evident that the introduction of the new course provoked a violent debate within the inner councils of the party. Rakosi has apparently ridden the storm; but he still complains both of the "strong remnants of left-wing sectarianism" and of opportunist right-wing distortions of policy. It is not surprising that the new party statutes introduced last March stress the need for iron discipline. Moreover, the party organisations throughout the country, especially in the villages, have proved unequal to the task of rallying the people behind the regime; so much was confirmed in so many words by Imre Nagy, the Prime Minister. That is why he went on to announce that a new People's Independence Front was to be formed, on a broader basis than the old People's Front, to act as the link between government and people that the Communist party has so signally failed to provide.

It is quite probable that the regime is genuinely anxious to increase its popular support. It may well feel shaken by the vicissitudes of the past year and none too confident of the future; for although it can, and does, promise the workers that the next five-year plan, starting in 1956, will concentrate on improving their standard of living, it has not much, except hard work and short commons, to offer them in the meantime.

Waiting in Hospitals

THERE will be general approval for the Ministry of Health's circular to hospital authorities about long waits in out-patient departments. In the old voluntary hospitals an appointments system was virtually impossible. The doctors were unpaid and consequently not under contract to work for specified hours; many of the patients had no general practitioner and used the hospitals for minor illnesses and routine treatment.

All this was supposed to be changed by the health service. Patients would come to hospital only on the initiative of their own doctors. The consultants would be paid, and would therefore attend for fixed hours each week. The opening of out-patient departments in the former local authority hospitals would spread the work more evenly. But, in spite of this supposed rationalisation of both the supply of out-patient facilities and the demand for them, complaints of long waits seem to be more frequent than ever.

This is not altogether surprising, for it is far more exasperating to come at an appointed time and be kept waiting an hour or so than to turn up when one likes and be seen after three or four hours—a normal practice in the old days. The Ministry would, however, presumably not have sent its circular without plenty of evidence that much of the present waiting time is unnecessary. Some of it is due to bad organisation and some to unpunctuality on the part of the medical staff: there is a strong hint in the circular that some consultants take on more work than they can fit in. But the hospitals and their staffs have much to contend with. The amount of out-patient work under the health service has greatly exceeded expectations; the hospitals, however, have not been allowed to increase their accommodation or their staff to anything like the necessary extent—and will look wryly on the Ministry's suggestion that they should employ lay receptionists to keep out-patients happy. Too many cases are crowded into a session, and several are asked to arrive at the same time, not from incompetence but so that facilities shall not be wasted by the failure of patients to turn up or by the disposal of a case in a few minutes. With their present resources some hospitals will completely eliminate waiting time for out-patients on the day of their appointment only by extending the waiting time—often too long already—before an appointment can be made.

New Drift from the Land

IT is often assumed that the prosperity of agriculture since 1939 has halted the long-standing decline of the rural population. In fact, although villages in the vicinity of large towns and industrial areas have generally expanded in recent years, the population of the purely rural districts—which still cover over three-quarters of the area of Britain—has in most cases continued to decline.

The problems of these areas have recently been examined in an illuminating report by the Northumberland Rural Community Council.* Most parts of Northumberland have lost population in the last few years, and further migration will take place unless some action is taken. The number of regular farm workers, particularly young workers, is falling. This is partly the result of mechanisation, but partly too it follows from the lack of alternative occupations and of social facilities. The process is cumulative. The loss of a few passengers may mean the closing of a bus line, and a dozen children may be the deciding factor in the fate of a village school; when the buses stop and the school closes, more families move away. The report also points out that housing progress since the war has been slowest, in relation to needs, in the remoter districts of Britain.

The only real solution is the introduction of alternative occupations to agriculture. The areas in which the Forestry Commission has been active are exceptions to the general picture of decline. Apart from forestry the chief hope is to attract a few industries into the small rural towns. This is a possibility that deserves careful consideration, and perhaps financial backing, by the Government. The alternative—to ladle out numerous special subsidies to improve living conditions, including the disguised subsidy in running nationalised transport services at a loss—seems likely to be both costly and ineffective. A further fall in population will also react on agricultural production; and it seems odd to spend large sums on conserving agricultural land in the vicinity of the towns while letting land go out of use over much of the country. This is another example of the inconsistency and pointless waste in successive governments' policies for agriculture and the countryside.

* "The Rural Community," available from 26, Trafalgar Street, Newcastle-on-Tyne 1. Price 1s.

Books & Publications

From Norway to Singapore

THE WAR AT SEA, 1939-1945.
Volume 1: The Defensive.
By S. W. Roskill.
Her Majesty's Stationery Office. 686 pages. 42s.

WITHIN the next ten years the Royal Navy has to be redesigned and rebuilt for the tasks of the next twenty years. What principles and calculations should rule this reconstruction is a matter of deep perplexity and keen dispute, in which memories of what was required of the navy only recently are sometimes less vivid than imaginings of what will be required of it in the future. Here in Captain Roskill's first volume—and in the two which are to follow it—is the stuff for study of the permanent factors in British maritime strategy and for a judgment of how much it should undertake on its own and how much it should rely on allies.

In this part of the narrative, which ends with the disasters in the Pacific in December, 1941, Britain is fighting virtually alone against two naval powers, each able to challenge its command of the sea with land-based aircraft as well as with surface ships and submarines. It is a most ominous story of narrow squeaks and overstrain, with the navy being diverted time and again from its proper tasks by failures on land, or handicapped by the Air Ministry's tardy understanding of the ways in which an imperial island power must keep control of the sea routes. Norway, Dunkirk, Crete, the siege of Malta, Oran, Dakar, the hunting of the *Bismarck* and the German battle-cruisers, Matapan, Singapore—and on top of all that the ceaseless battle in the Atlantic, along the coastal routes, and in the very ports and estuaries of these islands—these are Captain Roskill's themes.

He is a good narrator and gives his verdicts on the main operations with judicious boldness. Some of them, indeed, might have been sharper on the evidence that he provides; for example, he has found no explanation of why the *Prince of Wales's* mission to Singapore was not reviewed on her arrival at Cape-town as had been agreed between the First Sea Lord and the Prime Minister; nor does he direct any rebuke at those who sent this ship in pursuit of the *Bismarck* with her radar not working properly, her 14-inch armament faulty, and her ship's company not fully efficient. He might with advantage have been more outspoken in what he says of Churchillian interference in the Norwegian operations and in his review of the Cabinet's instructions for dealing with the French fleet. But this is an official history, and those who wish to praise or blame can read between the lines.

The great virtues of the book are its clarity and arrangement. Its moral is the danger of economies and complacency in peacetime, and the need to bring air power—wherever possible under naval control—to the assistance of ships. One wonders whether Bomber Command, Coastal Command and the Navy are now better co-ordinated in essential respects than they were in 1940 when

> the command which carried out reconnaissance work possessed no striking power, and the command which possessed striking power lacked the equipment and special training needed to find targets or, if the target was located, to strike with weight and accuracy.

In short, could Bomber and Coastal Commands now locate, identify and deal with the Sverdlov cruisers, if necessary?

Then there is the question of bases. Millions were spent uselessly on Singapore; but Malta, Gibraltar, Alexandria and even Scapa were quite inadequately defended. The Home and Mediterranean Fleets could never relax in their bases. Singapore is still costing money, while Portsmouth, Chatham and Devonport are being maintained as major bases within easy missile range of the continent.

One feature of this history is of special interest. Captain Roskill has had the German naval archives at his disposal to check all facts about major operations. Here, therefore, is virtually the whole truth about the U-boat war and about the sinking of the *Graf Spee* and the *Bismarck*; he is able to compare Admiralty estimates with facts about the Germans that have hitherto been secret. We know now that Hitler planned to have by 1942—his original date for starting war—13 battleships, 33 cruisers, 4 aircraft carriers, 250 U-boats and a large number of destroyers, all modern ships. Against such a force the task of the Home Fleet—which gets so little credit for its wartime exertions—would have been perhaps beyond its strength.

On two major points of dispute this volume is inconclusive, although sensational reviews have suggested the opposite. Captain Roskill is critical in several places of Admiralty control over operations at sea; but what he says against that control in the case of Norway has to be balanced against what he says in its favour in the case of the *Bismarck*, when the Admiralty's work in intelligence, co-ordination and direction was brilliant. Likewise on intelligence; it is true that the first year of operations often found the Admiralty at a loss to keep track of German warships or to estimate German intentions. But intelligence quickly improved and both the convoys and their escorts owed much to it during 1941. For a final judgment in these matters it will be necessary to see what Captain Roskill has to say in his next two volumes. It is, incidentally, a pity that the first two volumes of the war history on Grand Strategy have not come out at the same time as the campaign histories, so that the reader could keep a sense of perspective. It should be some Minister's business to see that publication is not unduly delayed by criticism, sensitivity and private interests at "a high level." If history is to be written so soon after the event, participants should be ready to accept the kicks as well as the laurels.

Divided France

DEATH OF THE FOURTH REPUBLIC.
By Ronald Matthews.
Eyre and Spottiswoode. 318 pages. 18s.

"THE France of 1953," writes Mr Matthews, "is no sort of place for those who have not safely stifled the dreams and the hopes of the Liberation." His excellent book is the tale of the reverses that befell the men of the Resistance who tried to renovate France. The premiership of M. Pinay in the spring of 1952 marks, for Mr Matthews, the death of the new regime inaugurated by the great reforms of General de Gaulle's provisional government and institutionalised in the 1946 Constitution.

The author regards the rejection of austerity and the bungling of the Indo-Chinese problem as the two greatest disasters of the period 1944-1947. In January, 1945, M. Mendès-France proposed an exchange of the note-issue; the freezing of bank accounts; measures to catch war profiteers; and a balanced budget. Instead rationing broke down; the black market flourished; there was soon a 50 per cent increase in wages; prices soared; and new money had to be printed. Inflation was thereafter to be the meat and drink of the Communists, who could make the difficult transition from patriotic resistance party to a permanent revolutionary opposition that struck blow after blow at the new Republic's heart.

What Mr Matthews calls "the Cerberus-headed government" of *laique* Socialists, Catholic MRP and fossilised Radicals, which administered France from 1948 to 1952, could do nothing but preside over industrial and agricultural stagnation saved from outright decay by large injections of American aid. This *immobilisme* could only perpetuate the divisions of the people. Its fruits abroad were an equivocal, or rather multivocal, Indo-Chinese policy, of which the one undisputed reality was a roaring trade in black market piastres; and the calamitous satrapy of General Juin at the Rabat Residency, which did more than anything

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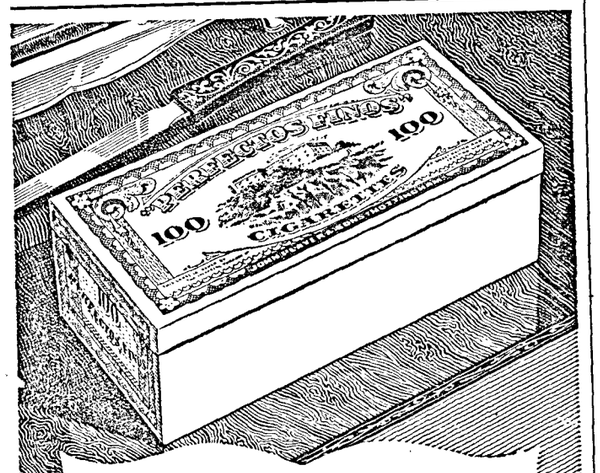

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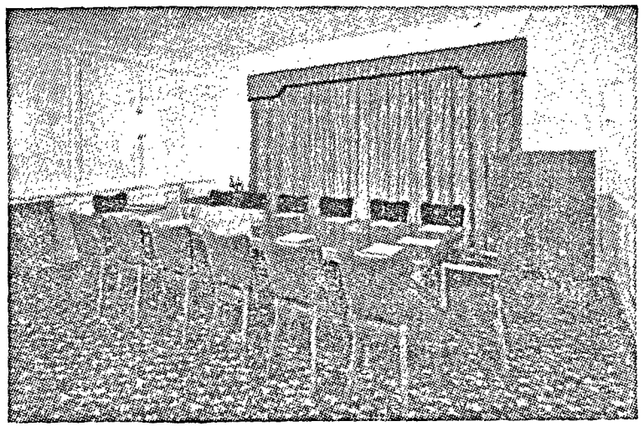

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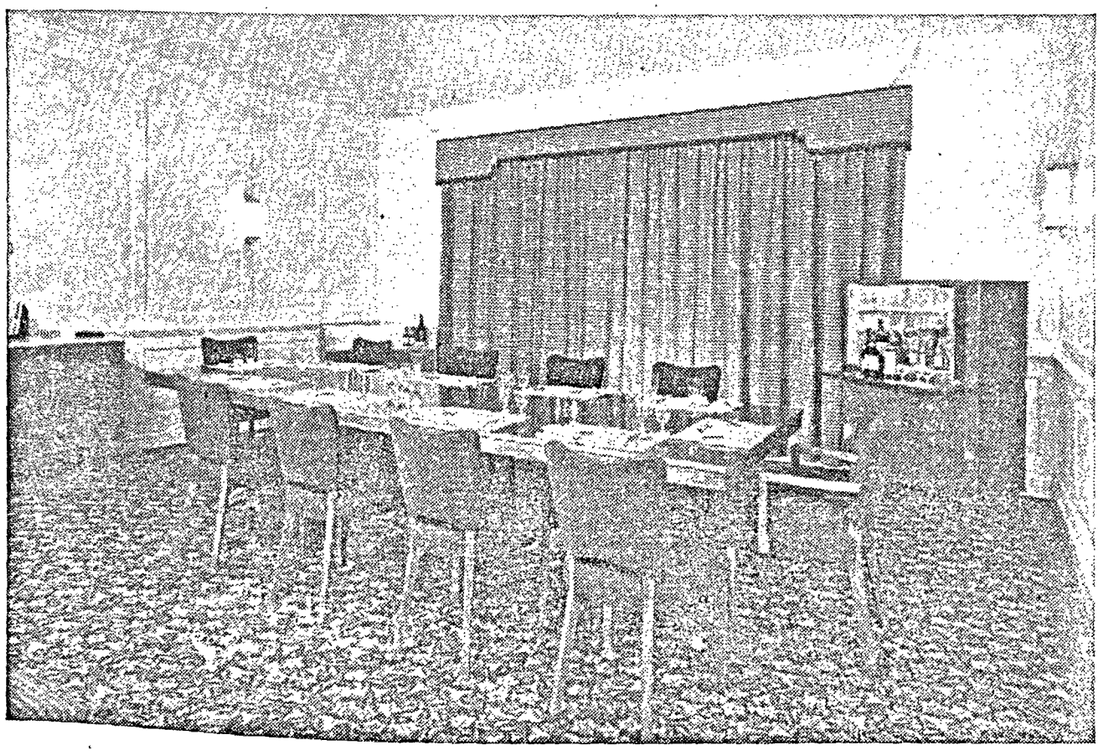

else to fan the flames of Moroccan nationalism.

The author's narrative is that of an experienced, fair-minded and idealistic Englishman, who is indignant at the wrongs done by Frenchmen to Frenchmen. It is here that doubts about the proportions of his judgment sometimes arise. Mr Matthews is aware that France has been politically unsuccessful for about two hundred years; but he never seems to ask whether *any* French national state could have achieved or can achieve harmony among Frenchmen. When it comes to politics, it is innate attitudes that count, and the Gallic ones are politically destructive. Clarity is too apt to lead to anarchy (was not the Fourth Republic really pre-destroyed by the schoolmasters and professors of the Third?); *panache* to irresponsibility; refined hedonism to narrow horizons and a distaste for change. The cohesive stuff of constructive politics, the stamina-giver, is something less conscious than logic; and, in these complicated times, something less simple than the classical political sentiments. Whatever it is the French lack it.

Demographic Turning-Point

PROSPERITY AND PARENTHOOD.
By J. A. Banks.
Routledge and Kegan Paul. 240 pages. 21s.

THE International Library of Sociology and Social Reconstruction has to its credit a list of volumes possessing impressive merits of profundity, originality and scholarship. Their greatest admirers, however, would hardly attribute to them, in addition, a high entertainment value and the qualities of a good bedside book. "Prosperity and Parenthood" miraculously achieves this perfect left-and-right. It is a highly serious study—as its subtitle indicates—of "family planning among the Victorian middle classes"; a close historical and analytical examination of the almost universal thesis that rising standards of living mean smaller families. It is also a wonderful *olla podrida* of domestic and social lore, a companion to history and literature, with the charm of an old volume of *Punch* or a canvas by Frith. The life of Anthony Trollope is used as a case study; there are delectable quotations from women's magazines, annuals, domestic handbooks, and such esoteric monographs as the "History of Coaches" (1877), the cost of crinolines, the social hierarchy of the servants' hall, nursery menus, carriage harness, best bedrooms. . . . One might be reading a source-book for Miss Marghanita Laski's "Victorian Chaise-Longue," or documenting oneself on the home life of the Pontifexes.

Needless to say, entertainment is not Mr Banks's prime object; all the delectable tit-bits (though there is no mistaking the gusto with which he introduces them) have a bearing on his main theme: the evolution of the middle-class family standard and the parallel evolution of a prudential attitude to family size. One can speak of parallel evolution; it is not, he concludes, scientifically justifiable to speak of cause and effect. The "standard of living" is far too loose a concept—the standard achieved and the standard conventionally aspired to may be, for instance, very different things, and a divergence between them can be far more important than their absolute level. Moreover much depends, in this context, on the components of the standard; the fact that, as shown here, the late-Victorian middle class was taking out a larger and larger proportion of its standard in education and professional training, whose cost varied directly with the number of children, obviously strengthened their incentives to prudence. The beginnings of the emancipation of women; the first far-off rumblings of the Servant Problem; the impact of the depression of the last quarter of the century on a class whose appetite for material well-being had grown with what it fed on through a generation of rapidly mounting prosperity; all these influences worked in the same direction—and the means of family limitation were, if not precisely ready to hand, at all events not unknown after the Bradlaugh-Besant case. If it is hard to judge just what did change Victorian family habits, it is even harder to take a line through the nineteenth century to the twentieth. If the circumstances of the middle class enjoined a prudential family limitation in the mid-seventies, what do they enjoin now? Women are more emancipated than ever, servants practically non-existent, education and professional training a bigger burden on the budget, the divergence between the material lot of the bachelor and the family man or woman is wider than ever, and the slight economic chill of the 1873 depression appears negligible beside the Ice Age of today's social revolution. Yet the middle classes, astonishingly, marry a good deal younger than they did a generation ago, and produce rather more children. Any twenty-first-century successor to Mr Banks will have a very hard time indeed.

Liberal Optimist

ESSAYS WITH A PURPOSE.
By Salvador de Madariaga.
Hollis and Carter. 199 pages. 15s.

ONE would certainly not expect an author of such distinction to write without purpose. The essays have, indeed, many purposes, since they are addressed to a variety of audiences at varying times and places, with a certain amount of repetition and some contradiction that could have been avoided by more careful editing. Nevertheless there remains a constancy in bias which might fairly be called the de Madariaga climate of opinion, which epitomises what is best in the liberal spirit and balances the materialism of the Left and the nostalgia of the Right with a stimulating faith in the immense possibilities for good inherent in modern scientific discoveries.

The author believes that the modern dilemma is the reaction of human nature

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EUROPE IN MID-CENTURY
By THEODORE H. WHITE

There can be few who fully understand what has been happening all over Europe since 1945. This book has been written to make intelligible to all who will read, the complex problems which have been and are being faced there, and the solutions to those problems. It is not an economic treatise, nor does it make play with vast incomprehensible figures. It seeks to translate figures into deeds and problems into human experience. For the first time it is possible to see, as a whole and in true perspective, the picture of Europe rising from the ashes of despair. 15/- *net*

Strategy for the West

By Marshal of the R.A.F. SIR JOHN SLESSOR, G.C.B., D.S.O., M.C.

In the midst of public clamour for the suppression of the H-bomb, Sir John Slessor argued on the Television programme devoted to the subject, that the H-bomb was, in fact, the greatest insurance for peace which man has yet devised. It is this conviction which underlies the strategy which he proposes for the Western World in this fascinating and confident book. 9/6 *net*

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against the exacting claims made upon it by reason and by liberty during the nineteenth century; that political standards must recognise the primacy of man's spirit; that creative work and moral decisions can only emanate from free individuals in a free society; and that the core of freedom is enlightened choice. He shows an invigorating scorn for quantitative mass democracy which results in the extinction of the out-of-the-common man by mediocracy—a moral destruction which he finds more terrible than the threatened physical destruction of atom warfare.

As might be expected, the most satisfactory essays are about Spain. Señor de Madariaga likes to jolt us into attention by unusual premises, and begins this section by roundly stating that the discovery of America was a disaster for Spain in that the Spanish genius was thus deflected from its natural future to the south. He rapidly sketches in a geography *manqué*, with Mexico in Morocco, Colombia in Algeria, Peru in Tunisia, Chile in Egypt, Argentina in Asia Minor, and the Mediterranean a Spanish sea. The British Commonwealth is then fitted into South America with a resultant "natural harmony of world destinies" and an Anglo-Spanish alliance that "would have become the chief arch of the Western world." In a similarly provocative spirit he undermines heroics about the duel between Cross and Crescent, presenting the Cid, himself, as a soldier of fortune rather than the paladin of Christendom. Another sleight of argument manoeuvres the responsibility for the Jewish persecution and expulsion on to the Jews themselves, and refutes "time honoured ideas" by assigning to them a major role in the setting up of the Inquisition. The logic seems to be that the individualistic Spaniards could not have maintained the persecution or the Inquisition but for the influence on the Spanish blood stream of Jewish persistence.

The last essay makes merry over the British claim to be a practical people while they continue to entangle themselves in a jungle of weights and measures, remain stubbornly blind to the advantages of a Channel Tunnel, refuse to standardise the spare parts of cars with American production, and wallow in the complications of unreformed spelling.

Philosophical Pellets

AN INTRODUCTION TO POLITICAL PHILOSOPHY.
By A. R. M. Murray.
Cohen and West. 240 pages. 12s. 6d.

"IF a short and simple phrase is required to describe the essential purpose of political philosophy as commonly understood, the justification of government would seem to meet the need." So begins the final chapter of Mr Murray's short and simple "introduction." And certainly the theme developed throughout the book—the justification of government—serves as a criterion of relevance for selecting snippets from the history of political thought. It enables the author to deal briefly and clearly with the views of those thinkers from Plato to Marx who jostle for attention in countless courses on the history of political ideas; it also enables him to combine a fair amount of philosophical clarification with historical exposition. So many books on the history of political philosophy are all history and no philosophy.

Mr Murray has written a sensible, competent and singularly unexciting introduction which will serve the valuable purpose of presenting at least one philosophical problem to students in a way that does no great violence to history. But are there not enough introductions of this sort on the market? Is the bird's-eye view method the most stimulating way of introducing the imaginative discipline of philosophy? Or does the author aim only at helping students through an examination paper in a subject about which they have not enough time to get excited? The light that illuminates the familiar, well-worked landscape is the glow of the setting sun. But must the extra-mural student, to whom the book is explicitly addressed, always have to make do with the philosophical pellets of an era that is passing?

American Historian

CHARLES A. BEARD: AN APPRAISAL.
Edited by Howard K. Beale.
University of Kentucky Press. 322 pages. $4.50.

DR CHARLES BEARD was one of the very few American historians who was able both to write and to interpret historical data. As an original scholar, a man of progressive ideas and a valiant champion of free thought, he was respected by his colleagues and friends at home and abroad. To the European observer, Dr Beard was among the most distinguished of American contributors to the social sciences, his great merits being his refusal to submit to the passion for specialisation which has been one of the worst features of American scholarship, and his ability to make history and politics interesting to the ordinary reader without departing from the exacting demands of critical scholarship. In order that this appreciation might be recorded, several of his closest associates decided to prepare a series of essays which would together constitute an appraisal of his influence upon American history and political thought.

Although the authors of this volume were agreed upon the value and the significance of Dr Beard's contribution to American creative historiography, those who disagreed with the view point of several of his books, particularly the later ones on foreign policy, were more numerous than those who shared his intellectual position. Of Dr Beard's voluminous writings over nearly half a century, perhaps the most controversial are his early works on the economic interpretation of American history and his later studies of United States foreign policy.

The economic determinism of Dr Beard's early writings, if not strictly Marxist, was surely revolutionary in the view of his more orthodox and traditionalist colleagues. As Mr Max Lerner explains in his essay, he was testing out a theory which, if it proved tenable, would show that "the real dynamism of American history was the conflict of group and class interests—a conflict so profound that it operated even in the sacred area of the framing and ratification of the Constitution itself, and in the minds of the most sainted and revered men of American history." In his "Economic Interpretation of the Constitution" (1913), Dr Beard was determined to prove that the Constitution owed its character to those property owners whose economic interests were gravely threatened by the economic insecurity under the Articles of Confederation. He argued that the Fathers of the Constitution produced "an economic document based upon the concept that the fundamental private rights of property are anterior to Government, and morally beyond the reach of popular majorities." In effect, Mr Lerner says, he regarded the "*laissez-faire* mumbo jumbo" as "an effort to clothe the property interests of a plutocracy with the sanctity of a taboo."

On foreign policy issues, Dr Beard also aroused a storm of controversy: as a confirmed nationalist and isolationist, he attacked the imperialists for being out for money and markets, and the internationalists for being out to save the world. In his last writings—"Foreign Policy in the Making, 1932-1940" and "President Roosevelt and the Coming of the War, 1941"—he lost a considerable proportion of his followers by waging an unceasing but fruitless campaign to convince his public that President Roosevelt, frustrated by the economic dilemma at home, was manœuvring the country into war. It was most unfortunate that a man who had devoted the greater part of his life to furthering the cause of freedom, reform and progress should have ended such a distinguished career by championing a cause which was associated with the worst forms of reaction and isolationism. Dr Beard failed to see that the democracy and freedom which he so keenly desired were indivisible: they could not be preserved at home while they were in danger of annihilation abroad.

Books Received

THE HOSPITALS YEAR BOOK, 1953-54.
Edited by J. F. Milne.
The Institute of Hospital Administrators.
The price of this publication is 2 guineas, not 5 guineas as stated in our issue of May 29th.

ECONOMIC SURVEY OF LATIN AMERICA, 1951-52.
United Nations and Her Majesty's Stationery Office.
232 pages. 17s. 6d.

THE INDIAN LAND PROBLEM AND LEGISLATION.
By G. D. Patel
N. M. Tripathi, Bombay.
550 pages. 30s.

American Survey

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

The Oppenheimer Decision

Washington, D.C.

THE tragedy of Dr Robert Oppenheimer, the atomic expert who has been found, by a special board of inquiry, to be "loyal," "discreet" and yet a "security risk" who should not be trusted with secret government information, seems to many in Washington to be also the tragedy of Mr Gordon Gray. Little was known of Mr Thomas Morgan, the other member of the three-man board who joined Mr Gray in signing the majority report. But Mr Gray has been in and out of Washington for some years, always ready, in the tradition of the best public servants, to accept unpleasant jobs from which those with political aspirations had fled. It was in this spirit that he undertook the thankless task of chairman of the Personnel Security Board which inquired into this case for the Atomic Energy Commission, and it was probably his courage and his insistence on facing issues that led him and his colleagues into the trap of making claims of competence, on behalf of the government and of themselves as agents of the government, in areas where man—democratic man, at least—seldom ventures.

From the beginning, the board's task was probably an impossible one because its members were being asked to review, within the terms of a presidential order, a case which was not susceptible to interpretation by such rigid standards. At one point, they asked the question: "Can a different test for security purposes be justified in the case of the brilliant technical consultant than in the case of the stenographer or clerk?" Their answer was that "such a distinction can be justified only on the ground of critical national need and that otherwise there can be but one standard for all." And they decided that, as Dr Oppenheimer's services as a consultant were used by the Atomic Energy Commission for only two and a half days in 1953, there was no longer any need to invoke the doctrine of "critical national need" in his case.

But they took no notice of the equally valid point made by the editors of the *Bulletin of Atomic Scientists* that

> it seems to us a breach of faith on the part of the government to call upon a man to assume such heavy responsibility in full knowledge of his life history and then, after he has demonstrably done his best, and given the most valuable services to the nation, to use the facts to cast aspersions on his integrity.

The board disposed of the argument that Dr Oppenheimer had been placed in "double jeopardy" by saying that this was a new kind of review, that it was the "only time that all of the available evidence regarding Dr Oppenheimer has been correlated and presented in a package" and that, since his last clearance in 1947 "new security standards and criteria" had been published.

There was also the allegation concerning his opposition to the hydrogen bomb, which the report refers to, as a further point in the "double jeopardy" argument, when it says that "viewed against the background of earlier history, the conduct of the individual subsequently to 1947 has been such as to raise questions of security risk." But, as Mr Lloyd Garrison, Dr Oppenheimer's lawyer, pointed out, all the charges about "improper action" while the critical decision about the bomb was being taken, and during the early stages of its development, were disproved.

There seems little doubt, indeed, that the decision of the majority of the board was influenced less by the allegations about the scientist's attitude to the hydrogen bomb than by the "package" of proven, and admitted, allegations about his earlier actions and associations which, the two members must have felt, could now be considered on their merits rather than dismissed on the grounds of national interest. As the Federation of American Scientists said, the board itself realised that the case was re-opened not because of any change in Dr Oppenheimer but because of a change in security regulations and in the climate of national opinion. The board may also have been influenced by the realisation that, if it were to clear Dr Oppenheimer, most other government employees who have been dismissed because of their past Communist associations would demand to have their cases re-opened.

*

Perhaps as a result of this dilemma, two new standards, not of loyalty, or even of security, but of acceptability for employment, were introduced and Dr Oppenheimer failed to meet either. The majority of the special board found that

> if Dr Oppenheimer had enthusiastically supported the thermonuclear programme either before or after the determination of national policy, the H-bomb project would have been pursued with considerably more vigour [and he] would perhaps have encouraged other leading scientists to work on the project.

And it decided that certain incidents "clearly raise the question of Dr Oppenheimer's understanding, acceptance and enthusiastic support of the security system." "He has repeatedly exercised," Mr Gray and Mr Morgan went on, "an arrogance of his own . . . which has frustrated and at times impeded the working of the system."

This is the first time that it has been suggested that every government employee or consultant must give his "enthusiastic support" to what many people consider an extremely dubious programme for ensuring the security of the United States. As Mr Garrison inquired:

> How can a scientist risk advising the government if he is told that at some later date a security board may weigh in the balance the degree of his enthusiasm for some official programme? Or that he may be held accountable for a failure to communicate to the scientific community his full acceptance of such a programme?

Mr Gray and Mr Morgan must have been worried by the implications of what they were doing because, in the introduction to their report, they discussed with mounting uneasiness the whole problem of security in a free society and expressed the hope that

> some day we may return to happier times when . . . security will cease to be a central issue, man's conduct as a citizen will be measured only in the terms of the requirements of our national society, and there will be no undue restraints upon freedom of mind and action and loyalty and security as concepts will cease to have restrictive implications.

But, while waiting for those "happier times," they must justify their claim to be able to weigh degrees of enthusiasm.

The justification is a remarkable one. They complain of Dr Oppenheimer's arrogance, but it is doubtful whether anything could be more arrogant than their assertion that "we believe that it has been demonstrated that the government can search . . . the soul of an individual whose relationship to his government is in question." This is a shocking claim to make on behalf of the State—a claim of divine prescience which even the totalitarians do not bother to put forward.

Nevertheless, the members of the board deserve sympathy for their courage in tackling a job which should never have been given to them. The Atomic Energy Commission itself still has to decide whether it should accept the board's reluctant recommendation and it surely did not require the time and energy of three distinguished men to discover whether Dr Oppenheimer was a "security risk" according to the narrow standards laid down for the screening of typists. Of course he was. The issue is whether, as a matter of national policy, Dr Oppenheimer should be employed regardless of those standards. There is only one man in the United States who could accept the responsibility for making that decision—the President.

Waiting for Allies

THE gloomy impatience in Washington at the lack of an allied policy for South East Asia springs both from the depressing reports from Indo-China and Geneva and from the approaching end of the congressional session. Members are afraid that adjournment may be delayed by another great debate on foreign policy; it seems possible that their fears may be justified, since the President has promised not to act in Indo-China *without consulting* Congress, since Congress itself is reluctant to give him a blank cheque to be used as he thinks best, and since a renewed effort to restrain Communist expansion in the area can hardly be postponed until after the November election.

At his press conference this week the Secretary of State insisted, as the President had a week earlier, that there were as yet no plans for asking Congress to authorise American intervention in Indo-China. Mr Dulles explained that the only proposals so far were for united action and that, although progress was being made, these proposals had not yet been accepted by the other interested countries. Unfortunately, this excuse may win support for those who have once more been advocating that the United States should "go it alone" in the Far East. While Mr Dulles has admitted to Senators that in an emergency this might be necessary, he stressed that it could only be a last resort and was not being considered at present. Mr Knowland, the Republican leader and Far Eastern expert in the Senate, who is pressing for an immediate decision on Indo-China, believes, probably rightly, that if the United States gave a lead, most of its allies would inevitably follow.

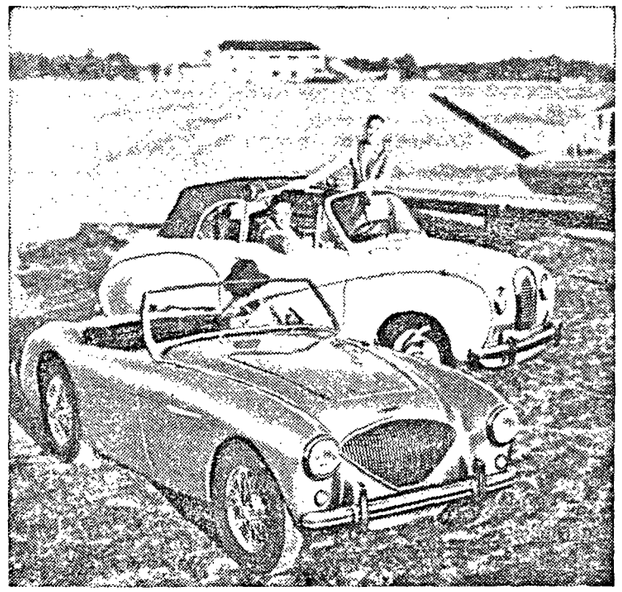
But it is partly because many of these allies suspect that such a lead might take the form of an atomic attack that agreement on united action has been difficult to reach. The military implications of such action are now being worked out at a five-power conference in Washington. It is reported, however, that there is a difference of opinion among the United States Chiefs of Staff themselves on whether naval and air operations would be adequate, something which the United States, with the help of atomic weapons, might conceivably undertake alone, or whether American troops must also be sent if the Communists are to be checked in Indo-China. The latter is hardly politically practicable at the moment and probably never would be unless full allied participation were assured.

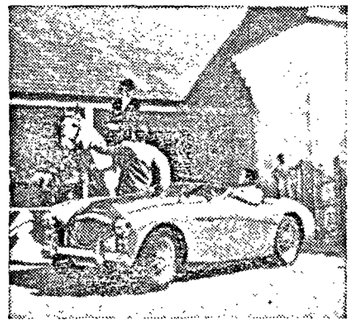
Housing Escapes

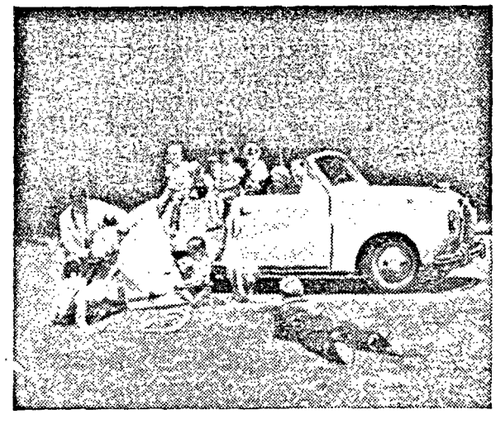
THERE was never any serious doubt that the President's housing programme would survive its journey through Congress. For he took it over, with the addition of some extra emphasis on private enterprise in building, from the Democrats on whose votes depend in practice nearly all the Administration's congressional majorities. Furthermore few Republicans would dare knock on the head a programme which supports prosperity so satisfactorily, as has been shown by the continued failure of the construction figures to decline with the rest of the economic indicators.

Nevertheless the legislation has this year faced as many perils as the heroine of a serial film. At the end of the first reel it was left by the House of Representatives without the important section authorising the federal government to participate in public housing undertakings. Experienced observers expected that these provisions would be rescued by the Senate in the second reel, as has always happened in the past. But just as this was about to be done, another threat appeared, in the form of a Supreme Court decision against racial segregation in federally-supported public housing projects. This drove Senator Maybank of South Carolina to oppose federal aid for public housing; traditionally he and other southern Democrats had been its chief advocates. Without these Democratic votes this section of the legislation, unpopular with many Republicans, seemed to be in serious danger. It was saved by the Republican leaders who rallied their party in order to give the President an important victory, and authorise the starting of 35,000 public housing units a year for four years.

launched: *an idea*







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Meanwhile, however, the rest of the housing programme had been menaced from an entirely new quarter. Serious scandals were discovered in the Federal Housing Administration; this agency is responsible for most of the loan guarantees and mortgage insurance schemes by which the government encourages private building and which the President wanted to make more liberal. Luckily, however, these scandals were bipartisan, having occurred under the previous as well as the present Administration, and therefore the matter did not become a political issue. The Housing Bill finally emerged from the Senate with various additions designed to prevent a repetition of the abuses, which the FHA itself had already dealt with drastically, but also with most, although not all, of the changes the President had asked for. Exactly how happy an ending of the housing story has will be decided in the third reel, the conference between representatives of the House and Senate, who must agree not only on the anti-scandal clauses but also on the public housing question, which will be more difficult.

Stockpiling to the Rescue

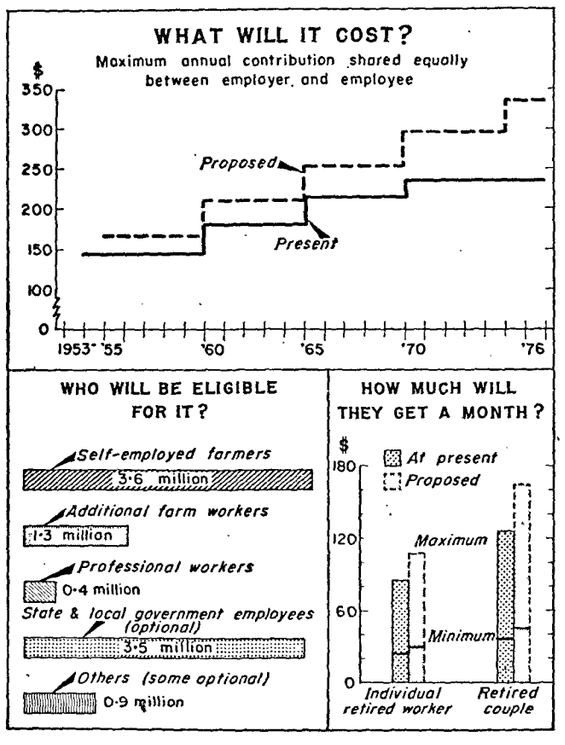
THE Administration's revised and extended stockpiling policy, outlined two months ago by President Eisenhower, is at last taking concrete shape with the announcement that the government will now enter into contracts for the purchase of lead and zinc. These two metals are among the 30 to 40 strategic materials which qualify for government support under the new programme; it conveniently combines greater preparedness for war with the rather more pressing need to "keep some kind of floor" under the domestic output of key commodities. Indeed, lead and zinc prices have rallied in recent weeks, partly in anticipation of this move and partly because domestic consumers fear a possible tariff increase later in the year. No details have yet been given of the quantities to be purchased, nor has the Administration specified the other metals and minerals which it intends to stockpile in the new fiscal year; chrome, tungsten and manganese are thought to be high on the list.

The latest semi-annual report from the Office of Defence Mobilisation, which has just been released, states that the original goal, for a stockpile worth $6.8 billion, was three-quarters of the way to realisation at the end of 1953. Under the new policy, the stockpile is expected to reach a total value of around $8.8 billion in the course of the next few years. The speed of accumulation will depend largely on the extent to which the government decides to "prop up" the markets for individual materials. While most of this spending will go to help domestic producers of minerals, the present attempt to barter surplus farm products against imports of strategic materials will also add to the stockpile; in the second half of last year such exchanges were valued at $13.8 million. Annual expenditure on the stockpile has declined steadily since the end of the Korean war, dropping from $919 million in the fiscal year 1953 to an estimated $770 million in the 1954 year ending this month. The budget for the coming year allocated $585 million for this purpose, but the Administration is now expected to ask Congress for a substantial supplementary appropriation to carry through its extended policy.

More Security for More People

IT is because they would like to copy the Democrats' record of twenty years in power that the Republicans have developed so much enthusiasm for copying, and improving on, something that they once detested as the archetype of the New Deal—the social security system for which the Democrats were responsible in 1936. The House of Representatives, with only eight dissenting votes, has just approved an important extension of the federal scheme for old age and widows' pensions, following almost exactly the recommendations of the Administration, and there is little doubt that the Senate will do the same before long. The President has, therefore, every reason to believe that he will be given a comforting slice of his legislative programme in time to put at least an extra $5 a month on the plates of some 6 million elderly voters just before they go to the polls next November. Furthermore, the new Bill would permit workers who retire officially at 65 to earn more than is allowed at present without sacrificing their insurance benefits.

About ten million additional job holders would be brought into the scheme, so that almost the entire working population would be covered by this or some other programme. The chief group still excluded would be casually employed agricultural labourers; state and local government workers can come in if they and their employers choose, and a number of other groups, such as clergymen, are included on an optional basis. But many professional workers, dentists, architects, lawyers and engineers, are obliged to join, an element of compulsion that was too much for the American Medical Association. The House agreed that doctors need not keep up with the times and left them,



and also policemen and firemen, out of the scheme. By far the largest self-employed group now to be included are the farmers; perhaps luckily for the Republican party, the election will be over before they have to start paying for their new privilege.

These pensions are financed at present by a tax on both employer and employee, of 2 per cent each, or of 3 per cent on a self-employed person, on earnings up to a maximum of $3,600 a year. To provide for the growing burden as more people become old enough to qualify for benefit payments, these taxes were already scheduled to go up gradually between 1960 and 1970; to cover the additional cost of higher benefits and increased coverage, the House Bill raises the maximum sum on which social security taxes are levied to $4,200 a year and requires a further increase in the percentage rate in 1975. In thus insisting on maintaining the insurance fund on an actuarially sound basis, with benefits related to average earnings, the House has rejected the recommendations of several business groups that pensions should be paid at a flat rate and met out of current contributions.

Depletion Allowances

New York.

THE Senate Finance Committee's discussions of the omnibus tax reform bill are providing this year's platform for the recurrent political debate on the merits of the tax relief known as "percentage depletion"—a tax allowance supposed to compensate for the gradual exhaustion, or depletion, of a natural resource. Under this method, a certain percentage of gross income is exempted from tax without reference to capital costs, in contrast to the "cost depletion" formula, which is similar to the depreciation allowance by which other businesses recover the capital cost of plant and equipment over a period. Percentage depletion has been applied mainly to the production of oil and natural gas. In the oil industry, a rate of 27½ per cent of gross income is permitted, subject to a maximum of 50 per cent of net income, and it is used whenever the benefit would exceed that derived from the normal cost depletion method.

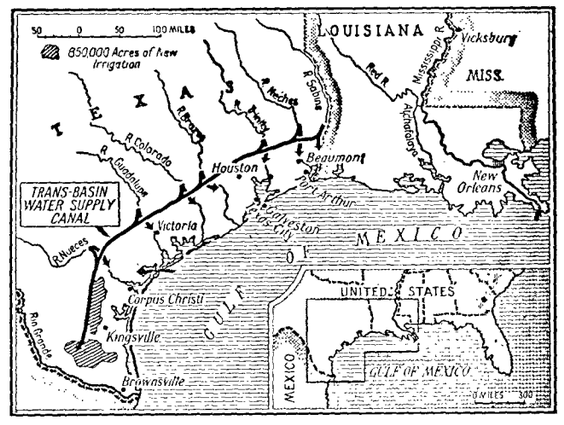
Since in this industry such tax benefits on a profitable property may be large and may continue after the entire cost of that property has been recovered, it is frequently claimed that depletion allowances have given oil producers an unfair advantage over the rest of American industry. Such comparisons, however, are misleading. For producers must replace not only their capital equipment but their wasting assets—their oil reserves—and must do so at a steadily rising cost and in the face of great uncertainties and financial risks. Out of every nine "rank wildcat" exploratory wells drilled, eight on the average are "dry holes," and only one in every 44 wells taps a really profitable field with over a million barrels of reserves. It is therefore as an incentive payment, as a reward for risk-taking, that percentage depletion must be justified. And since the essential nature of the incentive is to hold out big prizes to the successful, it is to be expected that the tax benefits will be heavily concentrated in the hands of a relatively small group of highly successful men. The reactionary political ventures of the more notorious Texan oil millionaires have been held up to scorn as the fruits of an inequitable tax system; but these men became rich in the first place not because of percentage depletion, but because they struck the most oil.

Critics, of whom Mr Truman is a notable example, admit that the device has achieved its object—the stimulation of exploration and development—although this might have been accomplished at rather less cost to the ordinary taxpayer. However, the Senate Finance Committee, instead of attacking this method of tax relief, has suggested that it be more widely applied. If these proposals are adopted, producers of some 27 minerals of strategic importance—excluding coal—will become eligible for higher depletion allowances.

Waters Over Texas

FROM A CORRESPONDENT IN DALLAS

EVEN though the unusually severe drought in Texas has now broken, there is a perennial shortage of water in this state. To meet this problem, the Bureau of Reclamation of the Department of the Interior has proposed a huge new system for spreading the state's supply of water. The main feature of the scheme would be a 450-mile canal beginning at the Sabine river on the Louisiana boundary, running parallel to the Texas coastline some sixty miles from the sea, intersecting the lower courses of the Neches, Trinity, Brazos, Colorado, Guadalupe and Nueces rivers,



and extending almost to the channel of the Rio Grande on the Mexican border. The canal, which would be approximately 200 feet wide, would flow towards the south-west at an average altitude of 50 to 75 feet above sea level, and would be fed by huge reservoirs on the intersected rivers at points a short distance above the canal. The flow would not be induced by gravity, since the channel would follow a slightly up-hill course. Some leveeing and pumping would thus be necessary at intervals.

Most of the area of the United States falls within large river basins but, in common with much of the Atlantic Seaboard, that part of Texas lying to the east of the central watershed is drained by a series of short, independent and parallel streams which together carry each year some 40 million acre-feet of water into the Gulf of Mexico; the western interior of the state is semi-desert. The new scheme would put the natural "water-works system" of Texas

under one authority, which might be an amalgamation of various independent bodies now operating.

The canal would produce a firm annual yield of 12,900,000 acre-feet. This would be achieved by a rapid turnover of water impounded in the reservoirs, plus the use of the normal flow of the streams. The main purpose of the canal would be to drain off the surplus waters in the eastern part of the state and deposit them in the semi-arid southern portion of the coastal plain between Corpus Christi and the Rio Grande, where it is proposed to irrigate 850,000 acres of "brush country" which is at present devoted to cattle and sheep ranching. This region gets only about 20 inches of rain a year, compared with an average of 55 inches along the Sabine. In addition, of course, the canal would supply water for municipal, industrial and agricultural purposes along its entire route.

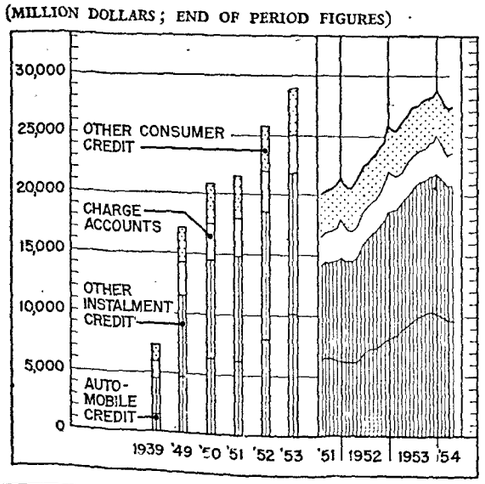
The cost of the new project, including reservoirs, the supply canal and an irrigation system, is estimated at $1,100 million, but the accompanying economic survey claimed that the resulting increase in the productivity of the region would justify a capital outlay of this size. Most of the increase in money terms would come from an expansion of the great chemical and light metal industries situated mainly in the Houston and Beaumont-Port Arthur areas. Rice production on the irrigated coastal belt from the Sabine river to Victoria would be greatly increased and the newly irrigated southern plains could produce, in this sub-tropical climate, beans, peas, spinach, tomatoes and other vegetables and citrus fruits for the winter and early spring markets. Cotton and grain sorghums could also be cultivated, and the livestock-raising industry intensified.

The execution of such a grandiose scheme would undoubtedly run into endless controversies. At a federal level, the Reclamation Bureau and the United States Army Engineers are likely to vie with each other for participation in the project. Under federal law, the Reclamation Bureau has jurisdiction where the aim is water conservation and irrigation, the Army Engineers where navigation and flood control are the principal objectives. Involved also is the delicate question of federal and state rights over the control of the waters of the rivers. Moreover, Texans from the arid interior complain that the execution of this project would jeopardise their future water supplies.

The bureau's report has been acclaimed in the Gulf region of Texas, where local engineers have suggested an even more ambitious scheme. This would extend the canal some 140 miles to the east so as to include the Atchafalaya river in Louisiana, which carries to the sea about one-quarter of the flow of the Mississippi—or more than twice the flow of the combined Texas rivers. This would be a tempting prospect for Texas, but such a scheme would almost certainly founder on inter-state rivalries.

CONSUMER CREDIT OUTSTANDING IN THE UNITED STATES

(MILLION DOLLARS; END OF PERIOD FIGURES)



No Subsidies for Substitutes

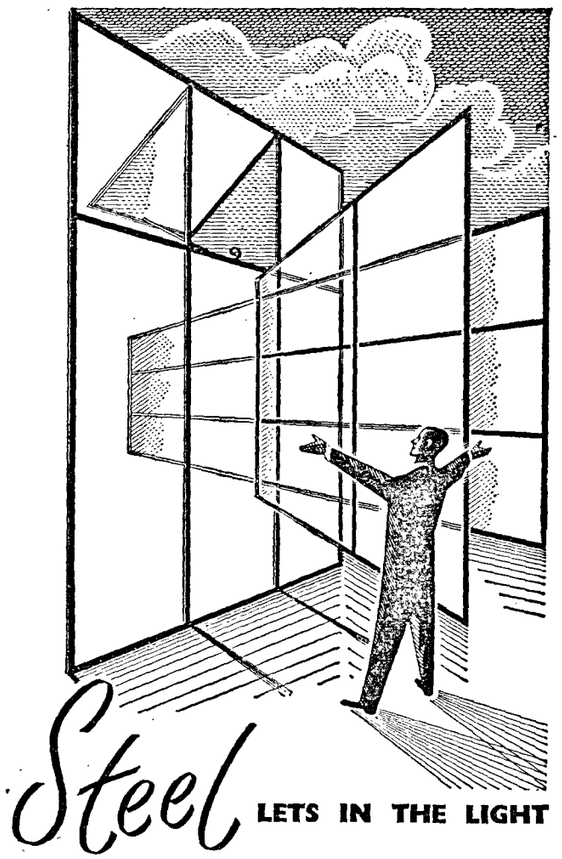
New York.

THERE is general agreement in the United States that it may be necessary, in an emergency, to supplement domestic and imported petroleum supplies by the production of synthetic liquid fuels from coal or oil shale. What is not agreed is how far the government should go in subsidising the development of these processes.

With information gleaned from the postwar investigation of German facilities, the Bureau of Mines built, at a cost of $15 million, two demonstration plants to test the two best-known methods of producing liquid fuels from coal—direct hydrogenation and gas synthesis. The Democratic Secretary of the Interior maintained that the coal hydrogenation process was ready for commercial development, and recommended government assistance to encourage private industry to construct a full scale plant. In this he was opposed by the oil industry, which has no enthusiasm for any process based on a competitive fuel, and considered his estimates of costs—particularly the credit given for the sale of by-product chemicals—wildly optimistic.

Mr McKay, the Republican Secretary of the Interior, felt that it was for private industry, not the government, to discover who was right, and that the two demonstration plants no longer justified their operating cost of $4 million a year. They were accordingly shut down, and handed over to the Army for disposal. They have been bought by the Hercules Powder Company, at a small fraction of their original cost, as part of a "package deal" for the purchase of more valuable ammonia facilities; at present the company's main interest is in the ammonia. One of the most promising developments in the chemical industry—the Union Carbide and Carbon Corporation's pilot plant in West Virginia—has indeed been in the field of coal hydrogenation, but the objective is the production not of liquid fuels, but of the more valuable aromatic chemicals. The gas synthesis method may also be improved; the Standard Oil Company of Indiana is taking an interest in it, although the raw material used is natural gas and not coal.

But while each of these private projects may contribute towards the eventual construction of an economic oil from coal plant, no such commercial development is yet in sight. The government's role will in future be confined to research in laboratories and in small-scale pilot plants, where some encouraging technical advances—notably a new and cheaper single-phase hydrogenation process—are still in the experimental stage.



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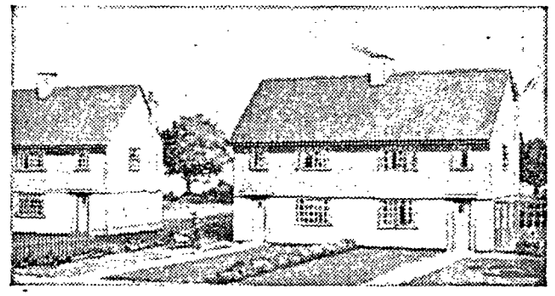

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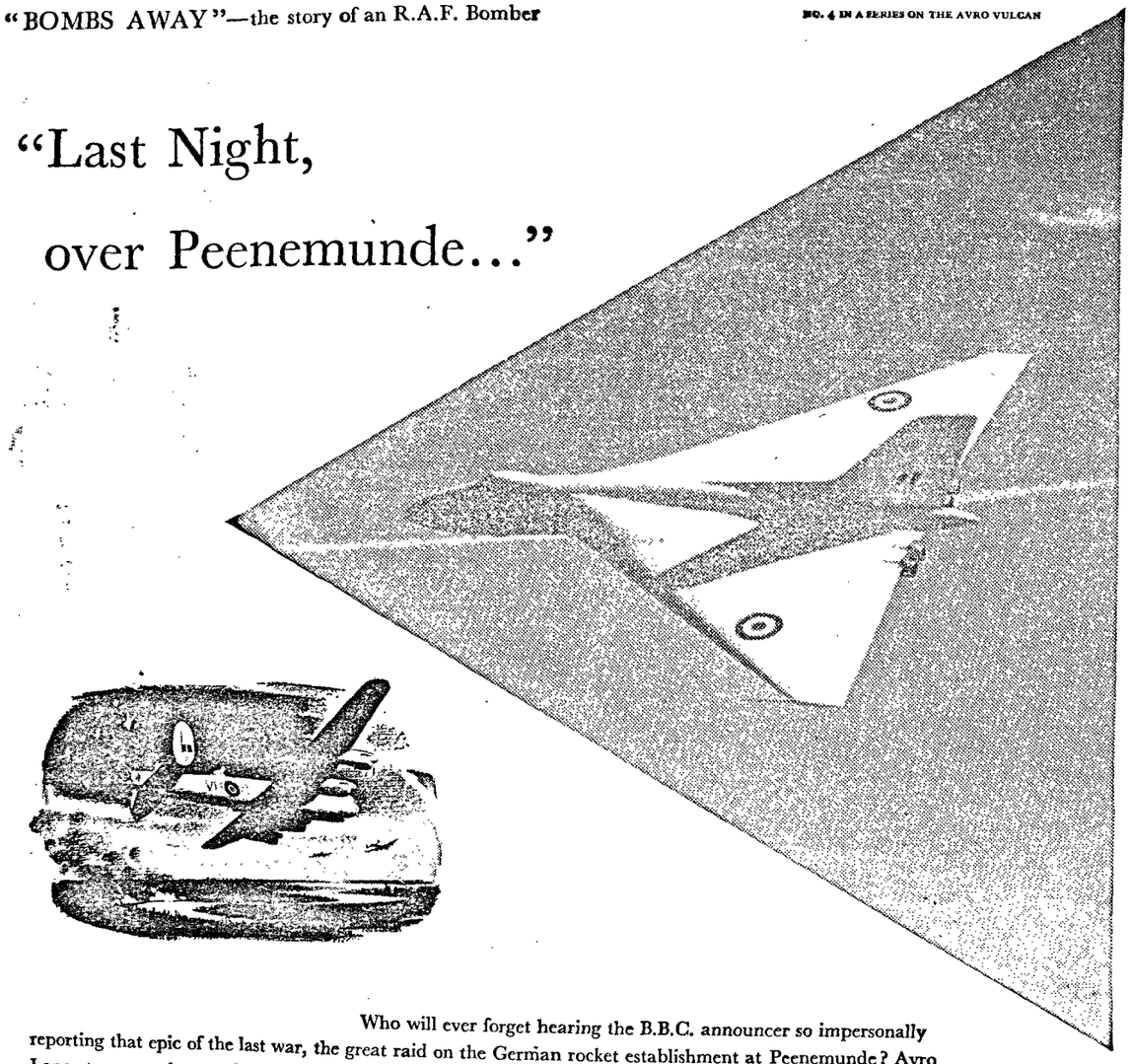

Who will ever forget hearing the B.B.C. announcer so impersonally reporting that epic of the last war, the great raid on the German rocket establishment at Peenemunde? Avro Lancasters were there and there in great force; as indeed they were in so many important operations—19 Lancasters took part in the epic of the Ruhr Dams and Wing Commander Guy Gibson won his Victoria Cross flying one of them in the destruction of the great Mohne Dam. The Lancaster was the R.A.F.'s most vital heavy bomber through the major part of the war. But this is not remarkable, for ever since the start of the Royal Flying Corps there has never been a year when an Avro 'plane was not in service, and the R.A.F. has long been accustomed to rely on Avro for many of its best machines. Today Avro is preparing to meet that trust yet once again. After many years of intensive design and prototype research, production is under way on the mighty Avro Vulcan. This is the first Delta Bomber in the world embodying an entirely revolutionary planform. Not only is the Delta the best design to satisfy all the new problems presented by near-sonic flight at high altitudes and long range, but it provides the long-sought advantage of aerodynamic simplicity which will greatly hasten and economise on production and ultimate service maintenance. Vulcans are now in super-priority production for the Royal Air Force.

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The World Overseas

Canada Looks at the Far East

FROM OUR OTTAWA CORRESPONDENT

MR LESTER B. PEARSON, the Secretary of State for External Affairs, has reported to the Canadian House of Commons on the Geneva conference in terms of tact and delicacy which excluded most of the veiled comment on the conduct of international affairs of which he is a master. The House took a day to debate the situation at Geneva and in the Far East, and showed (as most of the press has also done) equal restraint. Neither in Parliament nor in the press has anyone provided such a neat summation of the Canadian position as appeared in a syndicated column from the United States. It is one of those columns offering advice on manners and morals, and it appeared under the heading "Brash Chum Worries Teen-ager." It set out to answer the following question from an adolescent girl: "A girl friend and I often go out together for the evening, and I enjoy her company because she is a good sport and has a wonderful personality. But it never fails that when we arrive some place where there is a crowd of people she tries to attract attention by talking loudly. This always embarrasses me. . . ."

The effect of Washington's recent handling of the Indo-China situation and the Geneva conference has been to hush most of the criticism of United States diplomacy which Canada generally feels itself privileged to express. This is the paradox of a dismay going too deep both for the luxury of light-hearted criticism and for the hope of exerting any corrective influence. Everything that most Canadians have been reading about Mr Dulles's conduct of American policy seemed to reach its apotheosis in these last three months. Canada, like the puzzled teen-ager, found it as impossible to get up and leave her chum as it was to remonstrate with her. It reached the pitch of embarrassment where there is nothing to do but sit it out in silence. The restraint of the parliamentary speeches amounted, in most cases, to a complete ignoring of the clamour of policy voices from the United States; and the angel who has charge of Canadian-American relations must have found this silence far more ominous than the usual criticism, which may be irksome but is entirely normal and healthy.

What the members of Parliament did talk about was the Commonwealth. From every party came tributes to Mr Eden's work at Geneva and to the importance of India, Pakistan and Ceylon in the whole Far Eastern picture. Mr Pearson regretted that they were not at Geneva. Mr John Diefenbaker, the Conservative opposition's spokesman on foreign affairs, said: "(Seato) will not operate unless it includes Asian members. I think that is a salient feature which must be realised." Mr M. J. Coldwell, the leader of the C.C.F. (Socialist) party, said:

> "For the western powers to enter such a pact with Australia and New Zealand (alone) would in our opinion be fatal to the democratic cause in Asia, and fatal to the peace of the world. I think," he added in one of the few direct references to the United States, "our US friends should be told that very plainly by Canada."

Replying to the debate, Mr Pearson elucidated the sentence in his opening statement which said that it is impossible to accept the principle of collective security in the Atlantic area and deny its validity in respect of other parts of the world. He said the same principle might work well in South East Asia, but he put in these conditions: "If it is carried out in the right way on the initiative of the Asian people themselves and those most directly concerned with that area." To say this, he made it very clear, was very different from saying that Canada should accept the same commitments in South East Asia as in Nato. "We would have to be careful, in view of our resources and our other commitments," said Mr Pearson, "in the extension of specific commitments beyond those which we have already undertaken."

In a formal sense, therefore, Canada has not yet ruled out the possibility of participation in Seato, if Seato ever comes into existence. But in practical terms it would mean a tremendous stretching of the limited resources of a country of 15 million people, to cover an area of only indirect importance to Canada, in conditions which seem unlikely to command general approval. If India, or even Pakistan and Ceylon, were to be parties to the treaty, Canadian interest would be aroused much more deeply: it would be easy to imagine a public demand then arising that Canada should make at least a token contribution to their security. But in the terms in which the pact has so far been discussed, it is difficult to imagine any significant public support for a Canadian effort that would necessarily be costly and would drag this country into a procedure of which it hardly even approves.

Mr Pearson evoked complete support when he said it was important to be clear about the object of "united action."

> Is it, he asked, to be against Communism as such, regardless of the means, military or otherwise, which it adopts to secure its ends in any particular Asian country? If it is, then we should realise that arrangements to achieve this end will be interpreted as a declaration of implacable

and fixed hostility, with all action short of general war, and even at the risk of such war, against Asian Communism.

The Nato conception, he said, commits its members to action "as soon as military aggression has been committed by one state against another—but not sooner."

The Pacific and the Indian Ocean are in no sense areas of traditional Canadian interest. It is within the last five years, or very little more, that Canadians have begun to feel any direct concern about them; and that concern did not start with Korea or in Korea. It started with the three Asian members of the Commonwealth. It still regards the Colombo plan and similar development projects as the most important thing the West can do in Asia. Korea intensified Canadian interest in Asia because it commanded support as a United Nations action to stop aggression. In so far as it has now become confused, through Syngman Rhee and Chiang Kai-shek and some American voices, with a crusade against Communism in Asia, Canadians simply beg to be excused. They would rather plug away at the long-range job of strengthening the democratic structure of the Asian members of the Commonwealth. When Mr Malcolm Macdonald recently entertained the Canadian Finance Minister the dinner party given for him consisted of prominent Chinese and Malayan citizens; and this precisely typified the kind of approach Canadians approve.

Strategically and politically, that is to say, Canada conceives its Pacific and Asian interests in very broad and long terms. It has very little to contribute to the defence of Australia and New Zealand, which make their own strategic arrangements with the United States and the United Kingdom. It has, perhaps, even less direct strategic interest in Malaya, which is a British concern, for Canada's support for the United Kingdom is provided in an area much nearer home for both countries. Seato may be good, but better far in most Canadian eyes is the gradual development of closer political and economic understanding between the West and the great countries of Asia which remain free. A western stampede to conclude security arrangements which arouse the disapproval of (for example and preeminently) the Asian members of the Commonwealth will get no support from here. Mr Nehru's influence is very great: Canada has no sympathy for an Asian policy which attempts to ignore it.

Iraq at the Polls

RARELY, in Middle Eastern elections, do all the parties keep going until polling day. Usually, some group or groups boycott the poll either because they anticipate loss of votes and of face, or because they expect that unfair pressure will be exercised by the government in power. It is a tribute to the Iraqi government that ran this week's general election that every party thought it sufficiently dispassionate to come to the starting post. There has been no need for martial law, and there were few disturbances until a week ago, when the so-called "peace partisans" began to hold noisy demonstrations, to throw stones at government offices and to behave in a way which, according to one newspaper, revealed them as "enemies of the peace" and "either hirelings paid by the enemies of the homeland or else so stupid that they cannot see the sun in the broad light of day."

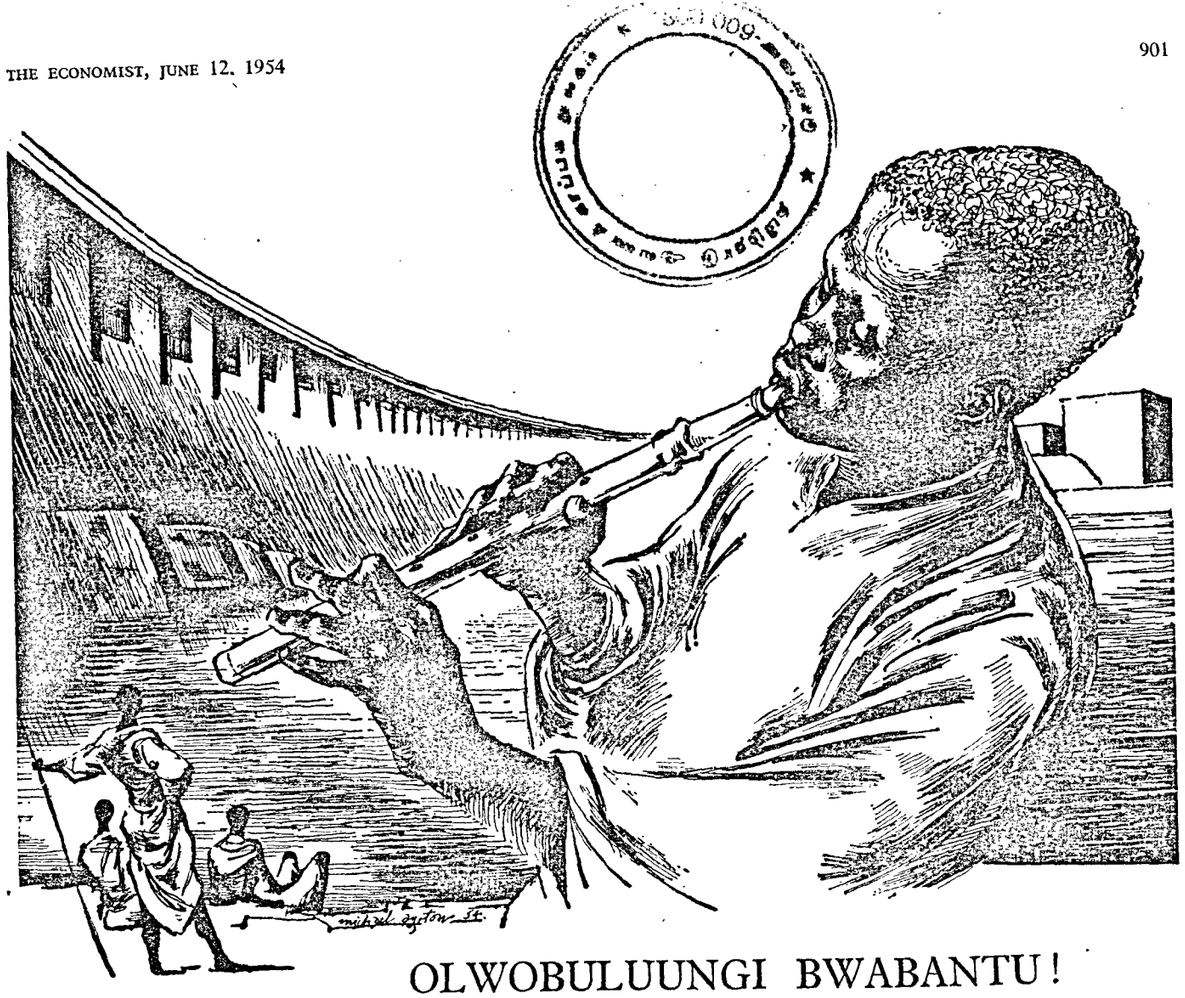
As the constituencies stand at present no election can greatly alter the complexion of the lower house. There are 135 elected deputies, of whom about twenty represent the country's three big towns of Baghdad, Basra and Mosul. In these towns, and in a very few of the smaller urban areas, it is possible for politicians without local affiliations to stand with some chance of success. In rural areas, convention ordains that a member of some local family of importance shall be returned; amongst electors who can seldom read or write such a result is easy enough to obtain. Except in the towns, therefore, interest in party successes and failures becomes a trifle academic.

Five parties stood last Thursday, and broadly speaking they fall into two classes—those whose acts are coloured by loyalty to ancient feudal interests, and those whose programme is all for breaking the feudal stranglehold, but otherwise contains no constructive notions outside the realm of glib generalities.

Feudal Rivals

The first group has as its largest component Nuri Pasha es Said's Constitutional Union Party. At the last elections in January, 1953, this party won easily because virtually everyone else had boycotted the poll on the grounds that under martial law it would not be free. Nuri's party thereafter indulged in some back seat driving. It acquiesced in the appointment of a cabinet of so-called progressive independents—alias younger men; but in effect, it held these in the hollow of its hand and broke the spirit of more than one minister who had hoped to gain its support for some modification of feudal privilege. Nuri himself is in London recovering from an operation, but his followers are fighting some 120 constituencies. Also in the first group is the Umma (Socialist) party led by Salih Jabr, divided from Nuri not by doctrine—their programmes are virtually identical—but by a clash of personalities and religious affiliations. Nuri musters the old Sunni aristocracy; Salih Jabr, who is a Shiah, commands respect amongst its Shiah counterpart. His group has put forward some 65 candidates. Both these parties are opposed to violent change; both would like to terminate the Anglo-Iraqi treaty of 1930, but both see in links with the West and the purchase of western arms the only means of defending Iraq's security and new-found wealth against covetous neighbours, not to mention Communist agitators.

The opposing group is armed with programmes that mingle pious social rallying cries with denunciations of the *status quo;* its slogans range from "no unemployment" and "better deals for the poor" to "out with all foreign interests, including the Iraq Petroleum Company." The parties concerned include the left wing National Democrats led by Kamil Chadirchi and the right wing Istiqlal or ultra-nationalist party. Calling themselves the National Front, these two groups are linked on the score of an anti-western foreign policy and have been adopted, therefore, by the so-called partisans of peace who parade under Picasso's dove. They are said to be putting 30 candidates into the field. A large number of independents, standing chiefly for rural constituencies, can usually be rallied in support of whatever party is returned in greatest strength. Their predilections will not be tested out for some time as Baghdad's somnolent months of immense heat are beginning and Parliament is unlikely to meet until November.



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The Servitude and Grandeur of French Communism

THE thirteenth congress of the French Communist party held in "red Ivry" reached its climax this week when Maurice Thorez took the rostrum. After five days of careful stock-taking and attentive listening to the official party line, the nine hundred delegates could finally give vent to their enthusiasm. Forgotten for the moment was the struggle for the succession. In front of them stood the leader, the strong "son of the people," thundering as in the old days. When he finished the audience cheered louder and longer than ever before; the cult of the individual was restored for the occasion and the principle of collective leadership cast aside.

But the image of a revived leader back at the helm was deceptive. This was the first time that Thorez had spoken in public since his return to France a year ago after two years of convalescence in the Soviet Union. Still paralysed down his right side, he left the task of making the major speech to Jacques Duclos and, like Stalin at the last Soviet congress, made only the closing speech. Clearly Thorez is not fit enough to resume full leadership, but this deceptive image of a powerful body with a thundering voice camouflaging the symptoms of illness is probably symbolic of the *servitude et grandeur* of the French Communist party.

The congress itself produced little new; its theses had been published a few weeks ago and more "criticism and self-criticism" had been allowed in the columns of *Humanité* than during the well-staged performance itself. Yet, the congress provided an opportunity of clarifying the line, of issuing precise directives and of reviewing the path travelled since its last assizes. During these four years the party has fought many a battle and it was necessary to draw some lessons particularly from the defeats of 1952. During that period, too, the French Communists evolved the new strategy of a two-pronged attack—on the national front against the EDC and on the united front in order to exercise pressure on the Socialists. Finally, the illness of Thorez and Stalin's death have intensified internal struggles. A Stalinist party is a great consumer of men and many a leader has fallen by the wayside: the veteran hero Marty, the resistance leader Tillon and more recently the chief organiser Lecoeur. Of the 1950 secretariat—the seat of supreme power—only the invalid Thorez and Jacques Duclos have kept their position.

Out of Isolation

In spite of these purges, official spokesmen could boast of strong assets in their balance-sheet. The Communist party is still the biggest, best organised, most disciplined and popular party in France. In 1951 it polled more than a quarter of the total votes cast and it has lost little, if any, of its electoral attractiveness since then. Indeed, in a recent by-election in Lecoeur's own fief and on the morrow of his disgrace the Communists managed to maintain their share of the total poll. French *patrons* and successive governments unable or unwilling to improve the workers' lot are the best electoral agents the party could have.

Successes can be claimed on the parliamentary stage as well. The untouchables of the French Chamber have partly emerged from their isolation. In the presidential election of last December, and even more in subsequent elections for offices in the Assembly, Communist votes, if not courted, were at least silently welcomed. The campaign against EDC has restored their prestige in the eyes of many nationalists; the succession of right-wing governments has rendered their votes more attractive to the opposition. This process of Communist re-emergence may have been temporarily interrupted after the fall of Dien Bien Phu, but an astute tactician like M. Duclos knows that the votes of his bloc will not be spurned in the battle against the EDC and that no left-wing alternative is possible without tacit Communist approval.

But electoral successes should not be taken as signs of perfect health. The ranks of the party are dwindling. In the wave of enthusiasm after the liberation membership reached a peak of nearly one million; last month it was scarcely more than half a million. The party is ageing; it finds it difficult to get new adherents among the young men and the women. Besides, recruitment is offset by departures, often even from among the cadres. The fellow-traveller may go on voting, but the activist is often bewildered and disgusted by the zig-zags of policy, by opportunist excesses, and by denunciation of yesterday's heroes combined with the wooing of yesterday's foes. Finally, like all other parties the Communists are suffering from the general political apathy in the country and this they can ill afford. While most parties need only electoral machines, the Communists thrive only on a permanently militant policy: but they cannot keep their troops for ever in a state of pre-revolutionary tension.

Panegyric to Opportunism

The congress has provided few remedies beyond some new tactical advice. The strategy of dual attack is to be continued. More even than the struggle against the war in Indo-China, the fight against the EDC was the chief topic. After many other spokesmen, M. Thorez confirmed, in a panegyric to opportunism, that the time of strange, unholy alliances not only with MM. Herriot or Daladier, but with any anti-EDC nationalists is not yet over. Pressure on the Socialists for united action is also to be kept up.

Disciplined troops are needed to fulfil all these tasks without desertion and the only visible sign of a change after the Lecoeur purge seems to be on the tactical level of organisation. Rightly or wrongly M. Lecoeur is accused of shifting party work from the factory cell into the local or regional unit and this process is now to be reversed. Only a quarter of total membership is now apparently grouped in factory cells. It is there, however, that the party should find its working class support and there, too, that the campaign should be carried on to attract Socialist workers. The proportion, therefore, should be raised rapidly. This, together with the drive to recruit more women and young people, seems to be the only important recommendation of the congress.

This would appear a small result after a big shake-up. Was the whole fight, then, merely an echo from the Kremlin and an act in the drama of Thorez' succession. If so, M. Duclos has scored a few points. Like Malenkov before Stalin's death, he delivered the speech on behalf of the Central Committee, thus donning the mantle of heir-apparent. He has also managed to get rid of his rivals from the secretariat: the too well-known Marty and Lecoeur who modelled himself too closely on the career of Thorez. But the leader has not yet left the stage and new

(*Continued on page* 903)

Continued from page 902

protagonists have appeared, including Billoux, whose star seems to be rising, and Servin, Lecoeur's successor as organising secretary.

The charges against Lecoeur are so comprehensive that anything can be read into them. Time alone can show what shape the struggle is going to take and what effect it will have on the general line of the party. In the meantime changes in tactics and organisation will be insufficient to regenerate the French Communist movement. Its numerical strength and greatness lie more in the material conditions of the country than in its own tactical ability, while to get rid of its Stalinist servitude it needs more than reorganisation.

Spies in the Arctic

BY A CORRESPONDENT

THE series of spy trials recently completed in northern Norway and the new spy case in northern Finland demonstrate the extent of Russian interest in the exposed and sparsely populated provinces of the Arctic, and the strength of Communist influence among the fishermen and smallholders who strive to make a livelihood there. In both Norway and Finland the Communist vote is disproportionately large in the northern provinces: over 15 per cent in Finnmark compared to 5 per cent for the whole of Norway; 33 per cent in Finnish Lapland compared to an average of 21 per cent for the whole country. The situation is much the same in the Swedish province of Norrbotten. The Lapp population in these areas need not be considered in this connection, for it is politically insignificant.

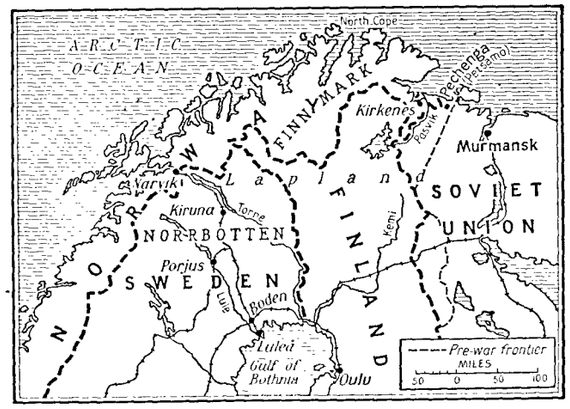
No single cause will acount for this state of affairs in northernmost Scandinavia. Extreme climatic conditions and a tradition of poverty are factors common to the three countries. In Finnish Lapland physical isolation and a conviction that the central government in Helsinki is indifferent to the welfare of the northerners certainly breed a deep resentment. On the other hand the North Norway plan, launched by the Norwegian government in 1950, is already improving economic conditions there, but it has not yet had a significant effect on the Communist vote. The people of Finnmark have also a tradition of friendly relations with the Russians. They remember the Red Army which liberated eastern Finnmark in the winter of 1944-45, and there are still memories of the so-called Pomor traders who, until the Revolution, used to come to Finnmark to barter their furs for fish. It is sometimes said that the high Communist vote represents an insurance policy: the Russians are oppressively near, and the people of Finnmark are by no means wholly convinced that the Atlantic alliance is capable of holding the 60-mile frontier along the lonely Pasvik river. By contrast, however, in the vulnerable province of Kymi in the south-east of Finland, adjoining the new Soviet frontier, the Communist vote is abnormally low—only 12 per cent.

In Communist propaganda great pains are taken to cultivate the population of the north. Moscow radio keeps up a campaign of scandalous stories, in a style reminiscent of William Joyce, directed against Nato defence works in northern Norway. Nato influence is blamed for espionage in Finland and combined with a very subtle appreciation of the Laplanders' special problems and prejudices.

Both Finnmark and Finnish Lapland have their peculiar strategic significance. Finnmark is the extreme northern flank of Nato. It lies on the Arctic air route between the Soviet Union and the United States. Radar installations here might well be immensely important. The plans of the Scandinavian Airlines System to inaugurate in the near future a regular trans-polar flight throughout the year show, if proof is needed, how easily the Arctic could become a centre of world conflict. Already it is a manœuvre area, and the passage of unidentified aircraft a few weeks ago caused considerable uneasiness.

Against this background espionage activities in northern Finland assume considerable importance. In the district of Salla, on the eastern frontier of Lapland, ten Finns were detained by the police late in May. These men, all active members of the Communist party, come from the part of Lapland that was ceded to the Soviet Union at the end of the war and whose whole population was moved across the new frontier to be resettled on new farms carved out of virgin forest. All but two are smallholders and part-time forest workers.

Strategically this is an interesting district. The peace treaty with Russia required Finland to extend the railway running from the Swedish border into Finnish Lapland, on through Salla to link up with the Murmansk railway. The control of this line means the control of Lapland. Communist strength is traditionally high in Lapland, the province where the Social Democrats—the largest party in Finland—are weakest. Here the main political battle is between the Communists and the Agrarians, both appealing to a people long-accustomed to poor living conditions and regular seasonal unemployment. It is interesting, however, that in the last general election the Agrarians made considerable gains in this area.



Few details have yet been released about the activities of the men detained in Salla, but while three of them have now been released, it is stated that there is clear evidence against six of the other seven. They are alleged to have repeatedly made illegal frontier crossings in order to deliver information to a foreign power in return for payment. This is the second major spy case in Finland in six months, and its outcome is awaited with considerable interest. There is nothing unusual about border espionage in Finland, but this new case has drawn attention to the dangers latent in the political vacuum of Lapland.

For Norwegians, on the other hand, an espionage trial is a rare event, and the case of the seven spies tried in Kirkenes last month attracted a great deal of attention in

the country. In August of last year an MVD officer, Gregori Pavlov, crossed the Pasvik river to the iron-mining town of Kirkenes and sought political asylum. He carried in the lining of his purse the code names of agents in Finnmark; their arrest followed in November.

The cases were heard last month in the little church hall of Kirkenes, with the judges presiding under a portrait of Christ, before an audience of peasants and fisherfolk crammed uneasily on wooden benches. The spies gave the impression of being naïve and clumsy rather than sinister. They had had regular assignments with MVD agents over vodka in the forest and handed over trifles of information about defence works, local personalities, ore output and the tourist traffic. Political convictions certainly played a part, but it was clear that money mattered at least as much to these simple folk. They were all found guilty, fined and given relatively light sentences varying from a few months to four years.

The court obviously took a charitable view. Norwegian observers say, however, that the reluctant behaviour of witnesses indicated that dealings of this sort in the small change of espionage are disturbingly widespread. Even in an area where no stigma has so far been attached to Communist sympathisers the revelations shocked public opinion. The fact that these men spied on their neighbours upset the northerners most of all. By no means all Communist voters in Finnmark are ideological fanatics and very few are potential traitors. It is therefore possible that next time they will go to the polls in a different frame of mind.

Spy cases occurring nearly simultaneously in Norwegian Finnmark and Finnish Lapland suggest the existence of an integrated espionage network throughout the north, perhaps including the Swedish province of Norrbotten as well. While Communism remains only a minor factor in the politics of the northern countries, persistent and insidious intrigue in the strategic areas of the sub-Arctic is a matter of no small importance.

Mr Costello's Prospects

FROM OUR CORRESPONDENT IN DUBLIN

WHEN the Dail met last week Mr Costello displaced Mr de Valera for the second time. His majority of 79 to 66, although heterogeneous, is greater than any incoming government has enjoyed for some time. It may be expected that this position will be maintained for some time. There has never been a change of government without a prior dissolution; and the result of the attempt since 1951 to govern with a majority in parliament but not in the country is not likely to encourage imitation. No party is likely to desire a new election; and any party that precipitates one is not likely to be welcomed by the electors. The new government should have elbow room at the start and its self-confidence should be increased by the summary defeat of the independents who voted it out of office in 1951.

It is composed of eight ministers from *Fine Gael*, four from Labour and one from the farmers' party. Mr MacBride has not taken office but will cheer from the touch-line. The portfolios held by the Labour party are more numerous and more important than was the case from 1948 to 1951; its leader, Mr Norton, is Vice-Premier and Minister for Industry and Commerce. This has caused some fluttering in protected dovecots but the programme issued by the government breathes heavily of devotion to free enterprise and private initiative. Investment by the state "will be supplemental to, and not in substitution for, private investment." Local authorities will regain "autonomy and effective power." Private building is to be facilitated. Agricultural co-operation is to be encouraged. The educational system is to be reviewed (and high time, too). The Irish-speaking areas, which roughly correspond to the old congested districts, are to regain the special attention which they enjoyed in the last thirty years of British rule. This is an imaginative proposal that deserves success.

Getting Down to Brass Tacks

But these admirable aspirations are not what the election was about; and the programme falters a little when it gets down to brass tacks. The cost of living is to be reduced. Social welfare benefits are to be extended. Taxation is to be reduced. Special attention is to be given to the one thing that can effect a reconciliation of these aims —the expansion of agricultural production for export; and the return of Mr Dillon to the Ministry of Agriculture gives some promise of action.

The contradiction of aims is more apparent than it may prove in practice. In recent years, employment has been stimulated by increased tariffs and by heavy state investment, chiefly in objects that yield no immediate return. Public expenditure has risen and taxation with it. Agricultural production remains virtually static and, by means of tariffs and subsidies, has been directed towards supplying the domestic market instead of the export trade. The result of all these policies together has been to drive prices beyond the reach of the consumer, thus causing the trade depression which they were intended to prevent. Agricultural production has been distorted by a subsidy on wheat-growing which leaves the price at a level fantastically high above the present world level. The economy as a whole is increasingly vulnerable to any unfavourable turn in the terms of trade.

The new government has therefore some room for manœuvre, though not much. Its political aim (with the fickle urban constituencies in mind) must be to reduce the cost of living; its economic aim is primarily to restore agriculture. No Irish government, of course, can do much to avoid a turn in prices but it can desist from making bad worse by its own actions. It remains to be seen how far this government is prepared to make changes that will be unpopular in a number of quarters. It is so situated that a display of courage may pay good returns; if it is content to continue a *Fianna Fail* policy, the electorate will sooner or later decide that policy and government should go together. But the short-term difficulties should not be underestimated; for example, an issue such as the price of milk, which did far more to upset the previous inter-party government than the much publicised controversy over the Health Bill, is directly connected with breeding policy which cannot be violently reversed.

Political strength is now more evenly balanced than at any time for twenty years. Future developments will depend on the degree to which this government as a whole, and each of the parties that comprise it, study the implications of economic policy. (For the moment, there seem to be no political issues worthy of note.) *Fianna Fail* is still an obvious alternative government. Mr de Valera is not thought likely to retire from politics; nor is it clear that his retirement would bring about the much talked of regroupment of parties. The old issue of the civil war is outmoded but American experience seems to suggest that such artificial lines may endure and that the divisions within each party may be more important than the divisions in Parliament. At present, the lines of division on matters such as investment policy, tariffs and state enterprise run through the parties rather than between them. The merit of the new government may prove to lie, over and above its welcome recognition of the primacy of agriculture, in that it provides a period in which these still half-formulated issues may become more clearly defined.

Bao Dai and the Future

BY A CORRESPONDENT

IN the battles and negotiations of the past few months, Bao Dai has often seemed a shadowy figure in the background, indifferent to the fate of the country of which he is Chief of State. He has been accused, by French politicians and British journalists, of reclining in luxury in his villa at Cannes while hundreds of his own countrymen lost their lives or liberty in the fortress of Dien Bien Phu. Such criticisms fail to acknowledge his reason for being in France at all: he went there to supervise the final stages of the Franco-Vietnamese negotiations which are gradually leading to a more satisfactory definition of Vietnamese independence, and to be at hand during the crucial exchanges of views at Geneva. There is little doubt that Bao Dai fears a "double deal" at Geneva: he is afraid that the pressure of opinion in France may force the French to sell out to the Communist bloc without waiting to negotiate an agreement that would safeguard the interests of his regime. It is known that he consented to the representation of the Vietminh at Geneva only after being told by the French that they would be invited regardless of his consent. By remaining close enough for consultation he feels he can be more useful to his country than by returning there.

As politician and statesman, Bao Dai is still dangerously underestimated in the West. His playboy phase belongs to the past. The late General de Lattre went to Vietnam expecting to meet a minor edition of ex-King Farouk. He found instead "a subtle and intelligent statesman." The former French High Commissioner to the Associated States, Jean Letourneau, said of him: "There are only two men who count in Vietnam, Ho Chi-minh and Bao Dai." Mr Malcolm MacDonald takes the same view, as indeed do most people who have had personal dealings with him. Clearly, the future of Vietnam, and particularly of Vietnamese relations with the West, will depend in considerable measure upon the role Bao Dai finds it possible to play.

The present discussions at Geneva between representatives of the rival commands suggest that the partition of Vietnam may become an accomplished fact, through the regrouping of military forces on either side. It is by no means certain that Bao Dai would consent to be the Chief of State of half his country—even a truly "independent" half. The possibility of a second "abdication" exists, for Bao Dai refused to return to Vietnam until 1949, when the French granted him what they had refused Ho Chi-minh—the unity of Vietnam, that is, the inclusion of Cochinchina in a nominally independent nation. If he did return this time to a new southern state, how much support could he count upon?

In the non-Vietminh parts of unpartitioned Vietnam he still commands considerable backing. He has the unquestioned loyalty of the four main militant sectarian communities: the Catholics in the north; and the Baodaists, Hoa Hao and Binh Xuyen in the south. Broadly speaking, the Nationalist Dai Viet, the only non-Communist party of any consequence in Vietnam, supports him. But the deciding factor in any general election or plebiscite would be the peasantry, some 80 per cent of Vietnam's 23 million inhabitants. While there is little doubt that most Vietnamese peasants are loyal to the remote and mysterious figure of the Emperor, they do not necessarily support his regime with the same steadfastness. After the early period of open terrorism in the countryside, the Vietminh has to a large extent won the support of the peasants by a land reform programme. Collectivisation, the next step, has not yet made itself felt to the same degree: for the time being, the Vietnamese peasant, knowing nothing of Marxist theory, may prefer the Vietminh to the government of Saigon. A rival land reform scheme inaugurated by the Nguyen Van Tam government has so far been less effective, partly because it was more gradual in approach, and partly because of the swaying fortunes of the war.

Rallying the Nationalists

There are limits, then, to the support the Bao Dai regime commands in the country as a whole. In a partitioned Vietnam, however, certain factors would work to redress the balance. A southern Vietnam from which the French Union Army had withdrawn would begin to look like an independent nation. The Franco-Vietnamese declaration of independence of April 28th has already rallied many Vietnamese Nationalists who showed signs of succumbing to the endemic political disease of *attentisme*. Now that two treaties (one conferring independence and the other defining Vietnam's relationship with France within the French Union) have been initialled, it is at least beginning to look as though Vietnam has achieved—one hopes not too late—an approximation to what so many Asian Nationalists believe to be the "dominion status" achieved by India and Pakistan.

At this stage, the unanimous support of such Nationalists is more important to Bao Dai than the backing of such powerful French economic interests as the rubber planters, represented by the *Syndicat des Planteurs de Caoutchouc de l'Indochine*. The political support of the peasants, equally, is more important than the support of absentee landlords. The replacement of the wealthy, land-owning prime minister Tran Van Huu by the lower middle-class police chief Nguyen Van Tam in June, 1952, was a tacit recognition of political realities by the chief of state. The eventual replacement of Tam by Bao Dai's cousin Prince Buu Loc was due less to Tam's programme than to his personal unpopularity as a former police chief and to his inability as a southerner and a French citizen to rally sufficient support in North Vietnam, the principal scene of military operations.

Economically, a southern state of Vietnam would be a going concern, though it could not hope to achieve as high a standard of living as a unified nation. The south can feed itself and still have an exportable surplus. In contrast, the congested Red River delta has to import 200,000 tons of rice a year to avoid famine. On the other hand, the south, poor in mineral resources, cannot hope to compete with the industrial potential of the north, with its rich reserves of coal and lesser ones of zinc, tin, iron and manganese. Militarily, the southern state could not hope to survive without the strongest possible guarantees by the United Nations. These guarantees would have to last long enough to enable the Vietnamese National Army to be built up to a size and efficiency that would allow it to take over, unaided, the defence of the country. Already the National Army numbers nearly 250,000 men; and independence may provide the missing spark whose absence has so far made its performances so disappointing.

Partition, however, is only one possible solution. Unification, followed by general elections and the formation of a coalition government, is another. While it is doubtful whether Bao Dai himself would be willing to repeat his 1945 experiment of trying to work with Ho Chi-minh, there are many Nationalists, unaware of, or unwilling to recognise, the Communist aims of the Vietminh, who see nothing inconsistent in a Bao Dai-Ho Chi-minh partnership. Of the two alternatives of partition and unification (with its threat of eventual Communist domination), partition may turn out to be the lesser evil. But its success would hinge upon Bao Dai's willingness to remain the titular head of a truncated nation. Easy going by nature, more democratically minded than a good many of his own followers, Bao Dai has, as General de Lattre pointed out, the assets of subtlety and intelligence. Lacking the fanatical driving force of a Ho Chi-minh, he is still the only non-Communist leader capable of uniting the many divergent political and religious tendencies in Vietnam. Any settlement that ignores him would be tantamount to handing over his country to the Vietminh.

Journal of Geneva—VII

JUNE 3rd. There was a secret meeting between representatives of the two high commands in Indo-China; and at a restricted session on Indo-China the composition and scope of the international commission to supervise the armistice was again discussed. Mr Dinh (Vietnam) rejected the proposal for a commission composed of Poland, Czechoslovakia, India and Pakistan and proposed that the United Nations should be asked to form the commission. Mr Chou En-lai said that the international commission and the mixed supervisory commission should neither control the other; that the international commission must function throughout the whole of Indo-China; and that it should not be responsible to the UN but to the nine delegations discussing Indo-China at Geneva.

June 4th. There was again a secret meeting of the two high commands, and a restricted session on Indo-China, which again discussed the supervisory commissions. The Communists maintained that the mixed commission should have real authority over the military arrangements, and the non-Communists maintained that the international commission should have authority over the mixed commission. Mr Eden took up Mr Chou En-lai's suggestion that the nine nations discussing Indo-China at Geneva should act as guarantors of the work of the international commission and proposed that the conference might set up a permanent organisation for this purpose.

June 5th. At a plenary session on Korea Mr Molotov put forward proposals for free and secret all-Korean elections which left all the contentious points open for further examination—viz., the composition and tasks of the all-Korean body to prepare the elections, the details of the pre-election withdrawal of all foreign forces, the composition of the international supervisory commission, and the question of which powers should assume what obligations to ensure the peaceful development of Korea.

June 6th. No meeting.

June 7th. Mr Molotov and M. Bidault had a meeting at which they principally discussed the composition of the international commission in Indo-China.

June 8th. In an uncompromising speech at a plenary session on Indo-China Mr Molotov suggested that the Geneva conference should discuss military and political questions at alternate sessions, and that it should begin by examining the independence of the three states, the holding of free elections and the withdrawal of foreign troops. In discussing the commissions to supervise the armistice, he made it clear that in his view most of the responsibility would rest with the mixed commission which could only function by mutual agreement, that the mixed commission would have equal status with the international commission, and that any difference within or between these bodies should be settled by the guarantors of the armistice who should be the nine states at Geneva.

Mr Eden suggested that the five Colombo Powers (India, Pakistan, Ceylon, Burma and Indonesia) were admirably suited to supervise the Indo-China armistice. He also said that the immediate tasks of the conference were (*a*) to agree on the composition and powers of the international commission; and (*b*) to agree on the special problems of Laos and Cambodia.

June 9th. At another plenary session on Indo-China, Mr Chou En-lai made a speech that was even more unpromising than Mr Molotov's on the previous day. He insisted that Communist states should serve on the international commission, that the commission should operate by veto, and that the political aspects of the Indo-China problem should be discussed at once.

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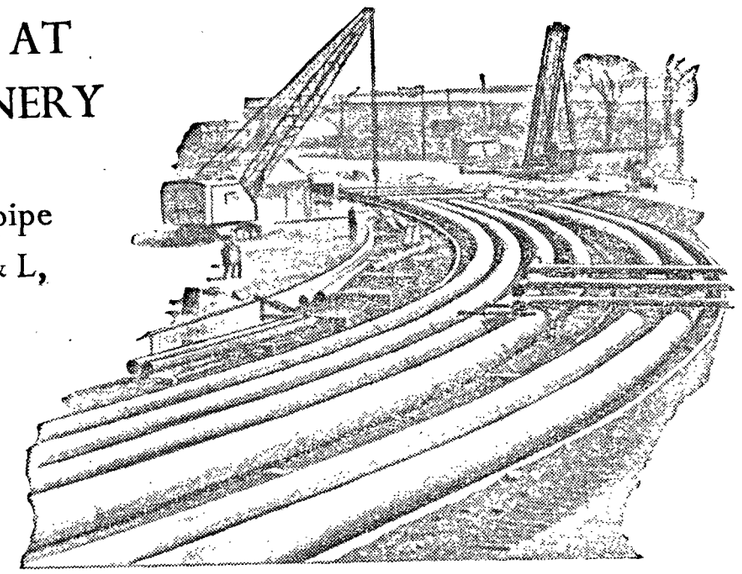

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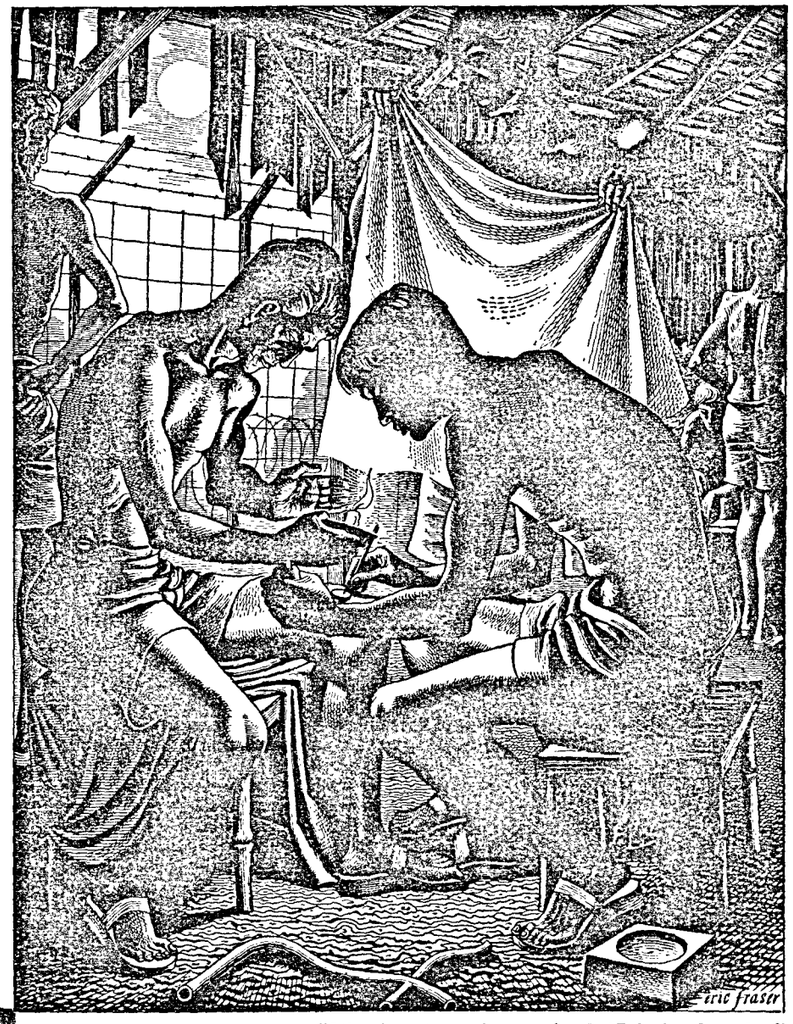

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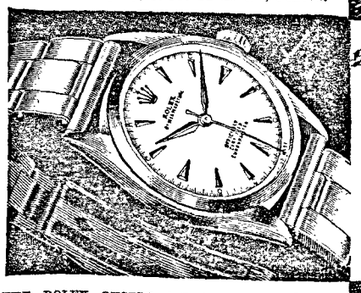

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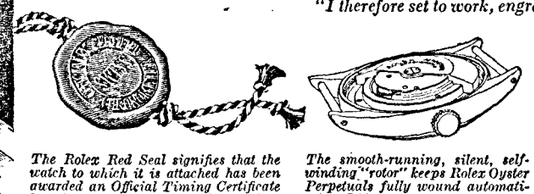

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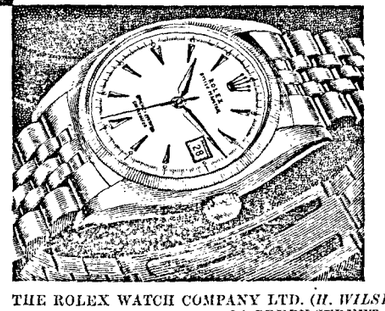

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THE BUSINESS WORLD

What Price Wheat?

THIS week's break in wheat prices was unexpected only in its timing and its suddenness. The cut of 10 cents a bushel in American and Canadian export prices surprised the market and brought trading in Liverpool and London for the moment to a standstill. But it was generally agreed that a fall was overdue and timely dispositions had been made accordingly ; no one in the importing countries should be badly hurt. In Britain, Government stocks have largely passed into consumption ; there will be no heavy stock losses there. The public accounts should in due course reflect a less costly bread subsidy but a more costly subsidy on home wheat. Millers have been working to a minimum stock ; they must suffer some loss, but probably the very minimum that a price fall of about 6 per cent could ever involve. Merchants have little uncovered wheat. The other exporting countries may be less happy about the results of the American initiative. The fall occurs just ahead of next week's routine meeting of the International Wheat Council, when there will be an opportunity to air views.

To judge by the cries of anguish that have been uttered there may be a tendency to blame the most important country that will not be represented—Britain—for refusing to join the agreement. Such criticism would be wide of the mark, and so would be any self-congratulation in Britain for that decision. The fall in wheat prices may possibly have been hastened, but it could not have been caused, by Britain's absence from the agreement. Subsequent events merely emphasise the foolishness of last year's squabble over whether the maximum price in the agreement should be $2.05 or $2.00 a bushel, and the correctness of the British view that these prices were unrealistically high.

If blame has to be apportioned, the United States is the chief culprit. Owing to political pressure, successive Administrations have maintained high support prices, and thus encouraged high production, long after the need disappeared. This policy also encouraged over-production in the rest of the world. As a result, the prospective carry-over and new supply in the United States is now so enormous that America alone could supply the world's imports next season. Canada has had three bumper harvests in succession, and now has one crop to spare, and Australia is desperately trying to store a record surplus. Of the four major exporting countries, only Argentina will have a moderate carry-over into 1954-55.

But Britain and other European countries are hardly in a position to adopt a holier-than-thou attitude towards the United States. They, too, have expanded production by high support prices, at the taxpayers' expense, for which strategic, foreign exchange and frankly political reasons are pleaded in justification. And Sweden, France and Turkey are exporting their own surpluses at much less than the domestic price.

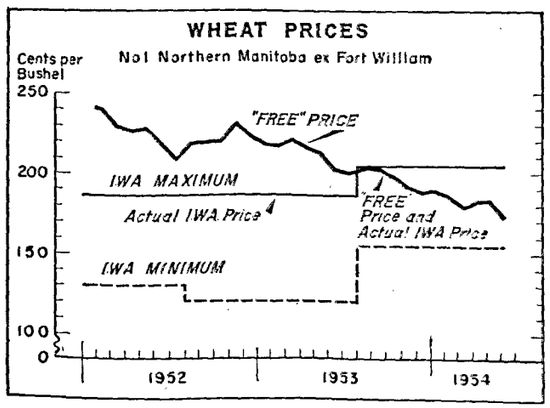
Foreign countries can justly claim, however, that the United States should not attempt to escape from its own political problems by wrecking world prices. The recent statement of the Secretary of Agriculture, Mr Benson, that America would not disrupt world prices by dumping its surplus commodities, contrasts oddly with the increase of 10 cents a bushel in the export subsidy on wheat. Nor can that be reconciled with the strict American anti-dumping act against imported goods—still less with the lectures that roving American industrialists are prone to give to Europe on the iniquities of export subsidies. The unease felt in Canada, Australia, and other countries at American price cutting reflects partly the knowledge that they cannot afford to

subsidise their own exports of commodities, nor can they give them away. Their immediate concern is how determined America will be.

In wheat at least a collapse of the market may be averted, partly because it would be to everyone's detriment, and partly because of the minimum price fixed in the wheat agreement. Critics of the agreement tend to forget that is now functioning broadly as it should, and that it was indeed designed for the situation that may be now developing. In the four years of the old agreement, the effective IWA price was always near the maximum of $1.85 a bushel (for No. 1 grade Manitoba wheat) because the "free" market price was well above that figure. Shortly after the new agreement began, the "free" price broke through the new IWA maximum of $2.05, and took the effective IWA price down with it. Since then the IWA price has moved freely within the upper and lower limits, in line with the "free" price.

Whether prices would have fluctuated as freely between the upper and lower limits had Britain signed the agreement can never be proved. The reasons for believing that they would not are partly psychological. But if Britain—the largest importer—had signified in writing a willingness to pay up to $2.05 and had not made a demonstration last year, the exporters' view might have been less sharply challenged.

If the price should fall to the new minimum of $1.55



a bushel, importing countries can be called on to take up the unused part of their quotas at that price. This would embarrass the many importing members that have taken up much less than their full quotas this season, but it is a reasonable hope that the minimum price will not be reached at least until the new season begins on August 1st. Several importing countries are believed to be preparing their 1954-55 import programmes on the assumption that they would have to take up their quotas at the minimum. Some other countries may chafe at this obligation, but they should not forget that the exporters fulfilled their side of the bargain under the old agreement. To the importing countries that may appear to have been a producers' bargain heavily weighted by the American price support policy. But the Canadian farmer was fully aware that under the old agreement he supplied wheat to Britain at prices lower than he was getting outside it.

Would a fall to the minimum price do much to relieve surpluses? Even though in countries of high economic development and high living standards the

WHEAT PRODUCTION AND STOCKS
(Million bushels)

	1952/53		1953/54	
	Production	Carry-over	Production	Carry-over*
United States ...	1,291	559	1,169	850
Canada	638	370	614	550
Argentina	278	104	230	100
Australia	195	52	199	110
Total	**2,452**	**1,085**	**2,212**	**1,610**

* Broomhall's estimates.

consumption of bread grains does not rise when the price of wheat falls, there remain great areas where consumption should be more elastic, and all over the world there are possibilities of increasing consumption for animal feeding. Already after the price cut there has been a little buying of American wheat for feed. The mischief is that price support policies and marketing boards that sell centrally at fixed prices hide from the producer in all the major exporting countries (and in many of the consuming countries, too) the full and immediate effect of a change in price. The farmer's production programme tends to change when his government moves, not when the market price moves.

The postwar adjustment to conditions of plenty was bound to take time, but the latest developments are perhaps the best guarantee that the adjustment will be made. In the United States, which holds the bulk of the surplus, the 1954 wheat acreage has been cut by 20 per cent, and there is now talk in Washington of limiting the quantity of wheat per acre that each farmer can market; the aim being to counter the tendency of farmers, when acreage is restricted, to take the marginal land out of production and cultivate the rest more intensively. Such measures do not go far enough, but may become more effective in time. And it should not be forgotten that the run of good harvests in North America—the 1954 crops also promise to be good—is unlikely to continue indefinitely. In the meantime, more competitive prices should do good, both by encouraging the exporting countries to modify their production policies, and by encouraging the importing countries to question the wisdom of expanding their own production to uneconomic lengths. Ultimately it is to be hoped that the exporting countries, which now sell through single agencies, may consider whether there is not some virtue in restoring a free market mechanism. This would help to correct an approaching lack of balance between supply and demand before it is too late, and enable both sides of the trade to hedge against changes in import requirements and production that no central plans and subsidies can legislate for.

Local Authority Borrowing

IN round terms, the local authorities must now owe £3,500 million on capital account. Their borrowings since the end of the war from the Public Works Loan Board have run to well over two-thirds of this figure, and they have paid an average rate of about 3¼ per cent for them. What the board is instructed by the Treasury, from time to time, to charge for advances from the Local Loans Fund is therefore of first-class importance to the local authorities, for they are involved in heavy capital expenditures. During the past twelve months they have received Government sanction for more than £600 million of new loans, of which two-thirds will be spent on housing, a sixth on schools, and the rest on roads, water and other purposes.

It is true that the bigger local authorities are now officially encouraged to make greater use of the market, and indeed since the beginning of 1953, seven of them have made stock issues amounting in all to £32½ million. Birmingham was the first, with a redemption yield of £4 8s. 4d. per cent. Hull is the latest, and has got off more cheaply with £3 17s. per cent. This issue, and the Glasgow issue a couple of months earlier, offered yields two or three shillings per cent lower than the 4 per cent that the PWLB was charging until last Friday; yet the full cost to the borrower, including commissions, the keeping of registers and interest warrants every six months, must have exceeded the former PWLB rate. Local authorities who have come to the market with twenty-year stocks carrying a higher all-in cost than a PWLB loan must have done so solely in the hope of refinancing them at a lower rate of interest later on, whereas if they had resorted to PWLB loans they would have been compelled to pay the original rate for anything up to sixty years.

Last week's announcement covers two separate points. It brought the second reduction since the PWLB's rates were raised in February, 1952, at the stiffest phase of monetary policy:

PWLB LOANS TO LOCAL AUTHORITIES
(per cent.)

	Nov. 1951	Feb. 1952	Oct. 1953	June 1954
Not exceeding 5 years ...	2	2½	2⅝	2½
5 to 15 years	3	3½	3½	3½
Over 15 years	3¼	4¼	4	3¾

The long-term rate is thus where it stood at the end of 1951, while the two shorter-term rates are one-quarter of one per cent higher.

The second point concerns the life of PWLB loans. Borrowing from the board has hitherto been possible on one condition only—that the length of the loan was identical with the period of years for which it had been sanctioned. For example, the Ministry of Housing and Local Government sanctions local authorities to borrow for housing for sixty years. As a result of the rule, the local authorities have not been allowed to borrow money for housing from the PWLB for any shorter period, if they wanted to. The Government have now agreed in principle that loans of shorter duration than the sanction should (with certain exceptions) be allowed. But shorter loan periods also involve accelerated repayment, for the board lends only on condition that regular instalments of principal are repaid each year. The ideal (as some local treasurers discovered in 1946 and 1947) is a low rate and a long term; 2½ per cent over sixty years carried an irresistible appeal to borrow up to and beyond the hilt.

The borrowers that have come to the market in the past eighteen months have all been housing authorities—the English counties, which were regular borrowers before the war have so far stayed away. The housing authorities evidently hoped that by refunding after 15 years or so they would do better than 4¼ or 4 per cent over a term of sixty years and would avoid the need to make immediate capital repayments. But as interest rates fall towards the mean rate of 3½ per cent. over the years, the attractions of this mild speculation become correspondingly dimmer, and last week's reduction in the PWLB rate and the expectation that short-term borrowing will be permitted have put paid to any further stock issues on the part of such authorities for the present.

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There is, however, another source of funds to which the local authorities are resorting in growing measure. These are mortgage loans, which have the double merit of satisfying the investor with a yield beyond that obtainable on gilt-edged securities and of satisfying the local authority borrower, who pays less in interest than the PWLB demands in interest and capital repayment. Many of these mortgage loans are arranged by Stock Exchange brokers marrying their institutional clients to their local authority clients. A number of specialist firms are also active in this market; one has placed business amounting to £30 million, and another reports placings of up to £5 million a month. These firms have connections with numerous lenders, including friendly societies, savings banks, building societies, insurance offices, industrial concerns and others. The business

that they have been placing with the local authorities is considerable in volume and varied in character. Local authorities evidently appreciate the flexible terms that can be negotiated for these mortgage loans; they may run to maturity before repayment is due, or they may be arranged to carry annual or half-yearly capital instalments.

The rates on these mortgage loans vary according to their life, and are evidently fixed by the lenders with an eye to the Public Works Loan Board's long-term rate. The table below attempts a rough summary of the various rates in March and now, with the PWLB rates and yields on comparably dated gilt-edged stocks for comparison:

Mortgage Loans and Rates		PWLB rate	Comparable Gilt edged yields
March—	%	%	
One month and thereafter on 7 days call	2⅜	2⅜	2½
Seven to 12 years	4	3½	3½
Twenty to sixty years (½ yearly repayments and mutual breaks)	4	4	3⅞
June—			
One month and thereafter on 7 days call	1⅞	2¼	1⅝
Seven to 12 years	3¼	3¼	2¾
Fifteen years or more, repayable at maturity	3⅛	3½	3⅝

The advantage of mortgage borrowing, it is clear, rests not so much on its cheapness (in interest alone it is sometimes dearer) as upon its convenience. The local authorities can go quite a long way in borrowing short, because they have two lines of defence against a sudden call—either to turn to the banks or to go to the lender of last resort, the PWLB. In these circumstances, the use of the short-term finance has fewer dangers for them than for the average borrower. The larger authorities, moreover, have developed the practice of using day-to-day money to finance the initial stages of new capital projects; the result is that such borrowers sometimes carry up to £2 million of expenditure temporarily at 2 per cent or less.

This is an agreeable form of borrowing for local authorities, but it has its risks. As interest rates fall, the sources of such funds may dry up, and repayment may be required. They would then have to fall back on bank overdrafts at, say, 3½ per cent and ultimately upon the PWLB or other permanent lenders. They may also reflect that before the war the board did not provide finance to the larger borrowers for the bulk of their capital expenditures. If that day were ever to return, the present contentment of local treasurers, who now can borrow short because they know that they can get money at a pinch and at a price from the PWLB, would change to dismay; for they would then be compelled to rely on stock issues, priced on what the investor demanded in a competitive market.

The Viscount's Century

THE decision, in principle, of Capital Airlines, a vigorously expanding United States operator, to replace its existing fleet of 50 Dakotas with 40 of Vickers-Armstrongs' turbo-prop Viscounts has had an electric effect on the aircraft market. Capital has signed an order for three aircraft, which will be delivered early next year (thanks to BEA, who were waiting for them) and has an option on the remaining 37. The tally of signed orders for Viscounts has now reached 99 not out, and the single for the century is certain. The remarkable feature of the deal is the size of the option. Thirty-seven Viscounts would represent several months' output, even if Vickers were to step up production to the projected hundred a year. Airlines that have been content to sit on the fence, or to discuss delivery at leisure, must now calculate on the assumption that if Capital Airlines decide to take up their option, the flow of Viscounts will come to a halt while the factories work to complete the order.

In some ways Vickers' own sales policy may have encouraged airline operators to delay their decisions as long as they could. The three British aircraft manufacturers building for the international market—Vickers, de Havilland and Bristol—have each made a bold bid to capitalise an unquestioned lead in gas-turbine aircraft by tooling up for a rate of production well ahead of actual orders. Vickers announced at the end of last year that they intended to build up the production rate of Viscounts, at present two to three a month, to seventy and eventually to a hundred a year if sufficient orders came in. This amounted to an offer to sell aircraft off the counter; and in fact the actual delivery period has not exceeded 18 months for aircraft specially modified to each airline's requirements. Meanwhile, the carrying capacity and so the profitability of the aircraft have been increasing with each successive step in the development of the Rolls-Royce Dart engines.

Time, which worked against Vickers for so long, at last seems on their side. The Viscount got off to a dishearteningly slow start. It made its first flight in July, 1948, the world's first gas turbine airliner, and got a full certificate of airworthiness in 1949. The first orders, from British European Airways and from Air France, were signed only in the following year. Until Capital Airlines appeared, the three substantial buyers were British European Airways (38), Trans-Canada Air Lines (15) and Air France (12); the rest were small orders never exceeding six and sometimes for one only and none of these buyers was an internationally important airline.

Now the Viscount has proved itself, its advantages are plain to be seen. It is the only machine of its type and class on the market designed for medium-range work. Two other possible machines suitable for stage-lengths not greatly exceeding a thousand miles have twin piston engines, and neither is new; they are Consolidated Vultee's Convair 340, and the Martin 4-0-4. The big 107 seat Breguet Provence, with four piston engines, could be called a competitor only on certain specialised routes. Another attempt may be made to re-furbish the Convair with turbo-prop engines, but earlier experiences did not appear successful, and it remains to be seen whether American manufacturers can quickly supply turbo-prop engines suitable for civil aircraft. There are several potential competitors, here and in America, for the Britannia and the Comet III—Vickers' own VC 1000 being one of them—but there is no effective competitor for the Viscount as yet visible in the sky. If it takes about seven years to bring an airliner from the drawing board into commercial operation, airlines working medium stage-lengths face a period of some years when they will buy Viscounts or little else.

THE VISCOUNT'S PERFORMANCE

By the late autumn, more powerful Dart engines will be used in the Viscount. The improvement in performance is shown by the bracketed figures.

Engines	...	Turbo-prop. 4 Rolls-Royce Darts. 1,400 shaft horse power plus 375 lbs. residual thrust (1,550 shp)
Fuel consumption	...	0.72 lbs. kerosine per shaft horse power per hour (0.67)
Length	...	81 ft. 2 in.
Span...	...	93 ft. 8 in.
Weight	...	58,500 lbs. all up (60,000 lbs.)
Payload	...	Approx. 13,320 lbs.
Seating capacity	...	40-44 1st class 47 or more tourist 80 or more, enlarged Viscount for short-range operation
Best operating range...		Medium stage lengths 600-1,200 miles
Speed	...	312 mph (328 mph)
Break-even load factor		51 per cent. of capacity } *British European Airways operating results*
Operating cost ...	...	39.4 pence per ton mile }
Price	...	£250,000 upwards
Delivery period	...	18 months
Production rate	...	2-3 a month
Production capacity...		8 a month
Total signed orders ...		99 aircraft
Under option or negotiation	...	100 aircraft approx.

Already Europe is covered with a network of Viscount services, and British European Airways have found that on some routes the introduction of the aircraft has propelled BEA's share of the traffic from one-third to over half of the total. Late in September, the first deliveries of Viscounts will be made to Trans-Canada Air Lines, and the Viscount will start to fly between Canada and the United States. When the first three aircraft are delivered to Capital Airlines early next year, they will fly along routes between New York, Washington and the densely populated industrial areas of the east, in competition with the American giants, American Airlines and Trans-World Airlines among them. Next year, too, the Viscount will be in service in South America with Venezuelan airlines.

An attempt will be made to meet this competition by using America's two outstanding piston-engined aircraft, the Super-Constellation and the Douglas DC7, along Viscount routes. But there may be difficulty in keeping the long-distance schedules flown by these aircraft to the tight time-keeping that is possible on medium and short-range services. In Europe, suggestions have been heard that the big airliners should be used in short-haul as well as long-haul work, providing room for more passengers and carrying less fuel. But there is a limit to the number of passengers that could be crammed even into their vast fuselages, and it is still questionable whether short-range operation of the trans-Atlantic giants could ever be economic.

Real competition seems likely to come from quite a different source. Many of the medium-range routes are operated by Dakotas, and there is no aircraft of the character and merits of this old veteran to replace it on the market. Perhaps 200 medium-range aircraft need to be replaced each year, but how many of the 1,500 Dakotas still in service will be replaced by Viscounts? Aircraft companies in France, Britain, Holland and the United States are working on promising ideas for a successor to the fabulous DC3. Not all medium-range services need the Viscount's performance, and success for any one of these new designs might make inroads on the orders that might otherwise have been captured by Viscounts. For the present, Vickers' main concern is with the report that a team of American examiners from the Civil Aeronautics Board will make on the Viscount when they return from this country to Washington. The action of Capital Airlines has obliged the CAB to take up once again the delicate subject of whether to accept a British certificate of airworthiness issued for a British aircraft. Because the two authorities employ different standards, a British aircraft cannot qualify without substantial modification for an American certificate of airworthiness; so unless the CAB agree to recognise the Air Registration Board's certificate for the Viscount, American operators will not be able to use the aircraft. Fast on the heels of Capital Airlines, a second American operator, Trans-Caribbean Airways, has filed a request with the CAB for permission to use Viscounts. It would be unrealistic to suppose that there will be no counter-pressure against such a move.

Business Notes

Good Sense on Export Subsidies

THE only concise and specific document to emerge from last month's discussions in Bonn between the British Chancellor of the Exchequer and the German Federal Minister for Economic Affairs is a joint statement by the two governments recording their agreement on the undesirability of artificial aids to exporters. The statement falls into three parts. The first is a declaration of the kind of framework into which competition in international trade should fall. The second is a statement of British practice on the granting of export incentives—a statement from which Britain appears to emerge white as the driven snow. The third is a promise by the Federal Government to correct at least one transgression from the path of complete rectitude in this respect.

The first part of the statement breathes the full ozone of economic liberalism. The two governments "are convinced that international trade competition should follow natural lines and develop freely." Therefore, "neither government intends to pursue any policy of providing open or concealed subsidies to exporters and they both consider that artificial measures of aid to exporters which in the result tend to distort the normal pattern of competition, should be abolished as soon as possible." The Chancellor of the Exchequer's statement of the philosophy and practice of the British Government opens with the assertion that a fundamental aspect of its economic policy has been "to restore as soon as possible the freedom of the market over as wide a range of commodities and transactions as possible." In keeping with this policy of freedom, the Chancellor gives the assurance that "there is no intention of making use of such marketing regulations and subsidies as remain for the purpose of artificially promoting the export trade." The only major limitations on complete freedom in commodity trade are those still considered necessary to prevent undue dollar expenditure.

It is contended that there is no truth in the familiar allegation that the lower price of steel that obtains in the United Kingdom than in Germany is the result of some form of subsidy. There may be differential prices quoted for export and domestic markets, but this is as true of continental countries as it is of the United Kingdom. The prices charged to domestic users in the United Kingdom cover the full cost of production of steel and give a fair return on capital. On coal, the statement is a little less convincing, pointing out merely that "the National Coal Board in the United Kingdom is under a legal obligation to pay its way without any governmental subsidy." It admits that deficits have occurred in the past and are carried on the books of the Coal Board: and these deficits have been financed through Treasury guarantees. But in fact any element of subsidy that has been present does not fall into the category of a special incentive to exporters. It is approximately analogous to the general subsidies on food or housing; such subsidies do not provide any special incentive to British manufacturers to sell in foreign, rather than home markets.

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The kind of subsidies that are now generally agreed to be objectionable are the differential ones that specifically favour exporters. The main German scheme that offends on this score is a rebate to exporters of income tax, amounting to up to 3½ per cent of export turnover. The assurances of the Chancellor were found sufficiently convincing in Bonn to induce Dr Erhard to give notice that it was not the intention of the Federal Government to seek renewal of the law providing for these concessions when it expires at the end of 1955. The two governments have also undertaken to collaborate in their efforts to secure a general abolition of objectionable export incentive schemes by all OEEC countries. Primarily this means France, which is easily the worst offender.

Borrowing for Utilities

MARKET experts have been expecting the British Electricity Authority and the Gas Council to appear in the queue of would-be gilt-edged borrowers later this year. The Bill which has now been laid before Parliament—Gas and Electricity (Borrowing Powers) Bill—and the memorandum which accompanies it, confirm that impression. They also provide financial authority for an exceedingly ambitious electrical development programme extending from 1953 to 1960 and costing over £1,400 million. Electricity issues for which no authority yet exists will evidently have to be made at fairly frequent intervals over the next six years.

Present borrowing powers of the British Electricity Authority are £700 million and up to June 30th this year Treasury sanctions have been granted for £635 million. The present total of borrowing is presumed to be nearly up to that total which consists of £525 million of stock issues and £110 million of temporary borrowings. The Bill proposes to raise the permitted maximum to £1,400 million and from the figures published it seems that the whole of that sum may be needed by 1960. Between March, 1953, when the Authority had used up £487 million of its statutory borrowing powers and March, 1960, there is a programme of capital development estimated to cost £1,442 million of which it is hoped to provide £435 million from internal resources leaving £1,007 million to be found from external borrowings. A small part of this great total—£75 million—is provided for in the Electricity Reorganisation (Scotland) Bill.

By comparison the claims of the gas industry are modest. The Gas Council's present borrowing limit is £250 million; its present sanctions amount to £230 million and it has used about £223 million of them. It is now proposed to raise the ceiling to £450 million, which will cover part of the cost of a development programme from 1953 to 1960 involving £366 million, leaving £92 million to be found from internal resources.

Courtaulds go One Better

COURTAULDS' profit and dividend statement far surpasses the best expectations. In December, when the company announced its 100 per cent free scrip issue, the board foreshadowed a final dividend of 3⅞ per cent on the new capital of £48 million, making the equivalent of 14 per cent on the old capital for the year ended March 31st (compared with 11¼ per cent in the previous year). The preliminary statement shows that the directors have gone one per cent better than their promise with 4⅞ per cent as a final, making the full year's distribution 8 per cent equal to 16 per cent on the old capital.

The formidable weight of profits amply justifies the decision; it would not be unfair to say that it has enforced it on Courtaulds' ultra conservative board. It is hard to resist the on-rush of a trading profit of £19.0 million (compared with £10.6 million) and a net group profit of £7.6 million (compared with £5.2 million). Courtaulds' directors say they consider that "the year's trading has been marked by a general revival in home trade; the company's export trade has shown improvement in highly competitive conditions."

Courtaulds is not only a textile company, it is predominantly the producer of the textile industry's cheapest raw material —staple fibre. The whole trend of trade has been moving its way in the past year, and there will be general agreement with the board's modest assertion that the increased distribution is "justified by the improved results." As they say it the directors tuck away a further £6 million (compared with £3.8 million last year) to various reserves. That the board would revise its dividend intention was quite unforeseen in the share market. The £1 shares fell 4½d. just before the announcement to 29s. 4½d.

Rayon in Demand

THE demand for certain types of rayon has been rising steadily for several months. In the first four months of the year output reached nearly 150 million pounds compared with 136 million over the same period last year, but this increase was still insufficient to keep pace with the flow of orders for rayon staple, tyre cord and yarn for industrial uses. By contrast, the trade in continuous filament rayon is noticeably slack. The rayon industry has been less successful in finding new applications for continuous filament rayon than it has for the staple fibre.

Rayon has been swept out of some sections of its traditional markets, such as washing dress fabrics of spun rayon, and continuous filament yarn for underwear, by the determined sales drive from the cotton industry on one flank and the new synthetic fibres and the reviving silk industry on the other. There is little evidence to show that rayon has recovered from these invasions; the industry's present buoyancy is rather the result of applied research into new uses. There is an expanding market for rayon in the industrial field, and the use of rayon in suitings, either alone or blended with other fibres, is rapidly increasing. Consumption of spun dyed rayon staple is also increasing; the idea of buying the staple already dyed appears to have caught the imagination of spinners, who are mixing staples of different colours with the same abandon that an artist mixes paint pigments.

The industry has yet to find the same variety of fresh outlets for continuous filament yarn. Acetate yarn is used as the basis for what the industry calls "novelty weaves," but viscose yarn, which makes up the bulk of output, is less adaptable. The industry's output is almost equally divided between continuous filament and staple production, but there is a general feeling that its future rests with the continued expansion of staple production. The new factory that Courtaulds Limited will begin to build at Grimsby in about six months' time (which will take 2½ years to complete) will increase the industry's staple capacity by about 100 million pounds a year. Until then, staple fibre production is likely to remain some way behind demand.

Accounting Centenary

TRADE is said to follow the flag but there can be no doubt that accountancy follows trade. And where there is trade, there is the thrifty Scot. Appropriately, the oldest existing body of professional accountants in the world is the Institute of Chartered Accountants of Scotland. The Institute is the direct descendant of the Society of Accountants in Edinburgh, which was incorporated a few months before the Companies Act of 1855 put the principle of limited liability on the statute book—opening out new avenues that a host of accountants were to follow to prosperity. Next week, the Institute celebrates its first centenary.

Accounting is far older than the professional accountant himself, and older still than any organisation of accountants. Yet the creation of a professional organisation, soon to be supplemented by others, was just as important as the invention of double entry book-keeping in the commercial republics of Renaissance Italy. Ultimately, the pioneering society and kindred associations established principles and standards of accounting that were accepted by the community at large. By examinations, precept and recommendations a generally acceptable body of doctrine and techniques was formulated. The 1948 Companies Act brought full recognition to the profession when it ruled that no person could act as auditor for a company (except an exempt private company) except a member of one of the

five accountancy bodies or an accountant authorised specifically by the Board of Trade.

During the hundred years the accountant's tasks have markedly changed. Many of the earlier members of the Scottish society secured their living from bankruptcy and insolvency cases. Nowadays the accountant is more of a company doctor and less of an undertaker; the "bread and butter" of the profession is internal and external auditing. The accountant of 1853 would be perplexed—and, perhaps, a little amused—by the complex details of company and tax legislation which are now on the lips of every articled clerk. The accountant's status has also been enhanced. In professional practice his independence is secure; as a salaried employee he is now as familiar as the outside consultant; and many accountants have found through their profession a road to industrial management and policy making.

£4 Million for Rolls-Royce

DETAILS of the new capital issue foreshadowed by Rolls-Royce a fortnight ago have now been announced. The company is to meet its needs by a £4 million 4 per cent debenture stock dated 1974-84 which will be offered to the public by Lazard Brothers at £99 per cent with preferential treatment to holders of the ordinary stock and employees. Subscription lists open next Thursday and £10 per cent is payable on application. It is a shrewd financial move. It invites success because the stock is of the type that will appeal to insurance companies and other institutions. Twenty-to-thirty-year 4 per cent stocks below par and covered 3½ times on assets and nearly 13 times on earnings are not easy to pick up; the Rolls-Royce debenture should command a small premium. Moreover the effect of the issue should be to gear up the ordinary stock since the company obviously hopes to earn more than 4 per cent from the new money. This will be useful since it happens to coincide in time with the one for two ordinary share bonus recently announced.

The company is raising money primarily to finance the purchase of machine tools for its aero-engine division, a sign not only of expansion but of the expectation of continued expansion. The expansion is evident in the consolidated balance sheet as at December 31, 1953, which shows that stocks have risen from £6 million to £9.8 million and debtors from £7.9 million to £9.2 million. The company has also raised money by bills for £500,000 on its export trade in addition to increasing its overdraft by £600,000 to £1.6 million. The expectation of continuity is endorsed by the speech of the chairman, Lord Hives. "We believe," he says, "that we can foresee for some years ahead a steadily increasing demand for the company's products."

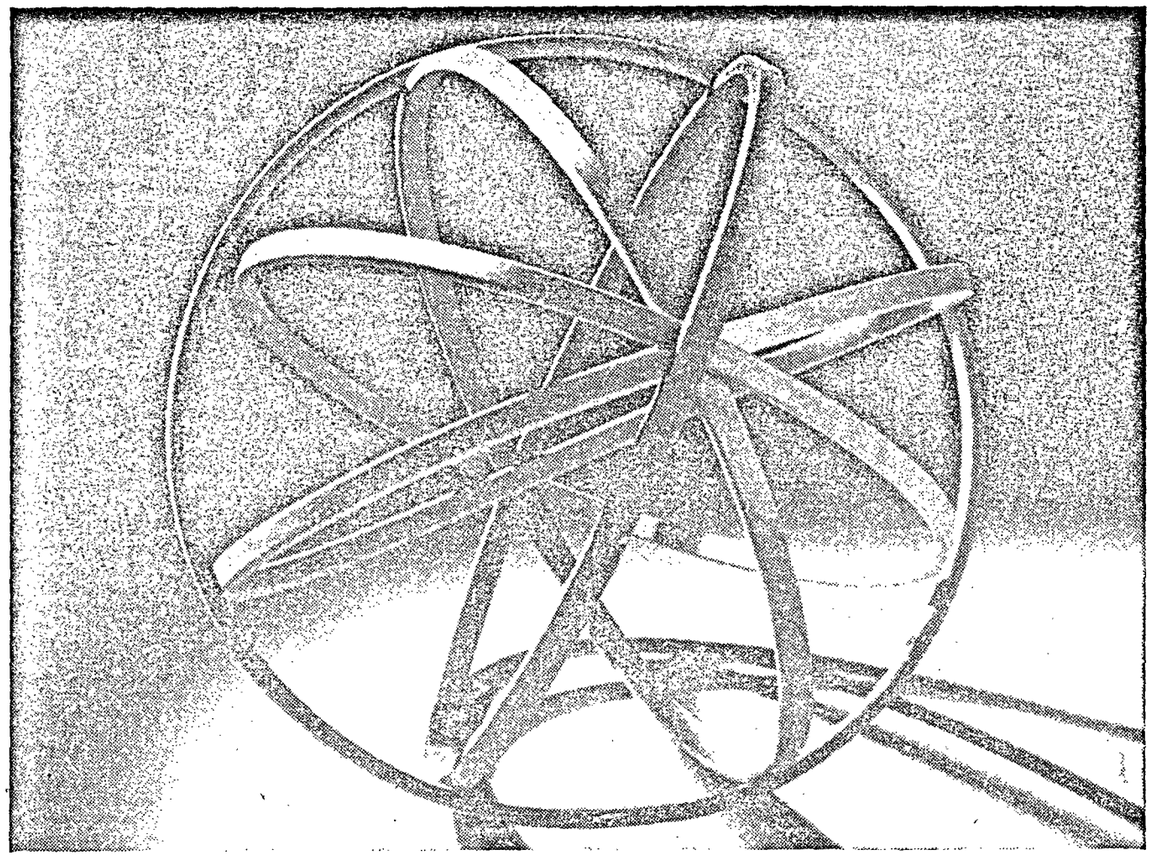
Lombard Street Springs a Surprise

THE new flexibility of money rates is nowadays producing some piquant situations in Lombard Street, piquant, that is to say, by contrast with the dullness of the long phase of pegged rates. Throughout this year "outside" competition for Treasury bills has been keeping the discount market on its toes—but, even so, the persistence of foreign and other non-market tenderers for bills has eroded the market's portfolios. At the pre-holiday tender, however, a bold thrust by the market succeeded in catching the "outsiders" very much on the wrong foot. A fortnight before, the Treasury bill rate had shown signs of sagging from the level of 1 3/32 per cent established by the market immediately after the reduction of bank rate to 3 per cent, partly because the margin offered over the clearing banks' maximum deposit rate and also the rate they normally charge to the discount market for loans against Treasury bills had widened (both these rates are now at 1¼ per cent). But a tightening of call money supplies checked this tendency, and the bill rate seemed to have settled at its new level. Last week, however, the discount houses unexpectedly raised their tender price by 4d. to £99 11s. 9d. per cent, a change that corresponded to a reduction of the discount rate by 1/16 per cent to 1 31/32 per cent, and is a substantially larger adjustment than has been made in any one week in this new phase of flexible money except after a Bank rate change. The "outside" tenderers—industrial interests as well as financial institutions—were taken unawares, and missed the bills entirely.

The background for this move was laid by the pressure upon market portfolios for some time past, both from the outside competition and from the increasing appetite for bills shown by the clearing banks in their day-to-day operations. But the immediate cause was the market's expectation that the Treasury's new bond issue would both reduce the supply of bills and further increase the demand for them. A large part of the cash that ostensibly flowed to the authorities in subscriptions for the new loan was certainly employed by the authorities in simultaneous purchases of other bonds, but a portion remained for use in cutting down new issues of Treasury bills. As the market had anticipated, only £250 million of the £270 million of bills offered at last week's tender were allotted, so that the issue fell £20 million short of the corresponding maturities, and there will be a further excess of maturities in the coming week. This tightening of the bill supply, combined with the demands of the unsatisfied non-market applicants, may put further pressure on rates, especially as the American Treasury bill rate this week dropped to only 0.616 per cent (leaving scope for a profit of some ⅛ per cent on switches to London with the forward exchange risk covered). The authorities are, however, keeping a taut rein on credit supplies in the short loan market.

Britain's Sweet Tooth

IT is more than a year since sweets came off ration, and consumption, unlike that of some other derationed commodities, rose steeply when rationing ended. That development is pin-pointed by the remarkable jump in the earnings of Cadbury Brothers, for the year ended January 2nd. In that family business, whose equity is all held by the British Cocoa and Chocolate Company, net profits after tax rose from £963,343 to £2,937,793. The rise in the gross figure was even steeper, since the tax charge increased £1,455,928 to £2,544,221. The controlling company draws a dividend of £516,341 compared with £443,040. The back-



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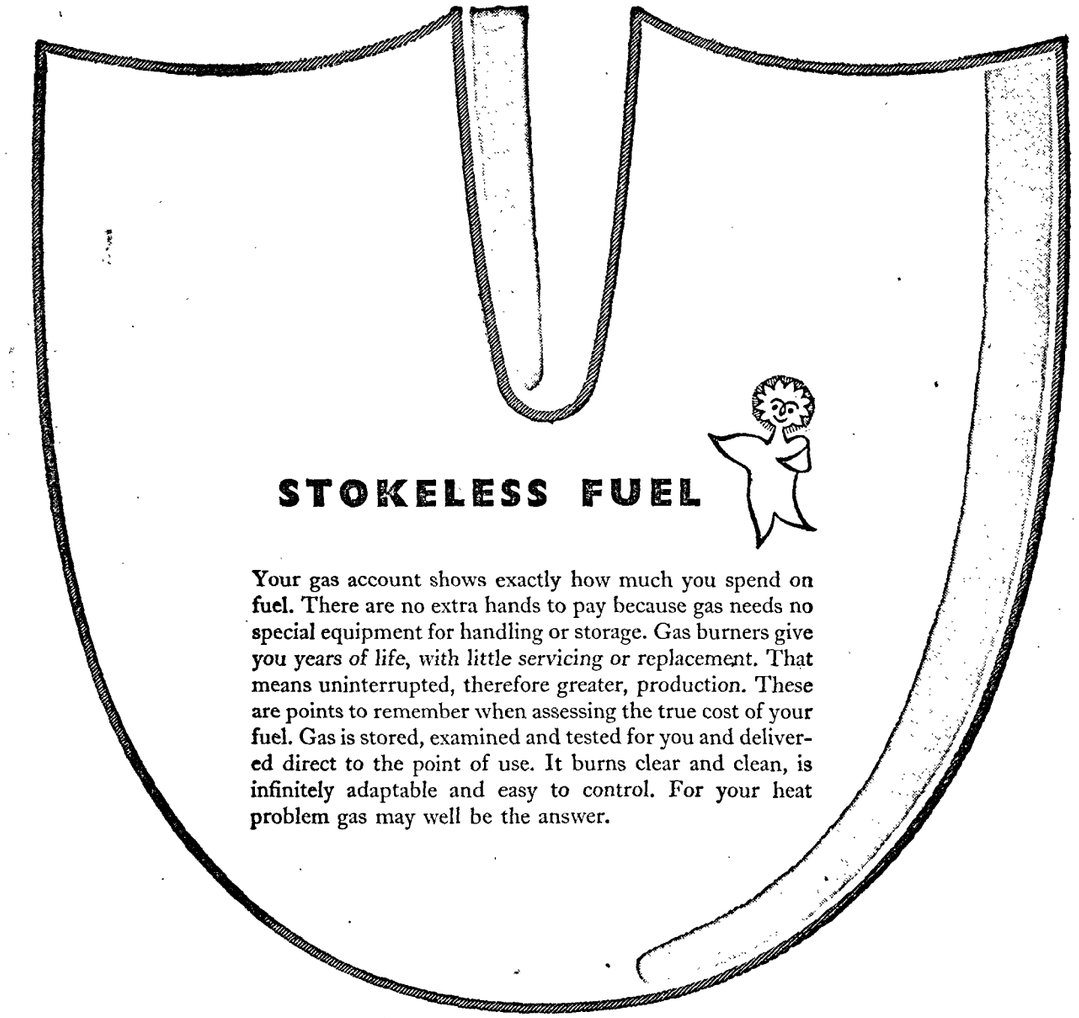

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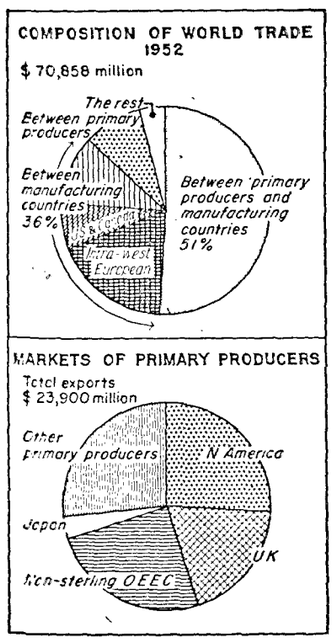
ground to these figures—the expansion of sweetmeats in this country—has recently been described in the report of The Cocoa, Chocolate and Confectionery Alliance. In the last few months before rationing ended, enough chocolate and sugar confectionery was being produced to give everyone in Britain nearly 6 oz a week. By the pre-Christmas period last year, output had risen to the equivalent of 10 oz a head weekly, and even after the seasonal decline weekly output is still 8 oz a head, 40 per cent higher than the final ration figure. Even then, Britain ate more sweets than any other country in the world ; today consumption is twice as high as anywhere else in Europe and half as much again as consumption in the United States. Many countries eat more sugar, in all its forms, but Britain remains the confectioners' best customer.

The factories were able to keep pace with retailers' needs throughout the year, except for an anxious week or two last summer, without attempting to check demand by raising prices. Sweet and chocolate prices rose, in fact, less in the first year of de-control than in the last year of rationing. The industry's sugar purchases have risen from an annual rate of about 200,000 tons a year before de-control last September to a rate of approximately 350,000 tons, and imports of milk crumb and chocolate couverture have also been stepped up. Milk supplies have doubled and nut imports have risen by a third. Only cocoa causes anxiety. Falling production and rising demand have lifted cocoa prices to the highest point they have yet reached. During 1953 retail sales of chocolate and sweets reached *£242 million*. The country is laying out more of its income than ever to satisfy its sweet tooth. Out of every pound spent on food, 1s. 4d. now goes on sweets, against 10¾d. before the war. The trade does not expect consumption to settle down before 1955 at the earliest. If more people continue to switch from the tobacco counter to the sweet counter, will the rise stop even then ?

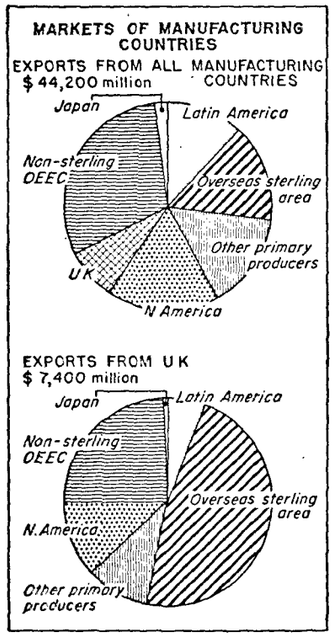
The Cup that Cheers

THE first offerings of this season's North Indian teas are meeting a strong demand at the Calcutta auctions. Prices of common qualities opened at the equivalent of 4s. 9d. a lb delivered UK, more than a penny above the closing price of old crop North Indian tea in London. This reversal of the normal relation between old and new crop prices emphasises the continuing shortage. In the past eighteen months the price of common tea has trebled, and the change round from the tea companies' losses of 1952 to the profits of 1953 has been equally dramatic. Many companies are re-entering the dividend lists and some are distributing free scrip issues. Consolidated Tea and Lands with its £2.6 million issued capital and its widely dispersed estates is an outstanding example. For the year ended November 30th a net profit before tax of £1,312,968 was earned compared with a loss of £326,391 in the previous year. The bank overdraft has been reduced from £1,467,744 to £425,710 while the cash has risen from £123,589 to £306,759. The company has announced a dividend of 10 per cent tax free compared with nil before. If this were only a flash in the pan—a single good year breaking a succession of bad ones—it would hardly be a cause for jubilation. The chairman, Mr W. H. Marr, puts last

Who Sells to Whom ?



THE interdependence of trade between the manufacturing and primary producing countries is widely accepted, but less widely understood. Trade between the two groups accounts for about half the world's trade. An analysis by the Board of Trade shows that in 1952 the manufacturing countries took over two-thirds of the total exports of primary producers, and sent two-fifths of their total exports to primary markets. The interdependence of Britain and primary producing countries (mainly the overseas sterling area) is exceptionally high. This explains why Britain is particularly exposed to a change in the terms of trade, and why an adverse movement can nevertheless favour Britain's exports and will favour the dollar earnings of the sterling area as a whole. In 1952 North America, the OEEC area and the primary producers themselves each took about one-fourth of total primary exports ; Britain alone took one-fifth, including one-third of the total exports of the overseas sterling area. Of Britain's total exports, nearly two-thirds went to the primary producing countries, and nearly half to the overseas sterling area.



year's profits in their true perspective when he calculates that the profit together with the losses of the two previous years gives an average profit for the past three years of £332,262 per annum, which is almost the same as the average of £333,447 for the last 23 years.

But Mr Marr also makes it clear that he is expecting another good return from the current year, despite the prospect of some decline in tea prices in the autumn, and a rise in costs resulting from the enforcement of the Indian Plantations Act of 1951. He feels that the real strength of the market lies in the statistics flanked by the expectation that Russia will buy tea under its new trade agreement with India. Moreover, Consolidated Tea and Lands has sold a substantial portion of its crop forward at remunerative prices. Sensible market opinion will endorse Mr Marr's hopeful estimate for this year. Perhaps the only cloud on the horizon is how much the local governments will extract by export duties. The Ceylon government has recently raised the flat rate of duty by 15 cents to 60 cents (about 10.8d.) a lb, though it is fair to add that were the duty based on the sliding scale abandoned last October the present exaction would be still higher. The Indian government, which now levies a duty of 4 annas a lb (equal to 4½d.) must also be sorely tempted to exploit the boom.

£30,000 Million in Throgmorton Street

THIS year's crop of statistics from the London Stock Exchange is fuller than any of its predecessors. It includes for the first time an analysis of the capital structure of most of Britain's public companies. This analysis, classifying company securities into loan, preference and equity stocks, is reproduced on page 924 of this issue. It throws a little more light on the ratio between nominal and market values of all securities quoted on the London Stock Exchange. In the year to March 31st last, the market value of all these securities increased from £27,130 million to £30,102 million. At the same time the number of quoted securities grew from 9,752 to 9,861 and their nominal value increased from £25,624 million to £26,653. These figures are evidence of an impressive growth, but they do not show how far the changes were due to rising prices or to new issues, either for cash or as free scrip.

The boom in the equity share markets has widened the gap between nominal and market values and in the same period the spate of scrip issues has worked the other way towards closing the gap. The new analysis of capital structure shows that the market value of all ordinary shares is £9,241 million, some £5,766 million higher than their nominal value. The nominal capital of British industry, in fact, bears little or no resemblance to the market capitalisation. Equally, market capitalisation means applying prices derived from quite small transfers of share capital to the entire share capitals of the companies concerned, although big blocks could often be neither bought nor sold at those prices. The market value of the preference shares quoted in Throgmorton Street is only £10 million higher than their nominal value of £1,485 million, while the market value of loan and debenture stocks issued by companies falls short of the nominal value of £992 million by £142 million.

The stock market, however, is dominated by British Government stocks and Government guaranteed issues largely resulting from nationalisation. At the end of last March, the market value of these stocks in the gilt-edged list was £16,019 million, about £1,382 million below their nominal value; the year before, when Bank rate was higher, their market value of £14,783 million fell short of the nominal value by £2,016 million. Such was the picture near, though not at, the crest of the market boom.

Oil Power for Copper

COPPER may be commanding a good price; the Rhodesian producers may see a surer market for their product than they dared to hope for after state trading had ended, but their troubles are not ended. The announcement from Selection Trust that Mufulira Copper Mines is installing equipment to burn limited quantities of fuel oil for both steam raising and smelting comes as a sharp reminder of the biggest of those problems—the inability of Wankie Colliery to raise as much coal as the copper industry needs and the inability of the railways to handle it. The problem is not new; there has been no sudden worsening of the outlook at Wankie since the trouble of underground faulting occurred a few months ago. Wankie's output is still expected to surmount these technical problems. Nor is any sudden deterioration in the condition of the railways the cause; the railway drivers' strike in Rhodesia did not affect the decision.

It is thought unlikely that the other copper mines will follow Mufulira's example. The company describes the expedient as being very expensive and used only as a final effort to keep the plant going. It involves boiler modification. The method can be adopted only (a) when the margin of profit on copper is high enough to cover a substantial rise in operating costs, and (b) when production would be lost if it were not done. It is because Mufulira is much wetter than other Rhodesian copper mines, and therefore requires much more power for pumping, that oil burning is justified. Wood cannot be provided by contractors in sufficient quantities to make good the coal shortage, but in two years' time hydro-electric power should be coming from the Congo and from the Kafue project. Even then hydro-electric power will be flanked by some coal burning.

Conditional Research

THE researches into various aspects of productivity that are being paid for under "Conditional Aid" from the United States to Britain are of distinctly varied promise; the Board of Trade had to assemble quickly a list of subjects on which to spend its "counterpart funds," and could not be too selective. The only condition common to most of the grants is that there should be something to show for them fairly soon. The Department of Scientific and Industrial Research, among several other bodies, has the spending of these funds. One of its committees dealing with "Human Relations in Industry" has in its first year managed to sponsor a dozen research projects with "Conditional Aid" money, some of which at least should eventually be of value; university teams are to study the effectiveness of incentive payments, industrial training and promotion, and 'human factors" affecting the introduction of new techniques in industry.

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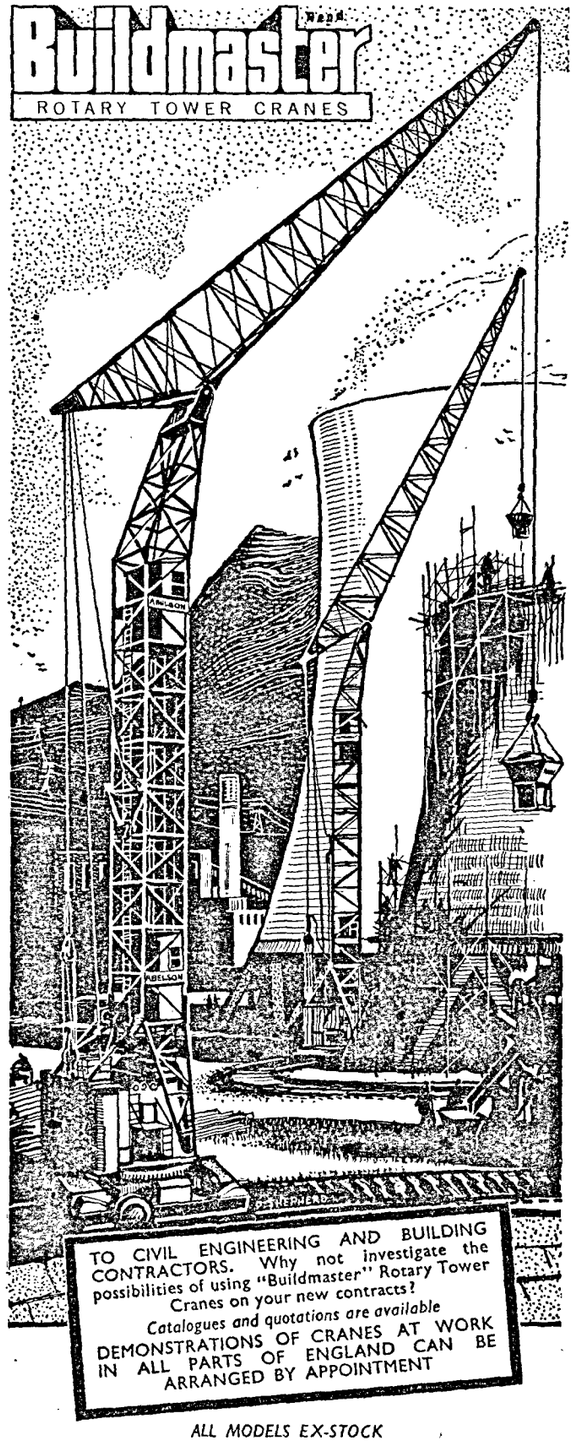

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get, even if some of the reports are couched in the repellent gobbledygook of the social psychologist. It is also receiving attention from the technical side in other projects sponsored by DSIR; and a new committee formed this week by the Royal Society of Arts, the British Association and the Nuffield Foundation, once again armed with a grant of conditional aid, is sponsoring some promising research into industrial innovation, studying the history of particular new equipment and techniques and the speed with which they were adopted, the effectiveness of present methods of distributing new technical information, and the factors affecting decisions to instal improved equipment.

Company Notes

J. LYONS. The non-voting "A" ordinary shareholders of J. Lyons and Company, whose activities extend beyond catering to embrace tea and coffee blending, have good reason to be disappointed with the latest dividend. Since 1948, the group's trading profits have nearly doubled and in the year to March 31st last, which included the Coronation trade, they rose once more (from £4,162,805 to £4,299,157); yet the directors throughout this period have left the ordinary dividend unchanged at 22½ per cent. This year the dividend has been declared on the former capital of £2,326,273 and one-third of the rate has been declared on the 629,069 £1 ordinary shares issued last October at 82s. 6d. each. Conservatism carried to such extremes suggests that the directors will be content to leave the rate unchanged on the enlarged capital in the current year. That was how dealers in the stock market read the company's statement, for after its publication the "A" shares were marked down 4s. 3d. to 102s. 6d., to offer the unexciting yield of 4.4 per cent.

	Years to Mar. 31, 1953	1954
Consolidated earnings:—	£	£
Trading profit	4,162,805	4,299,157
Total income	4,228,298	4,368,586
Depreciation	1,046,346	1,143,728
Taxation	1,676,674	1,550,451
Net profit	*874,740*	*932,667*
Ordinary dividends	308,242	337,340
Ordinary dividends (per cent)	22½	22½
Revenue reserves	12,003	17,611
Added to group carry forward	288,710	296,571
Cons. balance sheet:—		
Fixed assets, *less* depreciation	15,064,082	15,586,087
Net current assets	9,829,614	12,408,542
Stocks	11,943,934	12,375,706
Cash	1,147,688	1,363,538
Acceptance credits	1,500,000	..
Reserves	11,734,689	14,172,597
Ordinary capital	2,326,273	2,955,342

£1 "A" ordinary stock at 102s. 6d. yields £4 8s. per cent.

The company's accounts certainly suggest that the directors could have afforded to be more generous than they have been. Net profits have risen from £874,740 to £932,667, and about £300,000 has been ploughed back into the business. Moreover, the new issue of shares has enabled the directors to dispense with the use of acceptance credits and to add to stocks without making any call on cash resources (which at the end of March amounted to over £1,300,000). The end of food rationing may add to the company's stock commitments and bring with it increased competition but it also opens up possibilities of expansion. The "A" ordinary shares must still be numbered among the "blue-chips." They are shares with which very little can go wrong but they cannot be put among the growth stocks while the present conservative policy is in force.

★

J. & P. COATS. The directors' report of J. & P. Coats makes some attempt to unwind the tangled skein of accounting digits conveyed in the preliminary statement which was discussed in these columns on May 29th. But the explanations are so cursory that a shareholder can be forgiven for believing that he is little the wiser. Having accepted gratefully the increase in the ordinary dividend from 12½ to 15 per cent and the promise of a free scrip issue, his principal difficulty is to decide what the profit and taxation figures imply. The trading profits of the group in 1954 are shown at £5,686,540 after charging exchange losses of £4,200,000; these losses arose in the company's South American subsidiaries. In 1952, trading profits were returned at £5,631,544 after writing down stocks (particularly of Egyptian cotton) by £5,650,000. At the same time the trading profits of the parent company have risen from £1,555,701 to £3,243,728, and this seems to be the principal reason why British taxes charged against the profits of the group as a whole have risen from £842,769 to £1,746,652.

	Years to Dec. 31, 1952	1953
Consolidated earnings:—	£	£
Trading profit	*5,631,544	†5,686,540
Total income	5,871,299	6,014,036
Depreciation	941,418	1,342,729
Taxation	1,529,964	3,920,236
Net profit	*2,624,868*	*3,680*
Ordinary dividends	995,625	1,216,875
Ordinary dividends (per cent)	12½	15
Retained by subsidiaries	1,415,238	586,313
Added to carry forward	540,755(*a*)	*Dr1,981,008*
Cons. balance sheet:—		
Fixed assets, *less* depreciation	13,340,157	14,272,477
Net current assets	43,598,884	41,952,728
Stocks	45,907,132	37,052,609
Cash	6,444,037	6,816,586
Bank overdrafts	6,088,979	2,909,850
Reserves	37,486,626	36,091,258
Ordinary Capital	14,750,000	14,750,000

£1 ordinary stock at 55s. 6d. yields £5 8s. per cent.
*After writing down stocks by £5,650,000.
†After charging exchange losses of £4,200,000.
(*a*) £500,000 had been written back from general reserve.

So far, the story is reasonably clear and the shareholder is entitled to draw the conclusion that the group, having taken the losses on stocks in 1952, enjoyed a more prosperous year at home but had to bear the weight of heavy losses on exchange abroad. The investor will also note that the company has pursued a deliberate policy of reducing stocks (especially of finished goods) and that the "further reduction in physical stocks, together with lower raw material values," has reduced the book value of the group's stocks from £45.9 million to £37 million.

The diligent shareholder then trips over the biggest stumbling block. The accounts show that foreign taxation has risen from £687,195 to £2,173,584 and that this increase has been responsible more than any other single factor for the collapse in net profits—from £2,624,868 to a paltry £3,680. Quite naturally he will turn to the directors' report for an explanation, but there he is fobbed off with the terse comment that "there has been a steep rise in the amount of foreign taxation. The increase in relation to the total of 1953 profits is to a large extent due to the effect of the exceptional exchange profits." At the annual meeting at least the chairman, Mr Robert Laidlaw, ought to furnish a full explanation. Shareholders might have been spared bewilderment if the company had followed the modern practice of circulating the chairman's statement with the accounts.

★

CANADIAN EAGLE. Canadian Eagle Oil Company's ordinary shares of no par value are a favourite with investors in the higher tax brackets. So much of the company's income comes from foreign sources covered by double taxation agreements that the effective rate of tax on the dividend is always much below the standard rate. In 1953 that great advantage was reduced. The dividend of the parent company, though it was raised from 1s. 1½d. per share to 1s. 6d. attracts tax at 66 per cent of the standard rate, compared with 49 per cent in 1952. This means approximately that the net dividend has been raised from 10½d. to 12¾d. The result must be judged satisfactory after a year in which the trading profits of the group fell from £10 million to £7.8 million.

Three factors have chiefly affected the results of this important oil shipping ally of the Shell group; the first was a sharp fall in tanker freights from the exceptionally high figures of 1952, the second inflationary conditions affecting the marketing companies in South America especially in Brazil, and the third higher crude oil prices and profits. The first two influences were adverse; only the third was favourable. However, it is the Exchequer—not the shareholder—that absorbs the reduc-

tion in gross earnings. United Kingdom tax in 1952 was £4,093,718, including £700,000 for Excess Profits Levy. In 1953 the figure was down to £1,531,920, and even that is subject to a refund of EPL of £640,000. Therefore the net profit after tax for the group actually showed an increase at £6,781,330, compared with £5,943,638.

Conveniently the report this year sets out the company's principal interests. These comprise first the three wholly owned subsidiaries, Eagle Oil and Shipping Company, Venezuelan Eagle Oil Company, and Eagle Tanker Company. Secondly, a group of oil investments held jointly with companies of the Royal Dutch-Shell group:—

Production: Shell Condor and associated Colombian companies—40 per cent interest; Compania Pertrolera La Estrella de Cuba—26.67 per cent.

Refining: Starhaven Refineries—50 per cent.

Marketing: Shell-Mex and BP—27.5 per cent; Lubricants Producers—40 per cent; Shell Eagle South America—50 per cent; Shell Companies of British Honduras, Cuba and Guatemala—each 50 per cent and Peru—40 per cent.

Property: London and National Property (owners of Shell-Mex House)—50 per cent.

The marketing companies last year handled 6,441,140 million tons of oil, a volume which has increased by 75 per cent since 1947. However, the annual rate of increase which was 23 per cent in the years immediately after the war, fell in 1952 and 1953 to around 7½ per cent.

SELECTION TRUST. Like other mining finance houses, Selection Trust catches in its net a wide range of investments. It has an interest in gold (through investments in Western Holdings and St. Helena), in copper (through American Metal, which has a substantial stake in Rhodesian Selection Trust and Roan Antelope), in base metals (through American Metal), and in diamonds (through Consolidated African Selection Trust). As most of these companies are domiciled abroad, their profits are subject only to local taxes, but as Selection Trust is domiciled in this country the income it receives from these investments has to bear the far heavier weight of British taxation.

In the year to March 31st last the income Selection Trust received from its investments fell slightly—from £1,714,061 to £1,475,385. It also earned rather less from transactions in the stock markets (for like other finance houses Selection Trust is an active dealer in those markets). The "profit on investment realisations" fell from £208,181 to £42,491. In all, its total income declined from £1,966,640 to £1,577,041 but, thanks to a reduction in the tax provision from £1,145,877 to £830,469, the directors had no difficulty in repeating an ordinary dividend of 42½ per cent. This dividend absorbs nearly £525,000, for the mining companies retain their own profits in reserves and Selection Trust distributes its net earnings almost up to the hilt. The 10s. ordinary stock units offer a yield of 11.7 per cent at the current price of 36s. 3d. xd.

CLASSIFICATION OF COMPANIES' SECURITIES QUOTED ON LONDON STOCK EXCHANGE ON MARCH 31, 1954.

(£'s million)

Section	No. of Companies	Loan Capital		Preference Capital		Equity Capital	
		Nominal Value	Market Value	Nominal Value	Market Value	Nominal Value	Market Value
Banks and discount co's..	63	32·2	32·5	7·3	5·9	218·4	648·2
Breweries and distilleries.	222	106·7	96·2	89·2	94·6	134·2	390·2
Canals and docks	12	9·0	7·9	4·9	3·8	16·0	62·8
Commercial and industrial	2,592	261·2	240·9	879·9	934·6	1,589·0	4,281·8
Elect. lighting and power	35	19·7	19·4	15·4	18·4	16·1	15·1
Finance, land, etc.	288	86·3	60·9	51·5	45·1	128·7	230·6
Gas	14	1·1	0·9	0·5	0·3	13·9	12·8
Insurance	46	1·0	0·8	7·6	8·8	38·6	484·7
Investment trusts	258	149·1	134·7	120·7	113·8	153·3	341·4
Iron, coal and steel	140	30·8	29·1	44·9	44·1	161·8	328·9
Australian mines	39	2·1	2·1	5·7	9·5	26·7	63·7
Rhodesian mines	50	5·4	5·3	5·3	5·7	63·2	205·0
South African mines	134	29·4	28·7	11·7	10·9	193·8	747·6
West African mines	39	0·2	0·2	...	...	18·3	23·7
Diamond mines	12	...	...	4·3	16·5	15·5	121·4
Other mines	123	0·2	0·08	0·6	0·5	46·7	86·5
Nitrate	2	0·2	0·2	...	...	2·8	6·0
Oil	34	30·1	31·0	37·6	50·6	205·6	666·3
British railways	4	...	...	10·6	5·9	0·5	0·03
Indian railways	7	20·6	20·5	...	...	1·5	1·6
Dominion railways	19	68·2	64·2	28·4	18·3	73·5	123·6
American railways	13	47·6	31·5	46·2	16·8	63·6	64·2
Foreign railways	33	43·8	11·4	34·9	22·9	25·2	3·0
Rubber	415	2·6	1·2	3·6	3·3	78·1	39·8
Shipping	55	5·4	4·8	25·1	25·4	73·7	141·2
Tea and coffee	190	1·7	1·5	7·8	5·5	30·4	42·4
Public utilities	119	37·1	24·1	41·1	33·6	77·0	109·0
Total	4,959	991·6	850·0	1,484·9	1,494·9	3,474·8	9,241·5

* Excluding shares of no par value.

LONDON STOCK EXCHANGE

Next Account begins: June 23rd.
Next Contango Day: June 23rd.
Next Settlement Day: June 15th.

AFTER the holiday week-end, the stock market opened hesitantly and then in the first dealings in the new account prices began to slip downwards. Business was restricted in almost all sectors of the market immediately after the week-end and the relapse in prices on Wall Street made for even greater caution when the new account opened. The Funds, however, remained in demand until Thursday morning when fractional losses were reported. Earlier a good demand for the medium dated issues and a few of the longer dated stocks kept prices firm; much of the demand was concentrated upon 3½ per cent Conversion, 1969, and once this stock had risen to 101⅜ some switching operations were reported. Prices of the undated stocks tended to slip back. In the foreign market German issues were dull, while Japanese loans lost heavily following the news that Mr Yoshida's visit to Europe and the United States had been cancelled. Greek bonds continued to improve on the Greek Government's decision to invite representatives of foreign bondholders to the debt settlement talks.

In the industrial market most sectors were dull though there was a little activity in new issues. Textile shares were among the worst sufferers. J. & P. Coats were marked down quite sharply after the publication of the full accounts, losing 3s. 6d. to 55s. 6d. xd. in the two days' trading to the close on Wednesday. A further loss of 1s. was reported in J. & P. Coats in early dealings on Thursday, while at the same time Fine Spinners lost 2s. 1½d. to 28s. on disappointment with the dividend. Elsewhere, the biggest losses were reported in store, electrical equipment and motor shares. Oil shares were dull. Rubber and tea remained quietly firm. At the end of the old account Kaffirs were holding their ground but prices began to fall back when the new account opened; dealings in Freddies Consolidated, the new company formed to amalgamate Freddies North and Freddies South, began at 22s. 3d. and the price touched 22s. 6d. before closing at 22s.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
June 2	151·7	114·83	3·80	5·03
„ 3	152·5	114·85	3·79	5·01
„ 4	152·6	114·87	3·79	5·01
„ 8	152·4	114·87	3·79	5·01
„ 9	151·5	114·88	3·79	5·04
			Total bargains	
1954, High	152·6 (June 4)	115·07 (May 21)	1954 June 2	10,466
„ Low	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 3	10,441
			„ 4	11,071
1953, High	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 8	12,148
			„ 9	10,899
„ Low	113·9 (May 20)	105·68 (Jan. 5)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to June 9 High	Prices, 1954 Jan. 1 to June 9 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 2, 1954	Price, June 9, 1954	Net Yield, June 9, 1954 §	Gross Yield, June 9, 1954
					£ s. d.	£ s. d.
100 11/32	99 5/8	Exchequer 2½% 1955	100 9/32	100 1/4	0 7 11	1 17 6
105 1/16	101 1/4	Exchequer 3% 1960	104 15/16	105 1/16	0 16 0	2 3 8
103 3/16	99 13/32	Exchequer 3% '62-63	102 1/4*	103 3/16*	1 5 5	2 11 11
100 1/16	99 3/8	Serial Funding 1½% 1954	100	100	0 16 3	1 14 7
101 3/32	99 21/32	Serial Funding 2¼% 1957	100 5/8	101 3/32	0 18 2	1 18 8
101 3/8	100 13/32	Serial Funding 3% 1955	101 1/4	101 5/16	0 9 5	1 17 6
101 5/16	100	War Bonds 2½% '54-56	100 7/32	100 1/16	0 16 8	2 2 5
101 1/16	100 11/16	Funding 2¾% '52-57	100 13/32	100 3/16	1 8 2	2 12 10
101 11/32	100 3/16	Nat. Def. 3% '54-58	100 11/32	100 11/32	1 4 9	2 2 3
99 23/32	99 11/16	N. Def. (Ass.) 3% '54-58	99 13/32	99 23/32	1 4 3	2 1 9
102 3/4	101 1/8	War Loan 3% '55-59	101 1/16	101 1/16	1 6 8	2 14 3
100 1/4	95 15/16	Savings Bonds 3% '55-65	99 13/16	99 13/16	1 14 5	3 2 5
100 1/16	97 3/4	Funding 2½% '56-61	100 5/16	100 1/16	1 6 1	2 9 0
95 15/32	92 7/16	Funding 3% '59-69	95 15/16	95 15/16	1 19 11	3 8 0
97 3/16	93 1/16	Funding 3% '66-68	97 1/4	97 3/16	1 18 4	3 6 9
103 5/16	100 1/16	Funding 4% '60-90	102 7/8	103 1/4	1 13 3	3 9 4
94 1/2	90 1/2	Savings Bonds 3% '60-70	94 1/8	94 1/4	2 1 5	3 10 0
93 1/16	90 1/8	Savings Bonds 2½% '64-67	93 3/16	93 1/16	1 18 5	3 2 0
103 1/2	101 1/16	Victory 4% '20-76	103 1/16	103 1/16	1 18 2	3 14 5
92 1/8	87 1/8	Savings Bonds 3% '65-75	91 1/8	91 1/16	2 3 6	3 12 8
97 3/16	93 1/4	Consols 4% aft. Feb. '57	96 1/16	97	2 5 9	4 3 8
89 1/8	84 3/8	Conv. 3½% aft. April '61	87 1/16	87 1/16	2 4 1	4 0 5
101 3/16	99 1/16	Conv. 3½% 1969	100 1/8	101 1/16	1 17 6	3 9 7
99 1/8	99 1/16	Conv. 2½% 1958-59	99 1/2	99 1/8	1 3 7	2 1 9
68 1/2	63 3/16	Treas. 2½% aft. April '75	66 1/8	66 1/16	2 1 9	3 16 1
79 1/2	74 1/16	Treas. 3% aft. April '66	77 1/2	77 1/4	2 2 9	3 18 0
96 3/8	92 11/16	Treas. 3½% '77-80	96 1/8*	96 1/4*	2 2 3	3 14 6
97 1/8	92 7/16	Treas. 3½% '79-81	96 1/8	97 1/16	2 1 11	3 14 8
88	83	Redemption 3% '86-96	87 1/2	87 1/2	2 2 0	3 11 10
89 1/16	84 5/16	War L'n 3½% aft. Dec. '52	86 5/8	86 5/8	2 4 6	4 0 11
69 3/32	63 3/16	Consols 2½%	65 1/8*	66*	2 1 7	3 15 7
92 1/16	88 7/16	Br. Elec. 3% '68-73	92 3/8	92 1/16	2 2 9	3 11 5
91 1/16	87 15/16	Br. Elec. 3% '74-77	91 3/8	91 1/16	2 2 8	3 11 8
106 1/8	103 3/16	Br. Elec. 4½% '74-79	105 11/16	106 1/8	1 19 11	3 17 6
97 1/16	93 11/16	Br. Elec. 3½% '76-79	96 3/8	97	2 1 8	3 14 0
88 7/16	83 5/16	Br. Trans. 3% '78-88	86 3/8*	86 1/16*	2 4 0	3 13 6
92 3/8	88 1/16	Br. Trans. 3% '68-73	92 1/16	92 1/4	2 2 10	3 11 6
103 3/8	100 1/4	Br. Trans. 4% '72-77	101 7/8*	102 1/4*	2 1 2	3 16 8
88 1/16	84 1/2	Br. Gas 3% '90-95	87 1/2	87 1/8	2 2 1	3 11 9
99 1/16	96 1/8	Br. Gas 3½% '69-71	99 1/8	99 1/16	1 19 3	3 11 6
104 3/8	99 1/2	Br. Gas 4% '69-72	104 1/4	104 1/2	1 18 3	3 14 6

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1 to June 9 High	Prices, 1954 Jan. 1 to June 9 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, June 2, 1954	Price, June 9, 1954	Yield, June 9, 1954
							£ s. d.
92	84 3/4	94 3/4	90 1/2	Aust. 3½% '65-69	94 1/4	94 1/2	3 14 9
...	...	97 3/8	97 1/2	Ceylon 4% '73-75	97 1/4	97 1/2	4 4 0
98 11/16	98 3/32	102 1/2	98 3/8	N. Zealand 4% '76-78	101	101	3 18 3
73 3/8	66 1/4	77 3/8	71 3/8	L.C.C. 3% aft. 1920	76	76	3 18 11
95 3/8	90 3/4	97 1/8	95	Liverpool 3% '54-64	97	97	3 7 2
81 1/2	73 1/2	84 3/8	80 1/2	M.Wtr.'B' 3% '34/2003	83 1/2	83 1/2	3 14 9
104 1/2	101 1/2	104 1/2	101 1/2	Agric. Mort. 5% '59-89	102 1/2*	102 1/2	4 4 10
74 1/2	49 1/2	95 3/8	71 1/2	German 7%	85 1/2	84 1/2	...
102 1/2	65	142	102	German 5½%	126	126	...
139 1/2	119	159 1/2	132 5/8	Japan 5% 1907	155	155	...
176	136	186 1/2	168 1/2	Japan 5½% Conv. 1930	181	182	...

Prices, 1954 Jan. 1 to June 9 High	Prices, 1954 Jan. 1 to June 9 Low	Last Two Dividends (*a*) (*b*) (*c*)	ORDINARY STOCKS	Price, June 2, 1954	Price, June 9, 1954	Yield, June 9, 1954
		% %				£ s. d.
46/3	42/3	7 *a*	9 *b* Barclays £1	44/6	46/–	6 11 *m*
63/9	58/9	6 *a*	8 *b* Lloyds 'A' £5, £1 pd.	62/6	62/–	4 10 4
81/6	74/9	8 *a*	8 *b* Midland £1, fully pd.	78/–	78/–	4 2 1
81/–	72/7½	8½ *a*	8½ *b* N. Prov. 'B' £5, £1 pd.	78/–	78/6	4 6 7
90/–	79/6	9 *a*	9 *b* Westminster £4, £1 pd.	86/6	86/6	4 3 3
106/3	92/–	7½ *a*	17½ *b* Alexanders £2, £1 pd.	102/6	105/6	4 14 9
49/3	40/10½	5 *a*	5 *b* Nat. Disc. 'B' £1	49/–	49/–	3 1 3 *v*
51/6	44/6	5 *a*	5 *b* Union Disc. £1	50/–	50/–	4 0 0
41/–	37/6	4 *b*	4 *a* Barc. (D.C.&O.) 'A' £1	39/–	39/–*	4 2 1
45/7½	40/3	7 *a*	7 *b* Chart. Bk. of India £1	42/6	43/–	6 10 3
			INSURANCE			
134	9½	50 *a*	85 *b* Leg. & Gen. £1, 5/- pd.	12½	12¼*	2 15 2
22½	20½	20† *a*	40† *b* Pearl £1, fully pd.	20⅝	20⅝	5 4 7
41½	35 1/16	105† *c*	112½† *c* Prudential 'A' £1	40	40½	5 1 1
			BREWERIES, ETC.			
131/3	126/–	33 *b*	10 *a* Bass £1	128/1½	128/1½	6 13 8
21/3½	17/4½	15 *b*	7½ *a* Distillers 4/-	21/–	21/–	4 5 9
34/6	31/–	11 *b*	8 *a* Guinness 10/-	32/6	33/6*	5 13 5
84/3	60/–	8 *a*	15⅝ *b* Whitbread 'A' Ord. £1	82/6	82/6	5 1 10 *d*
82/–	67/9	5 *a*	12½ *b* Assoc. Port. Cem. £1	81/3	81/3	4 6 2
63/3	44/–	15 *c*	16 *c* Bowater Paper £1	61/3	62/6	5 2 5
40/–	33/10½	4 *a*	6 *b* Brit. Aluminium £1	36/–	35/–	5 14 3
43/3	36/3	12½† *c*	4½ †*a* Brit. Amer. Tob. 10/-	39/–	39/–	5 16 6
$49⅜	$38½	3 *a*	5 *b* Canadian Pacific $25	$44½	$48½	5 12 3
39/9	32/6	35 *c*	5 *a* Decca Record 5/-	38/3	38/3	4 11 6
24/9	18/5	11⅝ *c*	14 *c* Dunlop Rubber 10/-	24/–	24/–*	5 14 3
65/7½	53/–	6 *a*	9 *b* Imp. Chemical £1	64/3	65/–	4 12 4
58/7½	49/8½	8¼ *a*	11½ *b* Imp. Tobacco £1	51/6	51/–	7 16 10
$77⅜	$63¼	$2·60 *c*	$2·35 *c* Inter. Nickel n.p.v.	$76½*	$77	5 9 0
59/7½	51/6	7½ *a*	9 *b* London Brick £1	57/6	57/6	4 17 5 *n*
70/3	63/6	12½ *b*	3½ *a* Tate & Lyle £1	69/6	69/6*	4 12 1
71/–	60/6	7½ *b*	7½ *a* Tube Investments £1	67/6*	68/9	4 7 3
86/3	69/–	17½ *c*	5 *a* Turner & Newall £1	82/6	80/–*	4 7 6
78/9	57/6	6 *a*	9⅜ *b* Unilever £1	77/–	77/–	4 1 10
38/3	31/6	4½ *a*	7½† *b* United Molasses 10/-	33/–*	32/3	6 16 3 *q*
			TEA & RUBBER			
34/10½	28/–	Nil *c*	10† *c* Cons. Tea & Lands £1	32/–*	32·9	11 2 2
2/3	1/10	10 *c*	10 *c* London Asiatic Rbr. 2/-	2/–	1/10½	10 13 4
49/3	37/9	5 *a*	15 *b* United Sua Betong £1	45/7½	48/1½	8 6 3
			MINES			
6 11/16	5 3/32	20 *a*	40 *b* Anglo-Amer. 10/-	6 3/32	6⅜	4 10 7
94/9	68/3	80 *a*	120 *b* De Beers 5/- Bearer	91/6	93/6	10 13 11
101/10½	56/6	...	... Free State Geduld 5/-	85/7½	83·6	Nil
76/3	54/9	8⅓ *c*	10 *c* Randfontein £1	62/3	60/6	3 6 1
6/7½	4/10½	22 *c*	24 *c* London Tin 4/-	5·9*	5·9	16 13 11
25½	16 1/16	175 *b*	50 *a* Rhokana £1	23	22⅞	10 1 1

* Ex dividend.

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (*i*) 12% paid for 9 months; yield basis 16%. (*j*) Also 5% Coronation bonus, not included in yield. (*k*) Yield basis 7%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 21·97% gross. (*t*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*v*) Yield basis 7½%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 11%, after capital bonus. (*z*) Yield basis 11½%.

New York Closing Prices

	June 2	June 9		June 2	June 9		June 2	June 9
	$	$		$	$		$	$
Balt. & Ohio	23	22	Am. Smelting	37⅛	35⅞	Inter. Paper	69⅛	66
Can. Pac.	25	26⅛	Am. Viscose	34⅛	33⅞	Nat. Distill.	18⅛	17⅛
N.Y. Cent.	23	22⅞	Col. of Amer.	17⅜*	18⅛	Sears Roebuck	64⅞	63⅛
Pennsyl.	16⅛	16⅛	Chrysler	60⅛	59⅞	Shell	48⅞	47⅛
Amer. Tel.	168⅛	168⅛	Gen. Elec.	117	115⅝	Std. Oil of N.J.	90	86
Stand. Gas	12⅞	12⅞	Gen. Motor	71⅛	68⅜	U.S. Steel	48⅜	46
United Corp.	5⅛	5⅛	Goodyear	64⅜	61⅛	Westinghouse	68⅜	66⅜
W. Union Tel.	39⅛	39	Inter. Nickel	43	41⅜	Woolworth	42⅛	42⅛

* Ex dividend.

Statistics

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

British		Overseas	
Prices and Wages	June 5th	Western Europe:	
Production and Consumption	This week	Production and Trade	June 5th
Manpower	May 22nd	British Commonwealth	This week
External Trade	May 29th	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	May 22nd
Industrial Profits	April 24th	United States	May 29th
		World Trade	April 24th

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

		Unit	Monthly averages			1953			1954			
			1951	1952	1953	Feb.	Mar.	April	Jan.	Feb.	Mar.	April
INDUSTRIAL PRODUCTION												
Index:												
All industries		1948=100	117	114	121	122	124	118	127	130	130	124-125[2]
Mining and quarrying		„	108	109	109	116	115	111	117	118	118	...
Building and contracting		„	101	103	109	109	109	107	...	...	...	...
Gas, electricity and water		„	124	127	132	151	142	131	161	165	152	...
Manufacturing, total		„	121	115	123	123	126	119	129	133	134	...
Engineering, shipbuilding, electrical goods		„	127	127	130	132	135	124	...	...	...	...
Vehicles		„	124	124	138	139	140	132	150	154	...	...
Chemical trades		„	134	132	151	149	157	147	...	...	...	...
Textiles and clothing		„	116	99	114	121	122	113	118	124	...	...
Food, drink and tobacco		„	105	108	114	105	112	113	109	109	...	...
BASIC MATERIALS												
Production of:												
Coal [1]	W	'000 tons	4,275	4,332	4,300	4,557	4,522	4,365	4,595	4,609	4,612	4,192
Pig-iron	W	„	186	202	215	214	216	213	230	222	231	232
Steel, ingots and castings	W	„	301	310	339	352	351	349	360	357	365	368
Sulphuric acid	M	„	133·8	125·5	156·3	138·3	162·5	159·0	174·8	166·1	186·3	...
Newsprint	W	„	10·13	10·32	11·60	11·79	12·21	11·60	11·92	12·53	12·16	...
Electricity [1]	M	mn. kwh	4,964	5,166	5,459	5,802	5,992	5,269	7,122	6,609	6,650	5,634
MANUFACTURING												
Textile production:												
Cotton yarn, single	W	mn. lb	20·71	14·82	17·97	17·70	18·24	17·48	19·80	20·05	20·54	18·67
Worsted yarn	M	„	16·61	14·84	18·40	17·58	19·09	17·82	19·27	18·19	20·85	...
Rayon and synthetic fibres, total	M	„	32·00	23·59	34·94	32·74	36·29	32·75	37·24	34·80	40·18	36·81
„ „ „ staple fibre	M	„	13·93	10·59	16·85	15·87	17·21	14·81	18·68	17·18	19·94	17·25
Cotton cloth, woven	W	mn. yds	42·3	32·5	35·2	34·5	35·3	33·8	39·1	39·5	40·4	38·2
Wool fabrics, woven	M	mn. sq yds	34·8	31·5	34·3	33·9	36·1	32·2	36·8	33·4	36·3	...
Engineering production:												
Passenger cars and chassis	W	'000s	9·15	8·62	11·44	10·06	9·62	11·05	13·38	14·03	14·71	14·56
Commercial vehicles and chassis	W	„	4·96	4·66	4·61	5·03	4·04	•4·19	5·00	5·06	4·87	4·53
Metal-working machine tools	M	'000 tons	11·09	12·58	12·63	11·94	13·11	14·12	10·09	10·94	13·35	...
Internal combustion engines	M	'000 BHP	353	331	311	307	317	303	330	326	353	...
BUILDING ACTIVITY												
Permanent houses completed: [1]												
Total	M	'000s	16·24	19·99	26·56	20·12	28·73	23·26	24·60	19·79	33·71	27·26
For private owners	M	„	1·88	2·86	5·24	3·20	4·51	4·44	5·60	4·73	7·07	7·01
For local housing authorities	M	„	13·55	16·11	19·91	16·05	23·16	17·70	17·14	13·97	24·54	18·19
Other	M	„	0·81	1·03	1·41	0·87	1·05	1·12	1·86	1·09	2·10	2·07
WHOLESALE SALES [1]												
Textile houses:		Av. value										
Total home sales		1950=100	104	90	95	87	117	96	53	86	116	99
Women's and children's wear		„	100	90	96	91	126	101	52	92	123	102
Men's and boys' wear		„	104	82	91	71	104	92	48	69	110	99
Piece-goods		„	103	68	66	80	90	62	46	79	87	65
RETAIL SALES [1]												
Large retailers:		Weekly										
All merchandise		av. value	109	117	124	112	120	118	118	115	122	...
Clothing and footwear		1950=100	110	110	113	83	104	105	99	89	105	...
Household goods		„	108	102	110	94	107	103	112	99	114	...
Independent retailers:												
Clothing and footwear		„	100	95	94	72	85	89	90	72	79	...
Household goods		„	112	109	120	113	113	112	120	115	112	...
STOCKS												
Basic materials:												
Coal, distributed [1]		'000 tons	16,115	16,311	18,178	13,074	12,720	12,812	15,956	13,933	13,217	12,936
Steel		„	640	817	1,112	850	892	966	1,086	984	980	...
Copper [3]		„	113·4	132·0	50·6	146·9	149·2	165·4	60·4	60·1	47·3	...
Sulphur		„	99·4	211·8	66·8	180·5	180·2	170·5	53·8	87·1	82·3	...
Newsprint		„	109·9	189·7	110·6	183·1	164·6	158·0	111·6	108·4	100·1	...
Textiles:		Av. value										
Wholesale houses, total [1]		1950=100	129	74	89	89	87	86	101	118	118	114
Large retailers, clothing and footwear [1]		„	106	92	102	100	112	112	95	114	128	...

[1] Great Britain. [2] Provisional estimate. [3] Excluding government stocks from August, 1953.

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	1,526	74	...	363	2,180	...	118	478
1952	1,617	1,153	3,025	2,302	646	14·7	975	5,149	517	301	1,045
1953	1,545	1,031	2,987	2,362	911	15·8	...	5,457	560	...	1,112
1953, November	1,744	1,219	2,677	2,284	1,008	18·0	1,140	5,448	563	282	1,123
„ December	1,252	1,206	3,163	2,383	1,063	19·0	1,124	5,718	604	277	1,101
1954, January	1,167	1,134	2,803	2,422	1,067	...	1,079	5,634	590	266	1,111
„ February	1,464	1,080	...	2,118	1,011	...	...	5,153	...	258	...

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
1952	17·2	25·1	8·0	48·7	5·24	137	275	132	103	81·9	373	983·3
1953	16·0	28·4	7·8	47·9	5·20	171	306	126	107	89·7	339	994·7
1953, December	13·1	27·9	14·0	52·6	4·92	166	273	148	98	106·6	275	1,021·1
1954, January	11·9	26·6	10·0	49·4	5·10	180	267	154	108	83·1	293	1,015·2
„ February	13·3	23·2	6·3	43·4	5·55	152	238	133	108	...	...	979·7
„ March	21·0	29·6	4·5	42·1	6·88	167	...	...	116	...	...	1,074·2
„ April	...	...	7·2	42·2	...	...	...	...	...	...	...	1,058·9

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
1952	87·5	65·7	336	363	550	482	22·96	19·98	178·3	167·4	34·83	28·02
1953	42·5	70·9	365	348	...	...	16·01	19·60	112·6	125·8	35·45	26·88
1953, November	50·7	85·2	351	355	389	487	17·30	15·00	92·1	99·6	33·50	29·50
„ December	58·7	79·3	338	361	395	515	17·50	25·00	131·9	121·1	35·10	26·20
1954, January	60·4	58·0	280	265	398	438	...	19·00	112·6	118·5	35·10	21·00
„ February	45·7	58·9	293	280	399	388	...	...	94·9	98·6	34·80	27·20
„ March	67·4	86·8	353	321	...	...	...	...	...	...	...	...

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	72	66	35	72	...	68	71
1952	944	1,864	1,729	120	381	167	121	105	128	101	126	133
1953	...	1,825	1,765	204	291	183	120	108	134	112	130	137
1953, December	...	1,825	1,765	204	291	188[5]	120	105	138[5]	111	130	137
1954, January	...	1,840	1,789	207	230	187	120	...	...	111	131	138
„ February	...	1,860	1,811	235	274		120	...	...	112	131	137
„ March	...	1,833	1,828	255	292		120	...	...	...	132	...
„ April	...	1,817	...	...	300	...	120	...	...	...	...	...

[1] Petroleum production in Canada in 1938 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 and tin refer to metal production. [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 and S. Rhodesia relates to Europeans only and for S. Africa includes direct taxes. Annual figures for Australia are for year ending June 30th. [5] Average of fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 5th, there was an "above-line" deficit (after allowing for Sinking Funds) of £32,642,000 compared with a surplus of £4,132,000 in the previous week and a deficit of £38,982,000 in the corresponding period of last year. This brought the cumulative deficit to £70,604,000 (£84,852,000 in 1953-54). Net expenditure "below-line" absorbed £13,832,000, bringing the total cumulative deficit to £114,771,000 (£141,140,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to June 6, 1953	April 1, 1954 to June 5, 1954	Week ended June 6, 1953	Week ended June 5, 1954
Ord. Revenue					
Income Tax	1800,000	194,772	175,853	11,690	12,163
Sur-tax	132,000	16,900	17,200	900	1,400
Death Duties	164,375	34,700	32,100	1,700	3,400
Stamps	55,000	10,500	12,100	900	1,600
Profits Tax & EPT.	172,000	31,200	22,700	2,000	2,400
Excess Profits Levy	60,000	7,550	11,500	1,400	1,400
Special Contribution and other Inland Revenue	1,000	220	300	...	...
Total Inland Rev.	2384,375	295,842	271,753	18,590	32,363
Customs	1062,500	191,822	206,027	16,660	20,298
Excise	719,000	142,415	146,700	3,145	15,038
Total Customs and Excise	1781,500	334,237	352,727	...	...
Motor Duties	77,000	7,241	7,743	717	575
PO (Net Receipt)	...	4,700	4,250	500	550
Broadcast Licences	21,000	2,200	2,500	...	...
Sundry Loans	24,000	1,942	2,023	...	75
Miscellaneous	245,000	15,747	32,336	3,270	7
Total	**4532,875**	**661,910**	**673,332**	**42,882**	**59,608**
Ord. Expenditure					
Debt Interest	570,000	138,039	135,039	33,640	33,341
Payments to N. Ireland Exchequer	51,000	7,346	8,737	1,469	1,888
Other Cons. Fund	10,000	790	632	95	
Supply Services	3855,399	595,735	594,413	45,900	56,250
Total	**4486,399**	**741,910**	**738,821**	**81,104**	**91,320**
Sinking Funds	*36,000*	*4,852*	*5,115*	*760*	*930*
"Above-line" Surplus or Deficit	—	**84,852**	**70,604**	**38,982**	**32,642**
"Below-line" Net Expenditure		56,288	44,167	1,936	13,832
Total Surplus or Deficit	—	**141,140**	**114,771**	**40,918**	**46,474**
Net Receipts from:					
Tax Reserve Certificates		43,666	89,994	3,584	34,165
Savings Certificates		7,800	2,700	200	— 200
Defence Bonds		—16,762	— 6,519	—1502	140

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
June 6	3,130·0	1,461·9	244·6	0·7	4,837·2
1954					
Mar. 6	3,060·0	1,358·2	286·2	1·0	4,705·4
„ 13	3,080·0	1,345·5	301·7	0·3	4,727·4
„ 20	*3,100·0*	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
„ 8	3,240·0	1,272·2	266·9	...	5 134·2
„ 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	270·3	...	5,170·4

THE MONEY MARKET

THE market bid at last Friday's Treasury bill tender was raised by 4d. to £99 11s. 9d. equivalent to a reduction in the discount rate of $\frac{1}{16}$ per cent, to $1\frac{31}{32}$ per cent; and commercial bill rates later fell correspondingly. The average rate of discount on all bills fell by 1s. 3.72d. to £1 12s. 11.61d. per cent. Total applications fell by £12½ million to £414.3 million, but the market correctly anticipated that receipts from the cash issue of the conversion loan would enable the Treasury to "cut the top off the tender"; in the event there was an under-allotment of £20 million. But the market's high bid secured it a considerable increase in its allotment—from 49 to 58 per cent.

Conditions in Lombard Street have been somewhat easier than in recent weeks. On Thursday of last week funds were indeed in keen demand to finance applications for the new loan, but the authorities gave considerable aid to the market, mainly in the form of purchases of bills from the banks. But in the rest of the week covered by the Bank return market supplies of credit were mostly adequate for demands, though on Tuesday small indirect official purchases were necessary.

The gold market has had a busier week. Turnover before the holiday was still only moderate, but on Tuesday demand became considerably more active. On Wednesday the price at the fixing was raised by 1d. to 248s. 11d. per fine ounce, and subsequently demand became so strong that, despite sales by the authorities, dealings took place at up to 249s. 1d.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
Deposit rates (max)		Bank bills: 60 days	1 7/16
Banks	1½	3 months	1 7/16
Discount houses	1½	4 months	1⅜
Money—Day-to-day	1½–1⅝	6 months	1⅜
Short periods	1½–1⅝	Fine trade bills:	
Treas. bills 2 months	1 7/16	3 months	2½–3
3 months	1 7/16	4 months	2½–3½
		6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	June 10	June 2	June
Issue Department:*			
Notes in circulation	1,542·6	1,624·7	1,63
Notes in banking dept.	57·7	50·7	3
Govt. debt and securities*	1,596·8	1,671·7	1,67
Other securities	0·7	0·8	0
Gold coin and bullion	2·9	2·9	3
Banking Department:			
Deposits:			
Public accounts	16·8	10·4	15
Treasury special account	44·5	4·6	4
Bankers	267·4	280·8	279
Others	71·6	70·1	67
Total	400·3	365·9	366
Securities:			
Government	335·6	301·2	321
Discounts and advances	8·9	15·4	8
Other	14·1	13·9	13
Total	358·6	330·5	344
Banking department reserve	59·6	53·4	40
"Proportion"	14·8	14·6	11

* Government debt is £11,015,100, capital £14,553,0 Fiduciary issue increased from £1,625 million to £1,675 mill on June 2, 1954.

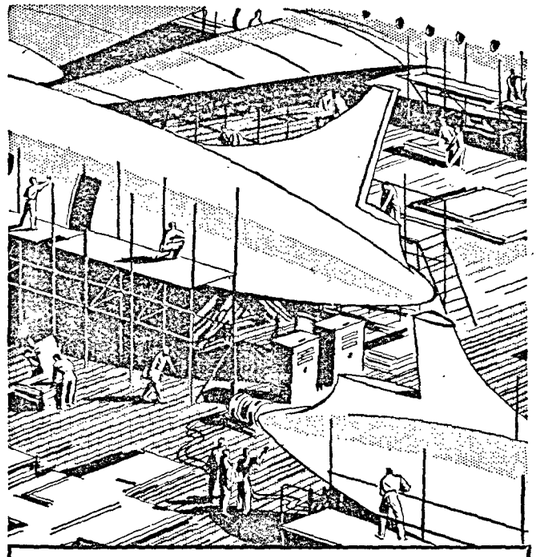
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotte at Max Rate %
1953						
June 5	270·0	339·3	270·0	47	4·52	74
1954						
Mar. 5	270·0	412·9	270·0	41	3·83	53
„ 12	270·0	414·6	270·0	42	2·61	45
„ 19	260·0	365·6	260·0	42	3·64	60
„ 26	270·0	405·2	270·0	42	3·62	52
April 2	270·0	399·0	270·0	42	4·01	58
„ 9	270·0	392·2	270·0	42	4·05	59
„ 15	230·0	417·2	230·0	41	7·41	44
„ 23	230·0	415·4	230·0	41	7·34	38
„ 30	230·0	437·5	230·0	40	11·36	38½
May 7	240·0	406·6	240·0	40	10·84	42
„ 14	260·0	391·7	260·0	34	1·75	50
„ 21	270·0	400·7	270·0	34	3·24	54
„ 28	270·0	426·8	270·0	34	3·33	49
June 4	270·0	414·3	250·0	32	11·61	58

* On June 4th tenders for 91 day bills at £99 11s. 9 secured about 58 per cent of the sum applied for; high tenders were allotted in full. The offering yesterday was a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 9	Market Rates: Spot: June 3	June 4	June 5	June 8	June 9
United States $	2·78–2·82	2·81 15/16–2·81 15/16	2·81 15/16–2·81 15/16	2·81 15/16–2·81 15/16	2·81 15/16–2·81 15/16	2·81 15/16–2·81 15/16
Canadian $	...	2·77 1/16–2·77 1/16	2·77 1/16–2·77 1/16	2·77 1/16–2·77 1/16	2·76 1/16–2·76 1/16	2·76 1/16–2·76 1/16
French Fr.	972·65–987·35	983⅞–984	983⅞–983⅞	983⅞–983⅞	983⅞–983½	983½–983½
Swiss Fr.	12·15 5/8–12·33 5/8	12·23¼–12·23¼	12·22½–12·23¼	12·22½–12·23¼	12·22½–12·22¾	12·22½–12·22
Belgian Fr.	138·95–141·05	140·45–140·50	140·40–140·50	140·40–140·50	140·35–140·45	140·35–140·45
Dutch Gld.	10·56–10·72	10·63½–10·63¾	10·62½–10·63¾	10·63–10·63¼	10·62¼–10·63¼	10·62½–10·63
W. Ger. D-Mk.	11·67 3/8–11·84 1/8	11·75⅛–11·75⅜	11·74⅛–11·75⅜	11·74⅛–11·75⅛	11·74–11·74⅛	11·73⅝–11·74
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37⅛–14·59⅜	14·51¼–14·51⅜	14·51¼–14·51⅜	14·51–14·51¼	14·50¼–14·50⅜	14·49¾–14·50
Danish Kr.	19·19½–19·48½	19·44½–19·45	19·44½–19·45	19·44½–19·45	19·44–19·44½	19·44–19·44
Norwegian Kr.	19·85–20·15	20·01–20·01¼	20·01–20·01¼	20·01–20·01½	20·01–20·01¼	20·01–20·01
One Month Forward Rates						
United States $		¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par	¼c. pm–par
Canadian $		¼–⅛c. dis	¼–⅛c. dis	¼–⅛c. dis	¼–⅛c. dis	¼–⅛c. dis
French Fr.		¼–⅜ dis	¼–⅜ dis	¼–⅜ dis	¼–⅜ dis	¼–⅜ dis
Swiss Fr.		1–¼c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm
Belgian Fr.		*Par–⅛ dis*	*Par–⅛ dis*	*Par–⅛ dis*	*Par–⅛ dis*	*Par–⅛ dis*
Dutch Gld.		1–1c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm	1–¼c. pm
W. Ger. D-Mk.		1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm–par	1pf. pm–par
Swedish Kr.		10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par
Danish Kr.		Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis
Norwegian Kr.		Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis
Gold Price at Fixing						
Price (s. d. per fine oz.)		248/10½	248/10	...	248/10	248/11



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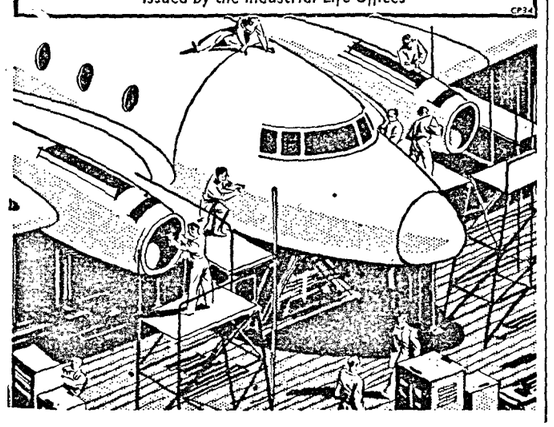

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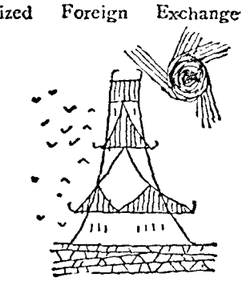

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Capital: ¥2,500,000,000
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COMPANY MEETINGS

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

(Colonial Merchants and Traders, Sugar Producers, Ship-owners and Rum Merchants)

TRADING DIFFICULTIES LARGELY SURMOUNTED

POLITICAL TURBULENCE INFECTING INDUSTRIAL ACTIVITY IN BRITISH GUIANA

NEED FOR FIRM RE-ESTABLISHMENT OF CONFIDENCE

COMPANY'S RESULTS A BAROMETER FOR POTENTIAL INVESTMENT

MR J. M. CAMPBELL'S STATEMENT

The fifty-fourth annual general meeting of Booker Brothers, McConnell and Company, Limited, will be held in the Library of the West India Committee, at 40 Norfolk Street, London, W.C.2, on Wednesday, June 30th, at 12 noon.

The accounts were posted to shareholders on June 4th, and the following is the statement of the chairman, Mr J. M. Campbell, circulated with the report and accounts :

For Bookers, 1953 was altogether a most anxious and difficult year. A year of falling sugar prices, of falling freight rates for our shipowning interest, and of more acutely competitive conditions for our trading companies ; all against a darkened background of political upheaval in British Guiana.

Nonetheless, from the directors' report you can see that the distributable profits for the year (including negligible capital profits) were £507,556 after providing £100,000 against Sugar Estates expenditure unavoidably deferred by strikes, compared to £612,715 in 1952, which included capital profits of £161,830 ; net Current Assets have increased by £450,000 ; we had over £600,000 in the bank at December 31st ; and it is recommended that last year's distribution to shareholders be repeated—in the form of a total ordinary dividend of 1s. 6d. per share. As the review of operations tells, our sugar crop and trading turnover were records again ; and rum sales kept pace with the year before.

These results in a hard year pay tribute to managers and staff throughout the Booker Group much more vividly than can the conventional phrases of a chairman's speech ; and tribute indeed to our labour force in British Guiana who, when the politically dictated strikes were ended, showed very clearly their wish to work and to work well, for in December, after all the political alarums and excursions, they turned out the most sugar that has ever been produced in British Guiana in that month. Every shareholder will feel a sense of personal gratitude and appreciation for the devoted endeavours of the management, staff and labour of Bookers' operating companies. Wages, salaries and other employment costs further increased by £200,000 during 1953 to reach almost £3,500,000, which I am sure you will think well earned ; even though the total dividend distribution for the year is to remain at about £200,000—a very modest return of 2¼ per cent net on the shareholders' funds used in the business. The Group policy of the improvement of housing and the development of social services and amenities continues unabated.

BRITISH GUIANA'S NEEDS

I have heard people silly enough to suggest that it might have been a good thing "politically" if Bookers had had a bad year in 1953 and had not paid a dividend. Good for whom? Not for the shareholders ; not for staff and labour whose livelihood depends on the continued financial support of shareholders and who would obviously choose to work for an efficient and prosperous business rather than a withering one ; in truth, our labour force must be feeling exasperated that they lost more than £250,000 in wages owing to futile political strikes that were none of their seeking. Certainly not for the people of British Guiana who never needed British understanding, British interest and British money more ; and who cannot expect these to be forthcoming unless confidence in British Guiana is firmly re-established. I said this recently to the Press in British Guiana ; and because many shareholders do not see the British Guiana newspapers, I quote the relevant extract from the Press report. (The whole report is reproduced with the accounts.)

"Describing his visit as a routine one, Mr Campbell said he came to hold discussions with his colleagues and friends here about all Bookers' affairs in British Guiana—discussions which he hoped would lead to Bookers' undertakings here becoming even more efficient and prosperous than they were already, thus enabling Bookers even better to fulfil their responsibilities to their shareholders, staff, labour and the people of the Colony. He also greatly looked forward to discussing ways and means of improving all-important human relations in industry and commerce in British Guiana.

"Obviously, he declared, it was very important to Bookers' shareholders, staff and labour that Bookers should be efficient and prosperous ; but it was also very important to the people of British Guiana. In this connection he remembered once hearing an English Socialist Cabinet Minister say that an unprofitable business was an enemy to the state.

PROFITABLE BUSINESS AN ASSET TO THE STATE

"A very profound truth, said Mr Campbell. A profitable business was an asset to the state, generating wealth, employment and exports ; and paying taxes, without which modern government cannot exist.

"An unprofitable business, on the other hand, destroys wealth, creates less and less employment, pays no taxes and eventually destroys itself. Any employee would choose to work for an efficient and profitable business rather than for an unprofitable one ; and he was sure that the people of the country would wish their business undertakings to prosper rather than to wither—to have businesses of which they can be proud rather than ashamed.

"But at the present time there was an even more important reason why Bookers should be seen to be a prosperous business. In the past, however much the company and others interested in the Colony had tried to publicise British Guiana, the people in England knew very little of its problems or its great potentialities. They very often did not even know where it was, mixing it up with New Guinea. Now British Guiana had suddenly leapt into most unfavourable notoriety as the first Communist country in the British Commonwealth.

"Never had British Guiana needed British understanding, British interest and British money more, but it could not be expected that these things would be forthcoming unless confidence in British Guiana was firmly re-established.

"What investor at the present time if he had a choice between investing in British Guiana and other countries of the world would choose British Guiana ?

"People would judge British Guiana not only by what they read in the Press but also on the actual results and experience of existing business concerns here, thus Bookers might be regarded as a barometer showing a favourable or unfavourable climate for business and pointing the way to potential investment.

PROFITS AND DIVIDENDS

"A great deal of nonsense, said Mr Campbell, was talked about profits. He pointed out that the dividends paid by Bookers to their shareholders, and resulting from Bookers' activities all over the world and not only in British Guiana, if distributed among the people of British Guiana every year would just about buy them a bottle of rum each ; and if distributed among the sugar workers on Bookers' estates would only result in a wages increase of the order of 5 per cent. Without dividends there could be no shareholders' money any more than there could be work without wages. Without shareholders' money there could be no business activity and no new development.

"He thought it would be well for the people of British Guiana to realise that by helping and supporting and encouraging business activity they helped themselves far more than anyone else.

QUESTION OF INVESTMENT

"Asked whether Bookers intended to invest money in new development projects in British Guiana, Mr Campbell replied that in the past Bookers had taken it for granted that what was good for British Guiana was good for Bookers and that British Guiana's lot was indivisible from Bookers' ; but, he confessed, recent events in the colony had led his colleagues and himself to consider whether they should not pause for the time being before continuing their established policy of investing new money in British Guiana whenever opportunity offered. The directors of Bookers owed a responsibility to their shareholders and their staff—the fulfilment of which was gravely imperilled by the slightest possibility of a repetition of the uncompromising threats to turn the British out of the colony which had been made by the members of the late Government. In fact, the question which he and his colleagues had been forced to ask themselves was not whether new money should be invested here but whether or not the existing investments should be maintained."

THE AIM OF POLITICAL WOLVES

It would be wrong to conceal from you that your board are worried—very worried—about the political future in British Guiana. This may bring comfort to the not entirely harmless lunatics who preach that Bookers doing badly will somehow benefit the Colony ; and to those politicians there whose highest aim seems to be to overthrow and to destroy all that is established, all that is creative and constructive, all that is good and all that is British in British Guiana, in order to achieve for themselves personal power in a social, economic and political structure utterly foreign to the Guianese and bound, I believe, to lead to their ruin.

It must not be thought that we fear Guianese nationalism. We want to see, and we are doing all we can to help to bring about, the day when Guianese are in charge of their own affairs and masters of their own fate ; but that is not to say that we must help to throw the people to a pack of political wolves who wait with slobbering jaws to strengthen themselves upon their unsuspecting prey. Nor do we seek—above all we do not seek—a "reactionary" Government in British Guiana ; we are not so complacent as to think that conditions were better in the past or could not be much better in the future. To quote from a letter which I wrote to the *New Statesman and Nation*, and which they were good enough to publish :

"British Guiana is a most imperfect place. But its imperfections are of Nature—not Britain or Bauxite or Bookers, who are doing their best in formidably difficult physical and economic conditions. The wonder is not that life in British Guiana is not Utopian, but that life and production can exist there at all. Its coastal belt lying below sea-level, a man-made environment reclaimed from the sea by great technical skills and at huge capital expense, fighting a perpetual battle against water, and for years against starvation prices for colonial produce—it is remarkable that inhabited British Guiana can support its ever-growing population at even their present standard of living, low as it is compared with more fortunate countries.

"Owing to its physical uniqueness there can be no alternative in British Guiana to large-scale planned agriculture. Destroy confidence, drive out capital and skills, and you leave nothing but swamps and starvation."

BRITAIN'S IMMENSE FUND OF GOODWILL

We would welcome a progressive Government of Guianese for Guianese, a Government able to offer leadership, generate confidence, harmonise the qualities and the aspirations of the African, Indian and other peoples there, and create the conditions in which Bookers—and other providers of the external capital and skills which British Guiana will need for many a day—could play their full part for the good of all. Such a Government, realising the physical obstacles to their country's becoming an independently viable economic unit—let alone the problems of defence—would surely regard it as being overwhelmingly in British Guiana's interest to remain within the British Commonwealth. For there is in Great Britain an immense fund of goodwill towards the people of British Guiana and of other so-called "backward" or "underdeveloped" countries ; a real desire to fulfil social and economic responsibilities towards them ; and a great eagerness to help them to progress and to develop their resources. Nowadays Colonial development need in no way be identified with Colonial domination. But Colonial peoples cannot have it both ways ; they cannot clamour to "go it alone" and, in the same breath, complain that Britain is not sufficiently assisting them with grants and loans and other enlightened and indispensable measures such as the Commonwealth Sugar Agreement. Neither, of course, can Great Britain have it both ways ; she cannot expect statesmanlike and well-disposed Governments in these territories, and fruitful markets for British exports, unless she gives ungrudgingly the economic assistance essential to raise their living standards.

Since the suspension of the constitution of British Guiana in December last, Government has been carried on by the Governor with an interim constitution consisting of an Executive and a Legislative Council on which all the Unofficial Members are nominated. We do not know how long this arrangement will last ; nor, of course, do we know what changes from the suspended constitution, if any, the Constitution Commission, now labouring, will soon recommend. But it is difficult to see what constitutional forms or devices can enable honest, truthful, progressive politicians of goodwill to woo the undiscriminating voter from the quite unattainable material promises of politicians unencumbered by the truth, who are ready to mislead and intimidate him—or her—with distortion and misrepresentation of the attitudes and actions of all save themselves.

BOARD'S POLICY

So doubt and uncertainty cloud our vision of the future in British Guiana. But it would not be the wish, or the interest, of shareholders that we should run away at the sign of trouble. Our policy must be, so long as politics do not make it economically unjustifiable and downright imprudent, to maintain our businesses in British Guiana as efficiently and profitably as we possibly can. All our staff will wish to know that shareholders wholeheartedly support this policy as long as it remains feasible. However this may be, your board are keenly aware of the need that the Group should continue to build up, in the form of profitable interests elsewhere, "hedges" against catastrophe in British Guiana should the worst come to the worst, the forces of evil prevail there, and British interests be expelled. We do not believe that this will happen, but we must guard against its happening.

BUSINESSES INEVITABLY GIRT ABOUT BY POLITICS

Friendly critics told me last year that my chairman's statement was "too political." I am afraid it is more political than ever this year. But Colonial businesses, indeed I suspect all businesses, are nowadays inevitably girt about by politics. It is with the political environment that we have to come to terms. If the Booker Group could operate in a vacuum, I could tell you that you had no cause for concern, that you could sit back and take your dividends in the knowledge that your affairs in the United Kingdom, in British Guiana, in Central Africa and everywhere we trade, were efficiently and imaginatively managed by as good a team of men and women as I believe any business can boast—men and women fulfilling with sound judgment and with enlightenment their responsibilities to shareholders, staff, labour and the community. But we cannot operate in a vacuum. The world is getting smaller and smaller, the problems of one impinge more and more upon all. I think it my duty to tell you frankly of the problems, trials and difficulties with which we, in Bookers, have to contend.

With the future of British Guiana so uncertain, let alone the future of the whole world, I hesitate to prophesy about our 1954 results ; but if the sugar crop does not suffer too badly from last year's interruption of fieldwork or from bad weather, and if political turbulence does not again acutely infect industrial activity in British Guiana, your board can hope that the financial results will continue to command your confidence in Bookers.

LICENSES AND GENERAL INSURANCE

A SUCCESSFUL YEAR

The sixty-fourth ordinary general meeting of The Licenses and General Insurance Company, Limited, was held on June 9th in London.

Mr Ronald Gilbey (the chairman), who presided, said :

The year has been a successful one ; in the life department the quiet progress of the previous years continued ; the assets of the department being increased by rather more than £200,000.

Nineteen fifty-three was a year in which the hazards of a fire department came into view, for in the early months insurance was presented with the tragedy of the east coast and Dutch floods and that surmounted ; fire outbreaks continued throughout the period of review more heavily than in previous years. However, despite these happenings, the year finishes with a quite substantial profit transfer of £58,266.

In the personal accident account an increase of income necessitates a rise in unexpired risk reserve and creates a debit to the account of £9,392, but this result is more than compensated by a real recovery in the motor account ; last year's debit therein being replaced by a useful transfer to profit and loss of £22,411.

In our miscellaneous account—in which is covered our original license business—plate glass, burglary, public liability and other accident risks, the profit transfer has been slightly increased this year at £53,685.

Turning to the profit and loss account, the final amount carried forward shows an improvement at £67,336—and this after the discharge of increased taxation and an increased dividend payment.

The assets of the company have improved this year to £5,244,611.

The report was adopted and a final dividend of 30 per cent, making 45 per cent for the year, was approved.

ASSOCIATED NEWSPAPERS, LIMITED

LORD ROTHERMERE'S STATEMENT

The forty-ninth annual general meeting of Associated Newspapers, Limited, will be held on Thursday, July 1, 1954, in the Memorial Hall, Farringdon Street, London, E.C.4. The following is from the statement by the chairman:

ACCOUNTS

It gives me great pleasure to present this year's balance sheet and accounts, for I think you will agree they reflect a most satisfactory year's trading.

The total profits of the Group before tax are £2,765,863, as to £2,091,976 from trading and £673,887 from investment income. Of the trading profit increase of £772,000 over last year, nearly 90 per cent arises from the trading of the parent company. Our income from Anglo-Newfoundland Development Company at £608,825 has only varied through exchange rate fluctuations, and our total income from this and trade and other investments is virtually the same as last year.

Overall taxation of the Group is up by £480,000, having risen from £1,221,204 to £1,703,859, although in this year we only bear Excess Profits Levy for three-quarters of the year. On account of this tax we pay £362,000, and I may say we are looking forward to omitting this item from our accounts next year.

Although current assets show an increase over last year, they also show a considerable change in make-up. In the first place, stocks of newsprint are running at a very much lower level—far lower than is normal. Whereas last year we had over 13,000 tons in stock valued at £700,000, the figure this year is only 7,400 tons valued at £390,000. This situation is only temporary and short-term Government securities amounting to £398,000 have been purchased which will be available when greater stocks of newsprint are due to be paid for. Accounts receivable have fallen from the peak figure reached last year, due mainly to the realisation of a debt left outstanding from the time when Empire Paper Mills, Limited, was sold.

The net profit of the group after taxation is up from £655,337 to £887,054, and your directors recommend the payment of a dividend of 27½ per cent for the year on the deferred shares which will absorb £425,726. Of the balance, it is proposed to transfer £400,000 to general reserve, leaving the parent company's carry forward slightly higher at £567,776.

SHARE CAPITAL

From the figure of nearly £8 million shown in the parent company's balance sheet as being the net assets of the company, it is clear that a large part of the company's reserves are permanently employed in the business. For some time this situation has had the consideration of your directors, for it is clearly desirable to relate the share capital more closely to the capital employed. It is now proposed to achieve this by capitalising sufficient reserves to enable a one-for-two scrip issue to be made on the deferred shares.

In this connection I think I should mention that the company's interest in the net assets employed in the whole group, including Anglo-Newfoundland Development Company, Limited, after eliminating goodwill and copyrights in subsidiary companies, exceeds £14 million.

THE DAILY MAIL

Turning to our actual operations in the publishing field, I will deal first with the *Daily Mail*, for that paper is, and will, of course, remain the backbone of all our newspaper enterprises. The *Daily Mail* has continued to pursue its traditional policy of producing an accurate and reliable newspaper always in modern journalistic style. This year has been notable for the further development of the *Daily Mail's* own service of foreign news, a subject of such high importance in the world today. The back page of pictures has now been consolidated as a regular feature of the *Daily Mail*, and we are increasingly proud of the influence of the "Comment" column, which has appeared on the front page since April 16, 1947.

THE EVENING NEWS

The Evening News has had yet another successful year. It is still the evening newspaper with by far the largest net sale in the world, and it maintains this position by a continuing policy of the highest journalistic standards in the presentation of news, pictures, sport and features. The position which the paper occupies in the life of the Metropolis and its family appeal are well exemplified by the generous response of its readers to appeals for worthy causes through the columns of the paper. The annual Christmas Appeal for Toys for Sick Children produced no less than 210,000 gifts this year.

THE SUNDAY DISPATCH

In the Sunday field, the *Sunday Dispatch* continued to move from success to success. This year it has established a new record, for it has increased its net sales for the sixteenth year in succession, a record equalled—to the best of my belief—by no other newspaper, morning, evening or Sunday.

THE DAILY SKETCH

You will be eagerly awaiting news of the first year's operation of the *Daily Sketch*. I am pleased to tell you that our annual net sales certificate, published in accordance with the rules of the Audit Bureau of Circulations, for the 12 months ended December, 1953, showed net sales of 801,225, which is an increase of 143,000 on the sale at the date on which we purchased the paper. The net sale has continued to rise month by month this year, and for the month of March it was in excess of 829,000 copies per day.

THE WEEKEND MAIL

Last year I told you that this entertaining, lighthearted, semi-magazine newspaper, had, in the matter of 12 months, increased its net sale from 60,000 to no less than 1,500,000 copies per week. The paper has continued to prosper and, in spite of intense competition, during one week in the month of April the sale actually passed the 2 million mark.

PROVINCIAL NEWSPAPERS

During the year our Provincial Newspapers made further headway, and the report from each registers an excellent trading position. The appearance of the newspapers themselves makes it quite clear that the journalistic traditions of editorial freedom within which they have operated so successfully through the years is being maintained.

Although it is not our policy to extend further in the provincial field, just after the close of the financial year negotiations were completed, whereby under an old agreement it became possible for us to acquire the outstanding shares in News Holdings Limited. Heretofore, we had held a 40 per cent interest in News Holdings Limited, which company owns both the *Leicester Mercury* and the *Leicester Evening Mail*. This company now becomes a wholly owned subsidiary of Associated Newspapers.

NEWSPRINT

Our newspapers are continuing to attract a vast flow of advertising, and I am obliged to say plainly that of all newspapers in the country, the impact of newsprint rationing bears most heavily upon those newspapers which come under our control. Led by the *Daily Mail*, which maintains its place as the most important newspaper advertising medium in the country, each of our papers, with possibly the exception of the *Daily Sketch*, is being hampered by the continuing short supply of our principal raw material.

THE DAILY MAIL IDEAL HOME EXHIBITION

This year, a national trade dispute, in which the exhibition was not directly involved and in the solution of which we could play no part, seriously interfered with the erection of the exhibition. However, in spite of all difficulties, the thirty-first *Daily Mail* Ideal Home Exhibition opened on time and, although the housing section was almost non-existent and the food section severely curtailed, more than eleven acres of stands were built and over a million people visited the exhibition.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

Despite severe operating difficulties created by extraordinary weather conditions early in 1953, and loss of production due to demands by customers for sizes not well suited to manufacturing facilities, the earnings from newsprint operations were substantially the same as the previous year. The drastic drop in lead and zinc prices accounted for greatly reduced earnings from mining interests. The drop in pulp prices during 1952 and which continued into 1953 was the inevitable result of the inordinately high prices of the year 1951.

The company continued its programme of rehabilitation during the year. The demand for newsprint continues good and the company's contract or order position is very satisfactory.

COMMERCIAL TELEVISION

You will remember that last year I referred to the development of commercial television and I informed you that we had applied for a licence and that it was our intention, if one was granted, to operate a station. The Commercial Television Bill is now before Parliament, and although one cannot say in what form it will become law, I am sorry to tell you that, in my opinion, it may be so surrounded by restrictions that its operation will not be profitable either to advertisers or to programme companies.

STAFF

These results, which I think we must all agree are most satisfactory, could not, of course, have been realised but for the loyal co-operation and efficient working of all our staffs, to whom I would like to express the board's appreciation and thanks.

CENTRAL PROVINCES MANGANESE ORE

ANOTHER RECORD ACHIEVED

CONTINUANCE OF WORLD DEMAND

MR H. R. HOLMES'S REVIEW OF OPERATIONS

The forty-sixth annual general meeting of the Central Provinces Manganese Ore Company Limited was held on June 9th in London, Mr H. R. Holmes, chairman and managing director, presiding.

Mr A. Linton, MC (director and secretary), read the notice convening the meeting and the report of the auditors.

The chairman said:

Gentlemen,—Before proceeding to comment on the accounts, I would like to refer for a moment to the paragraphs in the directors' report which mention the changes in the board since the last meeting.

Mr L. H. Bartlett, who died on February 4, 1954, had a long and distinguished service with the company which he joined in the autumn of 1908. He became agent and general manager in India in 1923 and joined the board in 1947. His long and intimate knowledge of India and the mines made him a very valuable member of the board, and we very much regret the loss of his advice and help.

The vacancy on the board has been filled by the appointment of Mr W. A. Hardy, who first joined the company as a mining engineer in 1923, and subsequently became agent and general manager in India when Mr Bartlett came home in 1947. I am certain that Mr Hardy, with his long experience in India, will prove a very valuable acquisition to the board, and I shall presently ask you to confirm his appointment.

RECORD RESULTS

The report and accounts for the year ended December 31, 1953 have been in your hands for some time, and I propose, with your permission, to take them as read. (Agreed.)

In presenting these accounts, it is a source of satisfaction that the balance on trading account of £3,299,224 again constitutes a new record for the company. This figure includes £270,376 attributable to the increase in value of lower grade ore stocks. These ores have always been valued on a conservative basis but in view of the increase in prices in recent years it has become necessary to bring their valuation into line. The substantial profits achieved during the past year have been due to the continued demand for our ore in the world's markets and to the satisfactory prices prevailing.

Of the balance on trading account taxation takes the very large sum of £2,200,000, and included in this figure is £330,000 excess profits levy. In the previous year excess profits levy was shown as £425,000, but this, in fact, was an over-provision. At the time when the accounts were prepared it was thought that our liability would be at the rate of 15 per cent, whereas it ultimately was decided that we should only be subject to 10 per cent. As stockholders will know, the excess profits levy ceased to operate at the end of 1953, so that there will not be a charge under this head for the current year.

Of the total taxation, Indian taxes amount to £1,715,000 and, in addition, about £890,000 was paid by way of export duty on the ore shipped during 1953, while royalty on the ore railed amounted to £214,000, making altogether a total of more than £2,800,000 paid in India. Furthermore, the very large sums spent on railway and port charges, wages, welfare and the purchase of machinery and stores in India, all contribute considerably to the Indian economy.

On the debit side of the profit and loss account, depreciation of fixed assets, at £69,537, is much higher than the previous year's figure of £38,996. This is owing to the substantial expenditure we have made in recent years on plant and machinery, and buildings, on which we now have to provide for depreciation.

Your directors recommend that the sum of £200,000 be transferred to general reserve which will raise it to £700,000. I feel sure that you will appreciate the prudence of this allocation, which is consistent with our policy of providing from our own reserves the large sums necessary for machinery for our mechanisation programme which has so far been successful and encouraging.

CAPITALISATION PROPOSALS

As you know, at an extraordinary meeting to be held immediately after this present meeting, it is proposed to capitalise £500,000 which will thus reduce the general reserve to the sum of £200,000. Stockholders should not assume that the proposed increase in capital is any indication whatsoever of any increase in the amount to be paid by way of dividend.

An interim dividend of 1s. 9d. per unit free of tax, was paid on October 1st last, and your directors now recommend that a final dividend of 2s. 6d. per unit, free of tax, plus a bonus of 2s. 9d. per unit, free of tax, should be paid, together absorbing £700,000. This will leave £232,294 to be carried forward, as compared with £192,604 brought in.

BALANCE SHEET FEATURES

Turning to the balance sheet, you will notice that the investments and cash held on behalf of the staff benefit fund have been shown separately and not, as previously, included in current assets.

Proceeds outstanding on ore sales were £686,824 as compared with £913,784, the decrease being due to the smaller number of shipments afloat on December 31, 1953, than in the previous year.

British and Indian Government securities were £1,570,953 as compared with £1,476,483, and I am very pleased to be able to say that the large depreciation in the market value of these securities as at December 31, 1952, was almost eliminated at the end of December last year. Since then there has been further improvement in the market value, which is now higher than the cost.

DIRECTORS' VISIT TO MINES

Earlier this year two of your directors—Major Herring and Mr Hardy—visited the mines in India, and previous to this the late Mr Bartlett had also inspected the mines. All the properties were thoroughly inspected and several outstanding problems were settled. They submitted full and informative reports to the board, and it is certain that these periodic visits to the mines by members of the board are of the utmost value to the company. Generally speaking they found the mines in good condition.

Last year I referred to the heavy media separation plant which we were then installing at our Dongri Buzurg Mine to extract ore from the old dumps at that mine. The erection of this plant was completed early this year, the opening ceremony being presided over by Pandit Ravi Shankar Shukla, chief minister of the State of Madhya Pradesh, and performed by Dr S. S. Bhatnagar, FRS, Secretary, Ministry of National Resources and Scientific Research, Government of India. At the moment, however, the operation of the plant is restricted by shortage of water owing to the water table of the district being unusually low due to a succession of poor monsoons in recent years. This year's rains, however, are expected shortly when we shall be able to run the plant fully.

With regard to diamond drilling, in 1952 I informed you that the drilling plant had been transferred to our Kandri Mine. Since then three holes have been sunk, which have proved the bed at a depth of 480 ft. below plain level, and the quality of the ore bed at that depth is similar to that in the upper workings. Diamond drilling is also proceeding at our Tirodi Mines.

A wage agreement was reached between the company and the trade union during the year, and relations with our labour remain in a very satisfactory state. The health of our labour force in India continues to be good, and constant attention is being given to housing, sanitation, water and to the control of malaria.

CURRENT YEAR'S PROSPECTS

You will no doubt wish me to give you some indication of the prospects of the current year's trading. While there has, no doubt, been a falling off in the demand for low grade ores, the demand for our ore in the world's markets continues, and I think I may say that, unless something unforeseen arises, the prospects for the current year are satisfactory.

I am glad to state that our relations with the Government Authorities in Delhi and the State Government in Madhya Pradesh continue on a satisfactory basis.

TRIBUTE TO STAFF AND AGENTS

Again I have pleasure in acknowledging the excellent work of the staff, both in India and in London, and also of our shipping agents in India, Messrs James Finlay and Company, Limited. I am sure that they will appreciate the thanks of the stockholders which, with your approval, I propose to convey to them.

I now beg to move: "That the report of the directors and statement of accounts as at December 31, 1953, be and are hereby approved and adopted, and that the profits be appropriated as recommended by the directors." I will ask Major Herring to second the motion, and before putting it to

the meeting I shall be glad to deal with any questions which stockholders may wish to ask.

Major A. C. Herring, VC, ACA, seconded the resolution, which was carried unanimously.

The board's proposal of a final dividend of 2s. 6d. per unit, free of tax, and a bonus of 2s. 9d. per unit, free of tax, was also approved.

The retiring directors, Mr W. A. Hardy, ARSM, BSc, Mr A. Linton, MC, and Mr H. R. Holmes, were re-elected, and the remuneration of the auditors, Messrs W. A. Browne and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and the staff, both at home and abroad.

At a subsequent extraordinary general meeting the capitalisation proposals were approved.

THE BOWATER PAPER CORPORATION LIMITED

MEETING OF FIRST DEBENTURE STOCKHOLDERS

SIR ERIC VANSITTART BOWATER'S ADDRESS

At the meeting held in London on June 3rd, Sir Eric Vansittart Bowater, chairman of the Bowater Paper Corporation, who presided, said:

This is the first opportunity that I have had of meeting our debenture stockholders, and I extend to you all a very warm and cordial greeting. I much appreciate that so many of you have taken the trouble to turn up; I can assure you that your presence here is very welcome. It may well be that I have already had the pleasure of meeting some of you before at our annual general meetings in your capacity as shareholders in the Corporation, for the offering of the debentures you now hold was originally made in 1947 to our then existing stock and shareholders, and I am proud of the fact that more than 4,000 of them took up the stock that was then offered to them.

At the end of this meeting I hope that you will stay and join myself and my colleagues in a cup of tea, and, if you care to, that you will take the opportunity this presents of talking over with us any aspect of our affairs that may be of particular interest to you.

This meeting has been called to consider the amendments we propose to make in the terms and conditions on which the first debenture stock of the Corporation was issued, and I will endeavour to give to you as clearly and concisely as I can the reasons why we are now seeking your consent to these alterations.

IMPROVED FINANCIAL AND COMMERCIAL CONDITIONS

The stock you hold was issued in 1947 when conditions, both financial and commercial, were entirely different from those ruling to-day. Financially, we were then still in the era of cheap—I might say ultra-cheap—money, which was the policy of the Government of that day, and commercially our industry was still suffering severely from the adverse effects of the late war; indeed, in the case of our own paper mills in this country the basis of operations at that time was only some 40 per cent of our then productive capacity. How different are current conditions from those then prevailing; the money market has regained a large measure of freedom, once more it would appear that the Bank rate is being allowed to function as it was always intended that it should, and the industries in which we are engaged are operating to capacity and, in common with other industries, enjoying a substantial measure of prosperity.

It has long been my practice to have copies of my address at the annual general meeting sent to all our debenture holders. I have done this despite the fact that there is no obligation on our part to do so, because I do like those who have a stake in the Bowater Organisation to be kept as fully informed as possible. The accounts which are also sent to you will have made you aware of the strong financial position of the Bowater Organisation and of the material changes that have taken place—much I suggest to the advantage of the debenture holders—in our affairs, both financially and in productive capacity, since the debentures were first issued in 1947. You may also have noted, with, I imagine, some satisfaction, my remarks at our recent annual general meeting in regard to the very large sums of money we have spent since the war and are spending, here and overseas, in the development of all our properties; the total amount, might I be allowed to remind you, was the impressive figure of £45 million, of which no less than £21 million has been or will be provided out of our own resources. I repeat this to you today because I believe it is of importance to you and because it is an achievement of which we are all truly proud.

The Bowater Organisation, as you will know, is essentially international in character and something more than a half of its assets from which the larger part of its aggregate earnings is derived are situated overseas.

DEVELOPMENTS IN NORTH AMERICA

The development of the organisation both in the United Kingdom and overseas has in recent years been remarkable, particularly in North America where the greater part of our overseas interests lie. These interests include the important pulp and paper mills in the Canadian Province of Newfoundland owned and operated by Bowater's Newfoundland Pulp and Paper Mills Limited, and the great new pulp and paper mills now in the process of coming into operation in Tennessee in the southern United States, which are owned by Bowaters Southern Paper Corporation and were erected by that company at a cost, including working capital, of $60 million.

These interests, together with The Bowater Paper Company, Inc., the company which acts as the distributing medium for the products of the Organisation on the North American continent, are administered and controlled by us through The Bowater Corporation of North America Limited whose headquarters are in Montreal and which now owns the whole of the equity capital in the three companies to which I have just referred; the whole of the capital of the North American Corporation is, of course, in turn, owned by the parent corporation.

The financing of any further developments by those companies or the acquisition of other interests in North America would necessarily be in dollars, and clearly would best be dealt with through the medium of the North American Corporation. I do not wish to give the impression that we have any major projects of this kind under immediate contemplation, but the continued immense growth of the United States and Canada, both in population and industrially, affords to the industries in which we are engaged immeasurable opportunity for healthy and economic expansion and accordingly we envisage the possibility—indeed the likelihood—of further development and expansion in those countries; moreover, such opportunities may present themselves unexpectedly and at short notice and, in such an eventuality, we would want to be in a position to take advantage of them as and when they arise.

To assure to the North American Corporation the necessary financial freedom and flexibility to arrange for the financing of any further developments or opportunities that may arise profitably to expand its interests it is desirable that its assets, including its holding of the common stock of Bowater's Newfoundland Pulp and Paper Mills, should be free and unencumbered and accordingly we seek your consent to release that stock from the specific mortgage or charge granted in favour of the trustees for the first debenture stock that you hold.

OUTSTANDINGLY STRONG POSITION OF DEBENTURES

My colleagues and I consider that this is far from being an unreasonable proposal, particularly having in mind the nature of the information I gave you in my Circular Letter of May 15th last, and more particularly in the seventh paragraph of that letter, and the outstandingly strong position of the debentures in relation to their cover, both in respect of principal and interest, that has resulted as a consequence of the substantial sums that have been ploughed back into the business out of profits and the large amount of new capital introduced since those debentures were first issued in 1947 and, may I emphasise, the truly remarkable increase in the net assets and the greatly enhanced earning capacity of the business that has occurred since then.

In these circumstances, our debenture holders can, in my opinion, well afford to relinquish the specific charge over the common stock of Bowater's Newfoundland Pulp and Paper Mills; clearly, though it is reasonable for them to expect some consideration for doing so and, indeed, in my belief, they are entitled to such consideration, and that is why we are now offering them an additional one-half of one per cent per annum.

In some quarters I have seen the higher rate of interest we now offer described as generous—by one commentator as handsome; if this is the case, I am glad it should be so for, as I earlier said, the vast majority of subscribers to these debentures were our own stock and shareholders and I always feel that they are entitled to the most favourable consideration, more particularly perhaps, having regard to the very high degree of goodwill and loyalty they have always displayed towards the Corporation and the ready response they invariably accord to our appeals to them for additional capital for the development of our great enterprise.

I should perhaps also mention that this increased rate of interest is in future to be applied to the sinking fund contributions thereby increasing to some extent the amount of stock to be redeemed each year.

From the point of view of all concerned, the interests of the business itself are paramount and anything that might hamper its proper development or defeat or delay its growth and expansion is, I am sure you will agree, undesirable. I am convinced that sooner or later great opportunities for the further profitable development of our interests in North America will present themselves and, in my opinion, it is vital that we should be ready and able to take full advantage of such opportunities when they occur and in my view, which I believe you will share, it is also in the best interests both of the corporation and of its debenture holders that this should be so.

In conclusion may I say that it is gratifying to us in the extreme that such a very substantial number of our debenture stockholders should have seen fit to support the proposals that we are here to consider today by sending us their proxies in favour of the resolution. These proxies represent more than 59 per cent of the total debenture stock outstanding, and we regard it as a high compliment that they should in this way have again displayed their confidence in us and in our judgment.

The resolution submitted to the meeting was carried by an overwhelming majority, the result of the poll being that 1,833,198 votes were recorded in favour and 4,031 against.

INTERNATIONAL PAINTS (HOLDINGS)

TECHNICAL EFFICIENCY OF ASSOCIATE COMPANIES

The forty-sixth annual general meeting of International Paints (Holdings) Limited will be held on June 29th in London.

The following is an extract from the circulated statement by the chairman, Mr C. R. Petrie, for 1953:

The inland division of International Paints Limited, handling the home decorative and industrial sales, made gratifying progress, our "inter-light" emulsion paint finding considerable favour among specifying authorities and decorators. We have made progress especially on the industrial side and in recent months we have devoted considerable effort to the development of our superior finishes based on epoxide resins. We have long recognised the importance of technical sales service, and during the year calls made on our service staff show an ever increasing appreciation of the special facilities for after-sales supervision which we offer to all users of "International"—services which include investigations relating to plant lay-out, specifications and methods for efficient surface coating systems, colour schemes and designs, training of customers' personnel, etc.

I referred last year to the retail trade and to the marketing of "Selectatint." This tube tinting scheme was well received by decorators and the public alike, and it has already become a name well spoken of in those areas in which we have chosen to market this product. We shall continue our efforts in the retail market, although fully recognising that in better times householders and the public generally will look to the skilled painter.

ROLLS-ROYCE LIMITED

ALL BRANCHES CONTRIBUTE TO RECORD ACHIEVEMENT

LORD HIVES ON THE STEADILY INCREASING DEMAND

The forty-seventh annual general meeting of Rolls-Royce Limited, will be held, on July 7th, at the Midland Hotel, Derby.

The following is an extract from the circulated statement of the chairman, The Rt Hon Lord Hives, CH, MBE, LLD, DSc.:

The accounts reflect the increased activity which prevailed throughout 1953 in all branches of our organisation. The turnover of the group reached a new high level.

It is also satisfactory to record a further increase in our revenue from royalties; almost all of this comes from our foreign licensees.

Our capital reserves have again been increased by sums received from the sale of licences.

FUTURE CAPITAL REQUIREMENTS

The steadily increasing demand for the company's products both at home and abroad, particularly in the aero engine field, calls for a corresponding increase in working capital. In addition there must be a continuing programme of capital expenditure in order to ensure that the company's engineering facilities are kept abreast of the latest technical developments.

Your directors are therefore proceeding with plans for the issue of £4 million of 4 per cent debenture stock, redeemable 1974-84. The arrangements will include preferential treatment for existing stockholders.

Your directors have also decided to recommend that the issued capital of the company should be brought more in line with the capital employed, and to achieve this they propose an issue of shares credited as fully paid in the proportion of one share for every £2 of stock already held, thus raising the issued capital of the company to £6 million. It is considered desirable at the same time to increase the authorised capital of the company to £10 million, although there is no immediate intention of making any further issue.

GENERAL REVIEW OF 1953

The outstanding commercial achievement of the year has been the substantial increase in business done for customers other than the British Government. This business amounted to £21 million, and in exports alone our turnover rose to more than £11 million—nearly double any previous year. In addition, the level of our order book has been well maintained, and there are many promising inquiries.

AERO ENGINES.—The task of re-deploying our resources following the somewhat drastic revisions of government requirements late in 1952 was carried through smoothly and involved close co-operation with the other companies in the Avon Group—The Bristol Aeroplane Company Limited, D. Napier and Son Limited, and The Standard Motor Company Limited. Our relations with these companies have been most satisfactory, and it is gratifying to us that they have been able to manufacture our engines without serious difficulties.

In addition to the production of many marks of Avon engines, including the RA.14 with a thrust of 9,500 lb., no fewer than five other types of engine were being made in production quantities.

The Canberra aircraft, fitted with Avon engines, is now well established in squadron service with the Royal Air Force. We are building up a fund of experience on this engine which is of great value to us in our continuing development for both military and civil purposes.

The Vickers Viscount, in which our Dart engines are installed, is building up a first-class reputation with the travelling public. These aircraft have now been ordered by twelve different operators, and the world-wide interest which is being shown in this aircraft augurs well for further orders for propeller turbine engines.

The development of the Conway engine for operation over long distances has gone on steadily, and this engine is scheduled for installation in the four-engined Vickers-Armstrongs aircraft, the V.1000, which is a military transport.

We have a large stake in civil aviation both as it exists today and in future projects. The useful experience which we are accumulating on the operation of propeller turbine engines in airline operation points the way for still further development of this type of engine, and we are already well advanced in being able to offer improved specifications which we believe will be of world-wide interest to aircraft designers.

MOTOR CARS

The year has seen still further developments in the design and specification of our cars which have helped to consolidate the prestige we enjoy in the motor industry. The most important of these developments is probably the availability of the fully automatic gearbox on all models, both at home and abroad. The boxes are completely manufactured in the Crewe factory under licence from the General Motors Corporation of America.

During the Earl's Court Motor Show the Silver Dawn was made available to the home market. This model had previously been reserved for export. Being considerably lower priced than coach-built cars, and also smaller in size, it is particularly suitable for the owner-driver.

The Division continues to develop and produce the "B" range of petrol engines. Many thousands of these are now in the service of the Army and elsewhere, and are giving excellent service.

Reviewing overseas activities, Lord Hives states: It is interesting to record that our products are in use in 39 countries.

CONCLUSION

It is just 50 years ago since the first meeting between the Hon C. S. Rolls and Henry Royce which led to the formation of our company. Our history has been one of unbroken progress in technical achievement. Those of us who were privileged to know and work with these men would want to acknowledge how much of the company's success can be attributed to continuing to practise to the best of our ability the principles which we learned from them.

I have been fortunate in being able to present in this report a picture of continuing expansion, particularly in connection with our aero engine business. We believe that we can foresee for some years ahead a steadily increasing demand for the company's products.

DAVIS AND TIMMINS

CURRENT TRADING IMPROVEMENT

The fifty-fifth annual general meeting of Davis and Timmins, Limited, was held on June 8th in London.

Mr F. Le Neve Foster (chairman and managing director) presided and in the course of his speech said:

The trading profit and other credits on the consolidated profit and loss account, which include an excess profit levy refund of £16,506, amount to £145,951, as compared with a figure of £333,247 for the previous year, while the net profit, after depreciation, directors' emoluments, management services and taxation, amounts to £47,704 compared with £97,912 for the previous year.

I can say now that the results before you reflect a more favourable picture than might have been expected from the adverse conditions which we have suffered. At the end of the year there were definite signs of a return to more stable and normal conditions.

The directors recommend a final dividend of 15 per cent and a cash bonus of 5 per cent on the ordinary share capital, making with the interim of 5 per cent already paid, a total distribution of 25 per cent on the issued ordinary share capital.

On the consolidated balance sheet, fixed assets of the group show an increase of £37,053 representing in the main the additions to plant after writing off depreciation.

The total of capital and revenue reserves (excluding future income tax which we are treating as a separate item) shown in the group balance sheet is, therefore, £441,847 compared with £367,559 at the end of the previous year, a nice increase of £74,288.

The downward trend of metal prices continued during the early part of the year, but gradually prices became more stabilised and tended to rise, and a greater feeling of confidence among buyers became apparent which was evidenced by a considerable increase in orders and enquiries in the last month or two of the year.

We have continued to improve and strengthen our sales organisation and have successfully entered new fields related to our trade. Emphasis was placed upon an extensive advertising campaign for our stock products and this, coupled with greater representation in the field, was responsible for a large number of new accounts being opened during the year. We are continually planning to increase the market for our stock products. In pursuance of this policy we are now building a new depot for housing our Manchester branch, to replace our premises there which have proved inadequate to cope with the increasing business at that branch.

It is particularly gratifying that the volume of our stock sales is now running at a higher level than at any time in the long history of the company.

We have now developed an "ex stock" service which in our range of products is, I believe, both in size and efficiency, second to none in the country. The facilities for service which we are able to offer to the engineering industry are unique in the trade and now that we are in a position to give prompt deliveries from stock, we have every reason to look for a growing volume of business in this department.

I am glad to be able to report that during the last six months there has been a steady improvement in trade, and, although competition remains extremely keen, we have today a substantial order book with a record number of machines in production.

The report was adopted.

SUEZ CANAL COMPANY

FUNDAMENTAL ROLE IN WORLD ECONOMY

The annual general meeting of the Suez Canal Company was held on June 1st in Paris.

M. Francois Charles-Roux, the president, in the course of his speech said:

During the past financial year Canal traffic continued to increase. It did so in 1953 at an even greater rate than in 1952, and this applies to both the number of transits and the tonnage on which dues are assessed, but the increase has been greater on the tonnage than on the number of ships.

As it was at the end of 1953, Suez Canal traffic, totalling 12,731 transits and 92,905,439 net tons, puts our great transit port of Port Said ahead of all European and American ports and gives it the lead among the busiest.

This fact brings out forcibly the exceptional importance of the waterway in your company's concession and the fundamental part it plays in world economy. This is also an achievement in which your company may well take pride.

The larger volume of traffic has naturally brought about an increase in receipts and in expenditure. The past financial year does, in fact, show a considerable increase in receipts over the previous year and, in spite of substantially heavier expenditure, an appreciable increase in net profits as compared with 1952.

TRANSIT DUES

This last-mentioned increase in net profits is the reason why your directors decided to make a reduction in transit dues for the benefit of users of the Canal. For its own good and for yours, your company must levy only moderate transit dues and so be able to point out that these dues yield considerable receipts solely because they are paid by an increasingly large number of ships of ever larger tonnage.

Nevertheless, your board thought it advisable this time to stress the provisional nature of this reduction—as of all reductions for that matter—by specifying that the new rates were to remain in force for only one year, after which your board would consider whether to maintain or cancel the reduction. Your board took this course because it has every reason to expect to have once more to sanction extensive, and therefore costly, new works.

It goes without saying that such a large increase in transits, tonnage and draught of vessels cannot take place without repercussions on the state of the Canal. The meeting which will be held in November, 1954, by your International Advisory Works Commission will provide us with the final data we need to make up our minds on the kind of improvements demanded by present-day traffic.

If we have not raised the dividend more substantially it is, first of all, to enable us to appropriate out of the available balance, the amounts necessary to endow essential reserve and contingency funds, in the second place, to keep the dividend within the limits of distribution commonly accepted for the remuneration of capital invested in an international public utility, and, lastly, to conform with the prudent policy characteristic of the French management of big undertakings. We are, of course, regarding as an essential part of your assets the remaining fourteen years of operation guaranteed to you by the Act of Concession.

Results for the first five months of 1954 completed yesterday show an even sharper rise in traffic than in 1953, with the same feature, that is, a greater increase in tonnage than in the number of ships.

DIRECTORS' REPORT

The following are extracts from the directors' report:

The great international public service with which your company is entrusted has been discharged during the year 1953 in a very satisfactory manner.

Your board decided in April to reduce transit dues which had remained unchanged for three years. It has been made clear, however, that the new rates are to remain in force for only one year, chiefly because of large scale works which will have to be undertaken shortly.

In spite of the inevitable increase in expenditure, the financial year under review today shows a large surplus which, to follow the customary prudent policy of your company, we propose should be used, for the greater part, to constitute provision and to increase reserves, and, in a smaller measure, to raise the dividend.

The maximum authorised draught, which has remained at 34 ft. during 1953, was reached by 38 oil tankers totalling 67 transits, as against 25 vessels and 48 transits in 1952. In spite of unremitting efforts, sustained for the fifth consecutive year, the deepening of the Canal by 20 inches provided for in the 7th Programme of Improvements, is only being achieved slowly because work is hampered by the large amount of silting taking place. To lessen the effects of erosion, transit arrangements have recently been altered. We must expect to have to launch a programme of important works early next year to meet the present increase in traffic which, according to most reliable investigations, will continue for several years yet.

The volume of traffic reached new high levels in 1953. With 12,731 transits and an aggregate of 92,905,000 tons net Suez measurement, traffic has increased by 7.9 per cent as compared with the previous year, the greater part of this increase being due to oil tankers. Among the Merchant Navies of the world, the British, Liberian, Panamanian and French have contributed the most to the increase.

THE ACCOUNTS

Total receipts in 1953, including receipts in respect of past financial periods, amounted to Frs. 30,853,530,514, an increase of Frs. 2,474,048,952 over the previous year. Expenditure for the year amounted to Frs. 13,986,305,004. After deducting interest on and redemption of capital, and expenditure in respect of past financial periods, the surplus comes out at Frs. 15,447,093,252.

Transit receipts have improved by 8 per cent from one year to the other.

To the surplus of Frs. 15,447,093,252 is to be added Frs. 91,500,805 brought forward from the previous year, so that the total sum, on the distribution of which you will have to decide, amounts to Frs. 15,538,594,057.

We propose that the following appropriations be made out of this sum to the following provision accounts: depreciation and renewal of plant, Frs. 1,000 million, this amount being justified by the large orders already placed; depreciation and renewal of buildings, Frs. 300 million; insurance and contingency funds, Frs. 800 million. We also propose the allotment of Frs. 2,000 million to reserve for new works, having regard to the statement already made on a forthcoming big additional programme of improvement works; finally, we would allot Frs. 1,000 million to extraordinary reserve.

After these various allotments, a sum of Frs. 10,438,594,057 will remain available.

The distribution proposed to you, and which amounts to Frs. 10,422,535,211, would leave a balance of Frs. 16,058,846, which we again invite you to carry forward.

The proposed distribution would correspond to a gross dividend of Frs. 9,250, to which will be added, in the case of capital shares, the statutory interest for 1953, amounting to Frs. 1,429.28.

The full report, in French, will be sent on application to the company at 6 Bishopsgate, London, E.C.2.

ROLLS RAZOR LIMITED

The twenty-sixth annual general meeting of Rolls Razor Limited was held on June 4th at Cricklewood Broadway, London, N.W., Mr A. Colin Kingham, chairman and managing director, presiding.

The following is an extract from his circulated review:

During the year, sales of the Rolls Razor were lower than in 1952, nevertheless higher than in any year prior to the war. The reduced production resulted in increased costs which were further added to by wage increases which affected all our products throughout the year 1953. Price adjustments have been made in the current year to meet this situation to some extent, but since the new prices were introduced further wage increases for men and women have taken place. Unexpected costs due to research, development and promotion of the Viceroy Dry Shavers continued throughout the year, but have been written off as they occurred.

The decrease in sales of the Rolls Razor was, however, largely compensated by an increase in the sales of our Viceroy Dry Shavers which, unfortunately, did not show as high a percentage of profit.

Viceroy Electric Dry Shavers are today among the best in the world, and we are now established in an industry which is increasing rapidly and having a considerable effect on other methods of shaving. Competition is very keen for the English and World markets, and as the dry shaving habit grows it will undoubtedly become keener still.

In spite of these facts, our view is that the best and most economical shave is with the Rolls Razor used with Rolls Razor Shaving Soap, but the Viceroy Dry Shavers being made with such precision and attention to detail cause no face irritation and can be used alternately with a Rolls Razor, if desired.

Taking the long view, we have confidence in the future and our ability to continue producing the best in razors and dry shavers, with, we hope, better financial results for shareholders than in the year under review.

The engineering industry covers a vast field of men and women, the large majority of whom are not qualified engineers, and a wage increase which includes all these workers may possibly be absorbed without difficulty when applied to the construction of such things as locomotives, ships, tanks, guns, aircraft, etc., as this can probably be added to the manufacturer's original quotation, but it produces a very different effect when applied to a firm such as ours that is mainly dependent for its success on the price at which its products can be sold to the public.

The report was adopted.

POWER SECURITIES CORPORATION

SATISFACTORY RESULTS

The thirty-first annual general meeting of Power Securities Corporation, Limited, will be held on June 30th in London.

The following is an extract from the statement by the chairman, Sir Andrew M. MacTaggart, circulated with the report and accounts:

I think you will agree that the results are satisfactory. The gross profit for the year at £628,802 is some £187,000 higher than in the previous year. This larger profit has been substantially absorbed by the increase in depreciation of property and plant, approximately £44,000 over the previous year, and the increase in taxation which is some £115,000 more than in 1952.

BALFOUR, BEATTY AND COMPANY

The Corporation derives its main source of income from the engineering and construction side of the organisation through Balfour, Beatty and Company, Limited, and I am pleased to report that the volume of work on which our organisation is engaged in this country and overseas continues on an increasing level. The results of the year under review are reflected in the accounts and compare favourably with past achievements.

During the past year Balfour, Beatty was awarded a further contract, by the British Electricity Authority, for a major extension to the Staythorpe Power Station, and this work, together with the completion of the first 360,000 kW installation in that station, is proceeding satisfactorily. Carmarthen Bay Power Station, which is the other major project we have in hand for that Authority continues to make good progress. This station is a 345,000 kW installation.

Balfour, Beatty have also in hand about 2,500 miles of high- and low-tension transmission lines for the British Electricity Authority and the North of Scotland Hydro-Electric Board. On the civil engineering side in this country the Woodhead New Tunnel was brought to final completion during the past year. Various other works have been completed and a substantial amount of work is still under construction. Overseas we have a large volume of work in hand.

NEW CANADIAN COMPANY

As the result of a decision by your board to open a branch of Balfour, Beatty in Canada, I visited that country in January of this year and registered, in Toronto, Balfour, Beatty and Company (Canada) Limited, with a capital of $250,000, which has been fully subscribed by Balfour, Beatty and Company, Limited. At the same time I investigated a proposition to acquire an existing Canadian construction company known as the Russell Construction Company, and after negotiation it was acquired as a subsidiary of Balfour, Beatty and Company (Canada) Limited on behalf of this Corporation.

It is my opinion that Canada holds out for the people of this country the greatest attraction possible for almost every walk of life. Our object is to collaborate and co-operate with our Canadian friends in the great expansion projects which lie ahead.

While continuing to watch the situation closely in those areas in which we have commitments, we look ahead with confidence. Your board of directors, after giving careful consideration to all the circumstances, have felt justified in recommending an increase in the dividend on the ordinary share capital of 1 per cent, making 8 per cent for the year, which I feel sure will be welcomed.

PHILLIPS RUBBER SOLES LTD.

The 27th Annual General Meeting was held in London on 10th June, 1954, the Chairman—Mr. Peter Pettit, D.S.O.—presiding.

THE ACCOUNTS for the year ending 28th February, 1954, showed:

TRADING PROFIT £183,492 (£160,778), to which is added Reserve for Taxation not required £8,000, making £191,492.

APPROPRIATIONS:

Income Tax and Profits Tax	£102,500
Transfers to Reserves	30,778
Dividends (Net)	49,500
Added to amount carried forward	8,714
	£191,492

In the course of his address to the shareholders, the Chairman drew attention to the following points:—

- The total Reserves (including Reserve for Future Taxation) now amount to £502,568.
- Sales of PHILLIPS Soles and Heels reached a new high record during the year under review and the use of PHILLIPS Stick-a-Soles is now a national habit.
- An improved technique developed in the Company's laboratories to provide even longer wearing life has been adopted at substantial increased cost but without increase of prices to customers.
- Despite continuing difficulties in Export markets owing to restrictions, Export sales showed a further slight increase over the previous year.
- The current year has opened on the same note of expansion.

The Report was adopted and the dividend (15%—making 20% for the year) was approved.

BANK OF BRITISH WEST AFRICA

SATISFACTORY PROFIT FIGURES

LORD HARLECH'S STATEMENT

The sixtieth annual general meeting of the Bank of British West Africa Limited will be held on July 1st in London.

The following is an extract from the circulated statement by the chairman, the Rt Hon Lord Harlech, KG, GCMG.

SUBSTANTIAL EXPANSION

The balance sheet and profit and loss account are before you. Once again I am very happy to be reporting to you satisfactory profit figures, while the considerable increase in the total of our balance sheet is proof of the substantial expansion achieved.

There has been no change in the capital, which stands at £1,200,000.

A sum of £100,000 has been taken from profits and placed in the reserve fund, making the total £1,200,000, equal to the paid-up capital. In addition, £75,000 have been taken from profits and placed to contingencies.

Current deposit and other accounts at £79,435,310 show an increase of £20,661,533 by comparison with a year ago. This large increase portrays the extent to which the business of your bank has expanded in territories which are fast developing their trade and commerce on modern lines. Liabilities on acceptances, confirmed credits and other engagements on behalf of customers, at £9,646,440, show an increase of £2,015,849.

On the opposite side of the balance sheet, cash at £6,028,782 is down by £737,382. Money at call and short notice, at £25,825,000, shows a decrease of £1,175,000, and bills of exchange, principally Treasury bills, at £21,725,643, show an increase of £16,249,990, which item reflects the larger holdings of customers' funds. Our liquidity is very high : the end of March is the time when seasonal requirements of cash are falling towards their low point of the year, and we have to maintain our resources in such form as to be readily available for finance of the new crops.

Investments have been increased to £13,826,825, which compares with the somewhat low figure of £9,537,854 a year ago.

Loans, advances and other accounts at £14,430,720 are higher by £2,135,345.

DIVIDEND AGAIN 10 PER CENT

At our meeting last year it gave me pleasure to propose the raising of the final dividend to make a total of 10 per cent for the full year, and I am glad to be able to recommend the repetition of a final dividend at the rate of 7 per cent which, with the interim dividend of 3 per cent paid in November, 1953, will again make a total of 10 per cent for the year.

New branches of the bank have been opened at Berekum on the Gold Coast and at Ereko Street, Lagos, in Nigeria. We are anxious to provide banking facilities as widely as possible in the territories we serve, but the maintenance of even small offices involves heavy annual expense requiring a considerable volume of local commercial activity to support them.

Our building programme, embracing both office premises and residential accommodation for the staff proceeds apace. There is still much work to be done, but this is accepted as a necessary counterpart to our growing business.

MOVES TOWARDS SELF-GOVERNMENT

All the West African territories have moved yet further towards self-government, and ministerial and other high administrative office is being accepted with all the responsibilities that follow. The burden of public life is a heavy one and much is required of those who have undertaken it to ensure that, by sound government, the great and real advancement of recent years is continued.

The introduction of the newly designed notes of the West African Currency Board has been very well received, and there has been a further improvement in the ratio of notes to total currency in circulation, although the volume of coin is still unfortunately heavy. The distribution of the new notes coupled with the withdrawal of the old notes called for detailed organisation by us as Agents of the Currency Board, and the whole operation has been carried through smoothly and satisfactorily.

Compared with prewar years West Africa now enjoys a far higher real income from the sale of her agricultural produce and minerals, due to the high prices prevailing in world markets. As imported materials and manufactured goods have become more and more freely available so does there appear to have been a change in demand, and there is a discernible tendency for consumer purchasing to be spread more evenly throughout the year. The building of houses of concrete blocks, roofed with corrugated iron or asbestos sheeting, is taking the place of "swish" and palm leaf thatch. It does seem that the postwar demand for textiles and certain other consumer goods may have become somewhat satiated, and purchasing power has very understandably moved towards building materials.

MARKETING BOARDS

The marketing boards have done much to insulate West African economy from the worst evils of inflation, and, with the exercise of due care in the investment of their balances, there should be no difficulty in continuing to maintain a reasonably stable level of internal prices for the produce they control. It is to be hoped that when the time arrives for the boards to support local prices they will be in a position to render to West Africa as great a service in sustaining local prices as they have rendered in syphoning off excesses. One of the boards is already understood to be drawing moderately on its reserves.

While much public interest in West Africa focuses upon political advancement, education and industrialisation, the two basic problems which must concurrently receive attention are those of raising the volume of agricultural and mineral production and of improving communications of all kinds. As to production, the problem is fully appreciated at high level, and much has been done by various methods in an endeavour to raise the volume despite the slowness of results. Even a moderate increase in efficiency would add enormously to the wealth of West Africa. The improvement of communications in its various branches makes good progress ; in such wide areas vast sums have to be spent to provide services adequate by modern standards, and these make a heavy call upon the revenues of newly developing territories.

It is now sixty years since our bank was established. We can be justly proud of our record of progress.

W. T. HENLEY'S TELEGRAPH WORKS

PROGRESS DESPITE DIFFICULTIES

The seventy-fifth annual general meeting of W. T. Henley's Telegraph Works Company, Limited, was held on June 4th in London.

Sir John Dalton, AMIEE, FCIS, chairman of the company, in the course of his speech, said: The profit from trading stands at £1,228,891, which is a fall of approximately 10 per cent compared with that obtained in 1952. The net profit of £704,000, added to the balance of unappropriated profit brought forward from 1952 of £802,000, gives us the total available of £1,506,000, an increase of 8½ per cent over the total available in the previous year.

We have transferred to general reserve £400,000, making the amount of the reserve now £3,500,000. We have paid the dividend on the 4½ per cent preference stock, and an interim dividend of 2½ per cent on the ordinary stock, and we propose to pay a final dividend of 8 per cent on the ordinary stock.

Our current assets amount to £8,764,000 and current liabilities to £1,879,000. If this amount is deducted from the current assets the net current assets amount to £6,885,000, or £273,000 more than the net current assets at the end of the previous year. On the whole, I think you will agree that the balance sheet shows a very strong position and enables us to look to the future with confidence.

During 1953 there was an improvement in the position of our subsidiary, Henley's Tyre and Rubber Company Limited. With regard to Henley's (South Africa) Telegraph Works Company, Limited, our business was well maintained.

The year 1953 was difficult for the cable industry. Three factors accounted mainly for the reduced production of the industry as a whole and of your company. Firstly, the nationalised industries—and particularly the electricity supply industry—continued to live on the very large stocks which those industries had built up during the time of scarcity, and only recently have there been signs of an improvement in their demands.

Secondly, our principal raw material, copper, was price-controlled up to the beginning of August, 1953. Long notice had been given of the Government's intention to release this control and in consequence cable buyers held up orders in the expectation of a fall in price. Thirdly, a new British standard for rubber and thermoplastic cables was introduced which, again, induced buyers to live on their stocks and await developments.

Your company had to face up to these difficulties, which were not unforeseen. We extended our range of manufacture so as to offer more comprehensive designs of super tension cables and accessories as well as an improved type of low-voltage cable. Our overseas business amounted to no less than 33½ per cent of our turnover, an increase on the previous year. We have, in the face of strenuous competition both from home and overseas, been successful in obtaining many important contracts. Amongst the important contracts received in the current year the company has been entrusted with the vital land link of the Atlantic cable which will cross Newfoundland. In addition, the company recently received a one million dollar contract from the Colombian Government for the Bogota telephone system.

One of the most pleasant features of this annual report to Henley stockholders is to record, once again, the excellent and friendly spirit which prevails amongst all ranks of our large organisation.

The report and accounts were adopted.

BRITISH TIMKEN LIMITED

NEW £1 MILLION FACTORY BEGUN

MR JOHN PASCOE'S REVIEW

Mr John Pascoe, chairman and managing director, at the annual general meeting of British Timken Limited, said:

In my address last year I indicated that our turnover for 1953 might not show an increase over that for 1952, and that our profits were showing a slight decline, but were nevertheless running at a level which we might consider satisfactory.

For the year under review the group total sales were down by over 4 per cent on the previous year, and the profits of the group before tax and depreciation were £112,100 down, but as the provision for depreciation required £32,904 less, the profit before tax and after depreciation was £79,196 less than the year 1952.

Owing, however, to the varied incidence of all taxation on the various companies of the group, taxation absorbed £115,517 less, with the result that the net profit was higher than that of 1952 by £36,321, at a figure of £540,595. The proportion earned and retained in subsidiary companies was £82,180, leaving the net profit of British Timken £458,415 against £438,603 for 1952, an increase of £19,812. This increase almost equals the increased amount of dividend, after tax, we are proposing to pay to ordinary shareholders.

With the small decrease in turnover, and an increase in cost of wages and raw materials of approximately £170,000 over 1952, I think you will agree that our manufacturing efficiency and productivity has been fully maintained.

For the fourth year in succession, we are recommending an increase in the ordinary dividend, proposing to pay 8 per cent on the 2 million ordinary shares, against 10 per cent on the 1,200,000 ordinary shares existing at the end of 1952. This dividend will absorb £88,000 net and after the payment of £22,000 to the preference shareholders and placing £353,091 to general reserve (bringing that reserve to £600,000) we carry forward to 1954 accounts £166,703.

In 1953 Fischer Bearings Company Limited declared a special bonus dividend of £150,000 free of tax out of its undistributed profits at December 31, 1952. This operation I mentioned in my review in June, 1953. In the parent company's accounts this was placed to general reserve. We decided to leave the dividend on loan to our subsidiary for the development of that company's business, and subsequently we obtained Treasury sanction to issue to British Timken Limited 150,000 £1 ordinary shares in Fischer Bearings Company Limited, thus expunging the loan and increasing the capital permanently employed in that subsidiary.

Since December 31, 1953, we have purchased from the Ministry of Supply the freehold of our Duston property previously held on a long lease ; this will be reflected in our next accounts by the transfer of approximately £498,000 from leasehold to freehold properties.

We are proceeding with our expansion programme, and have commenced the erection of a new factory on a 70-acre freehold site at Daventry for the production of the larger sizes of tapered roller bearings.

Capital commitments of £550,000 shown in the accounts include a sum of £200,000 for this new development, which will ultimately involve an expenditure of approximately £1 million, a very considerable proportion of which will not be payable during the present year.

In addition to the provision of new buildings and equipment we are at all times engaged in efforts to increase productivity, i.e., output per man-hour. The technical staffs of our Organisation, our work study, development and research departments, with all the very necessary co-operation, continue to achieve gratifying results, as shown by the maintenance of our profit figure at a satisfactory level in the face of a lower turnover and increased costs of wages and raw materials, to which I have already referred.

With our accounts we enclosed a copy of a series of articles which have recently appeared in *The Financial Times*. Although we were not responsible for these articles, with the exception of that written by Mr McNicoll, and in fact there are several points with which we do not agree, nevertheless we thought the general picture it gave of the anti-friction bearing industry was of sufficient interest to warrant our drawing your attention to them.

Of particular interest is the article on a programme of research sponsored at Birmingham University by us, which records the fact that results already obtained have yielded a financial return more than covering our outlay to date.

DIRECT EXPORTS — HIGHEST RECORDED

One feature of the year 1953 was the fact that our direct exports reached the highest figure ever recorded, being 16 per cent of our total output. In addition to these direct exports, it must be remembered that a great proportion of our ordinary turnover, in our estimate at least 60 per cent, goes into the export market.

During the year sales were made to seventy-one separate countries, and personal visits to over forty of these were made by your directors and technical staff with very satisfactory results during 1953, which are continuing during the present year. In fact, our direct exports are now running at a higher rate than ever before.

During the first five months of the current year demand has been very well maintained, and our output is running at a very satisfactory level ; but I should say that our profit margins, in face of increased wage and material costs and intense competition all over the world, are showing a declining tendency. However, with our expanding capacity and extensive re-equipment, we are now able to quote much more satisfactory delivery dates, and providing there is no setback in the general trade of the country, we have good prospects of reaching a greater output than during any previous year.

In industry, whatever the achievements of the past have been, we must be ever looking forward to the future, and I am confident that the loyalty and ability of the members of our Organisation, which have served us so well in the past, will be equal to the great efforts that will be needed to maintain our continued progress.

The report and accounts were adopted.

The chairman proposed a vote of thanks to the staff of British Timken Limited, and Fischer Bearings Company Limited. They were a fine team who had constantly furthered the prestige of the companies in the engineering world. A great proportion of them had served the companies for twenty years or more. This vote was seconded by a shareholder and carried unanimously.

UNITED BRITISH OILFIELDS OF TRINIDAD

INCREASED REVENUE

The forty-first annual general meeting of the United British Oilfields of Trinidad Limited was held in London on June 8th, Sir Frederick Godber (the chairman) presiding. The following is an extract from his circulated statement for 1953 :

The total revenue for the year was £9,887,910 compared with £9,291,910 in 1952. This increase of £596,000 was largely due to the improvement in oil prices which took place during the year. The total volume sold increased but very slightly. Costs and expenses before provision for depreciation, depletion and income taxes increased by some £1,463,000

In the Ortoire area, Well BE1, which was started in February, 1952, was successfully completed in May of that year. Subsequent completions later in 1952 and during the first part of 1953 established this area as a producing field. At December 31, 1952, the information gathered was being studied, but as no definite conclusion regarding the area's prospects could then be reached, all expenditure incurred to that date was capitalised in the books of the company. The subsequent decision taken in 1953 to classify Ortoire as a producing area meant certain adjustments to this treatment, including the charging against 1953 income of operating expenses incurred since July 1, 1952. The effect of this in the 1953 profit and loss account was to charge some £284,000 for 1952 expenditure and £782,000 in respect of 1953.

While the effect of the foregoing is to reduce the net profit for 1953, the action taken is consistent with the company's usual conservative policy of charging against current revenue all operating expenses incurred in obtaining that revenue.

While we have been able to maintain output in our long-established fields, we have been unable, in these fields, to improve the slender ratio of crude oil reserves to production rate. The discovery of Ortoire was of some assistance in this regard, but unless or until our production rate can be markedly improved, the heavy strain upon the company's liquid resources will remain. This can be seen in the balance sheet where cash and Government securities show a decrease from £1,207,000 to £361,000. This reduction has continued during the current year and it has been necessary to arrange a short-term loan. However, forecasts for the remainder of the year indicate that cash generation will be adequate for requirements as at present foreseen.

Our efforts must continue largely to be devoted to the further development of Ortoire and to exploration work, inevitably costly, most of which will be in the form of our participation in the activities of Trinidad Northern Areas Limited. On behalf of that company we have already commenced the drilling of deviated wells from the shore in the Point Fortin area.

As regards the general problem of replacing depleted oil reserves in the face of today's high cost of exploration work, we find ourselves, with other British oil companies operating in Trinidad and elsewhere, confronted with the competition of companies established in countries such as the United States and Canada which enjoy special tax allowances for this purpose. So long as the special needs of the petroleum and mining industries for appropriate depletion allowances are not recognised, companies such as ours will find themselves at a disadvantage compared with competitors operating under tax jurisdictions which do recognise such needs. The report was adopted.

RIO TINTO COMPANY, LTD.

DISAPPOINTING RESULT OF SPANISH OPERATIONS

THE EARL OF BESSBOROUGH'S SPEECH

The eighty-first annual general meeting of Rio Tinto Company, Limited, was held on June 10th in London, E.C.2, The Rt Hon The Earl of Bessborough, GCMG (the chairman) presiding.

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

The profit carried to appropriation account is, as you will have seen, £607,213, as against £705,108 for 1952. The main reason for the decrease is the reduction in the trading profit from our Spanish operations, and I will deal with this later.

Tax authorities remain the preponderant participants in profits, and the problem I mentioned in my speech last year of how British companies, with their current incomes so depleted by taxation, are to continue to play an adequate part in exploration and development overseas seems little nearer solution.

As indicated in the directors' report, active mineral exploration of a long-term nature and of a general character is continuing in Northern Rhodesia, the Union of South Africa and Canada. In practically all these cases we have as associates well known mining houses. In Africa these associates are The British South Africa Company, Selection Trust and Tanganyika Holdings Limited, and in Canada Sogemines, which is the Canadian company associated with the Belgian Union Minière.

Your company has also set up an exploration organisation to look for uranium in Australia with offices at Darwin. We are grateful for the assistance and advice which have been given us by the Australian authorities.

In all the countries I have mentioned specific areas are being thoroughly surveyed and tested, but field work has only been in operation a short time and therefore your board has no results of importance to announce. It is satisfied, however, that the exploration organisation is sound and efficient and is working in a most economic way. You will appreciate that in mining exploration success cannot be commanded, but we are trying to deserve it.

In Scotland, in association with Siamese Tin Syndicate and Bangrin Tin Dredging Company, the old lead workings at Wanlockhead have been de-watered and the task remains of investigating whether or no an economic mining proposition exists there.

TRADING RESULTS

Turning now to the trading results shown in the profit and loss account for the year, net return on sales of produce shows a very heavy decline from £1,376,843 to £600,337. A less heavy provision for taxes has caused expenses also to show a reduction, so that the trading balance carried to revenue account, whilst considerably reduced, is £151,781, as compared with £291,730, and this after charging £44,986 for abortive expenditure on exploration and development.

The drop in net return on sales of produce in part reflects a contraction in demand for pyrites and a reduction in sales from 943,731 tons to 723,603 tons.

The situation in this respect has happily been restored, and it may be said that sales are now improving. But a large factor in the decrease of the net return on sales is a further rise in costs in Spain without a corresponding increase in the prices at which sales in Spain of the company's products are fixed, or in the rate of exchange for the foreign currency for exports, which has to be remitted to Spain. The rise in costs is the result partly of the lower tonnage sold and partly of increased labour charges.

COMPLEX SYSTEM OF LABOUR REMUNERATION

Basic rates of wages are fixed by the authorities, as well as the social services payments which the company has to meet. These payments to workmen make a formidable list. In fact, the manner in which labour is remunerated has become so complex that social services payments now exceed basic wages.

Thus, during the period under review, not only have basic wage rates been increased, involving as such a corresponding increase in social payments, but the percentage of basic wages which the company has to meet for social payments has also greatly increased.

In these circumstances, your board has for its part devoted its endeavours to maintaining and increasing efficiency of working by bringing plant and equipment on the property to a high standard. Purchases were largely made through the American loan to Spain which I mentioned in a previous speech. The programme of relaying the main line has now been completed ; sixty new 30-ton wagons and six new locomotives have been bought and these have greatly improved the facilities for, and reduced the costs of, transporting the ore to the port of Huelva.

The sub-station connecting the mines to the Sevillana Electricity Company's grid has been completed and is now in operation, and about one-quarter of the power used at the mines is being taken from that source. This has provided the opportunity of modernising the company's own electricity plant and of converting the major part of it on to high pressure steam. Work on this is expected to be completed within the next two years.

PYRITES PRODUCTION

On the pyrites production side a new concentrating plant, in which heavy media separation is partly employed, has been constructed to enable old mineral of unsaleable grade lying on the heaps to be converted to saleable pyrites. This plant is experiencing the initial problems inherent in new operations of this kind, but these are being overcome and it will provide useful additional quantities of pyrites for sale.

That the Company's operations in Spain should bring so little profit is disappointing. Nevertheless, that operations at the mines have proved able to be maintained at a high level is an indication of the very great inherent value of the property and a striking tribute to the staff and labour there.

Nevertheless, your board is of the opinion that the future holds prospects of improvement in regard to its Spanish business.

As for last year, the board recommend that the dividend on the ordinary shares be at the rate of 15 per cent, free of tax, and that a bonus of 5 per cent be paid, making a total payment for the year of 20 per cent, free of tax, on the ordinary shares.

The report and accounts were adopted and the dividend of 15 per cent, free of tax, and bonus of 5 per cent, free of tax, were approved.

The retiring directors, Monsieur Emile J. V. Laffon, Mr C. F. Byers, OBE, and The Rt Hon The Earl of Bessborough, GCMG, were re-elected and the other formal business having been duly transacted, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

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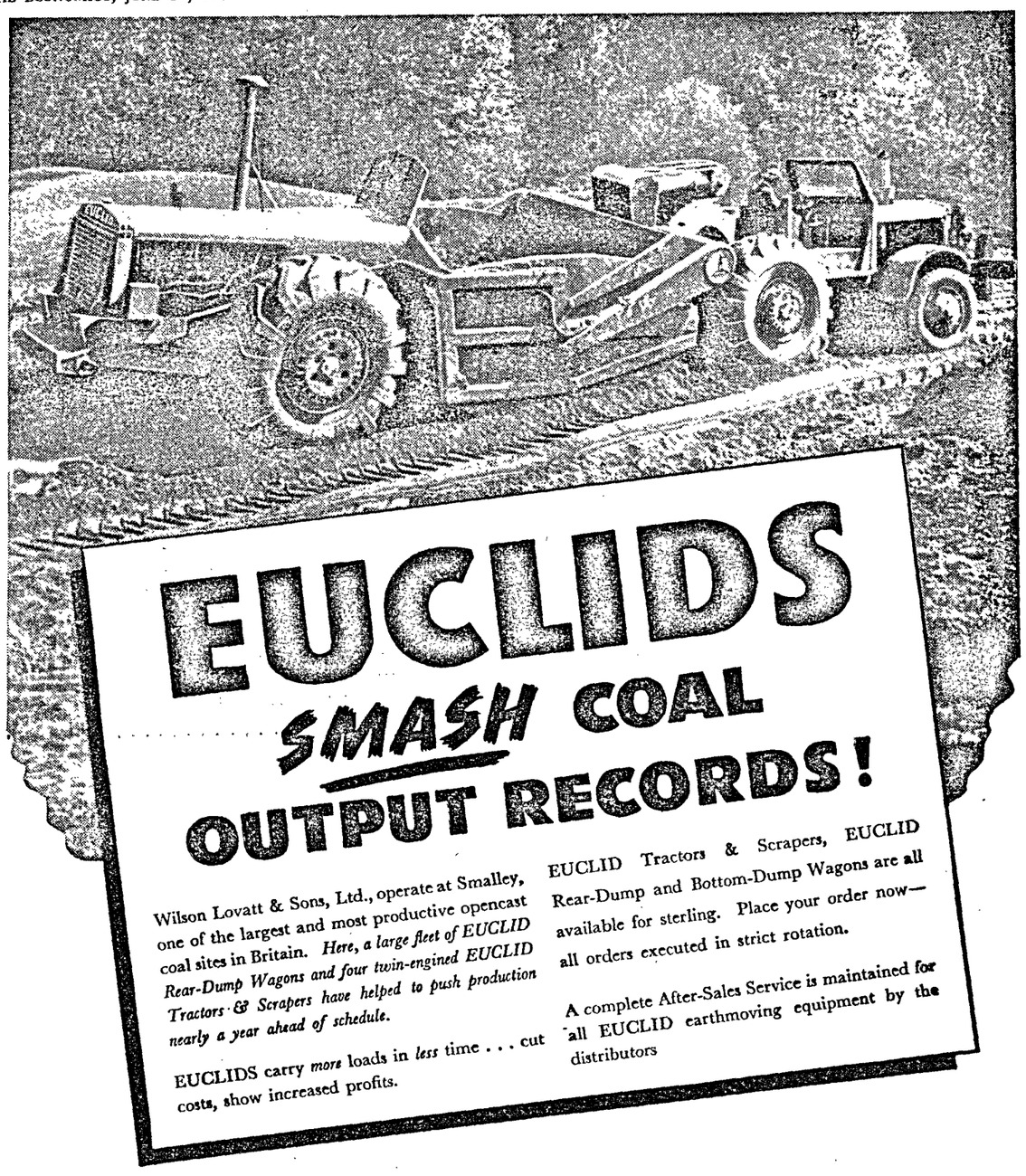

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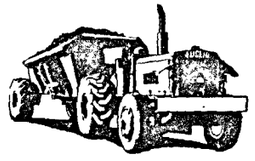

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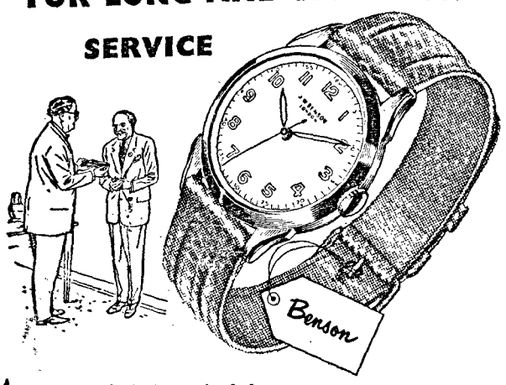

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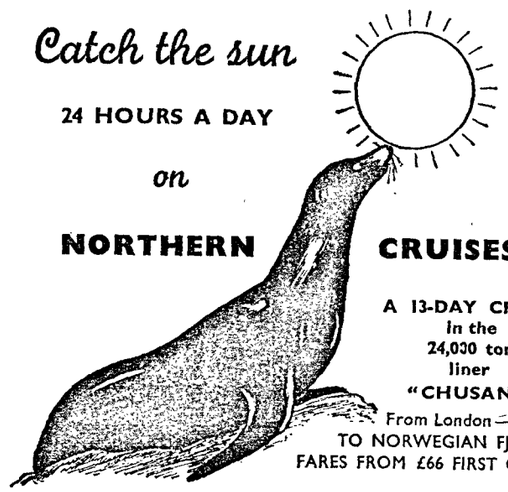

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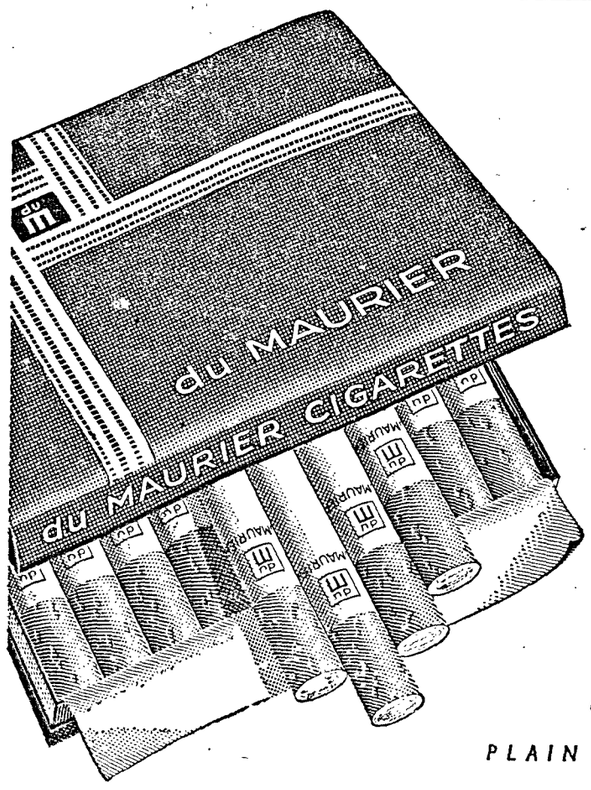

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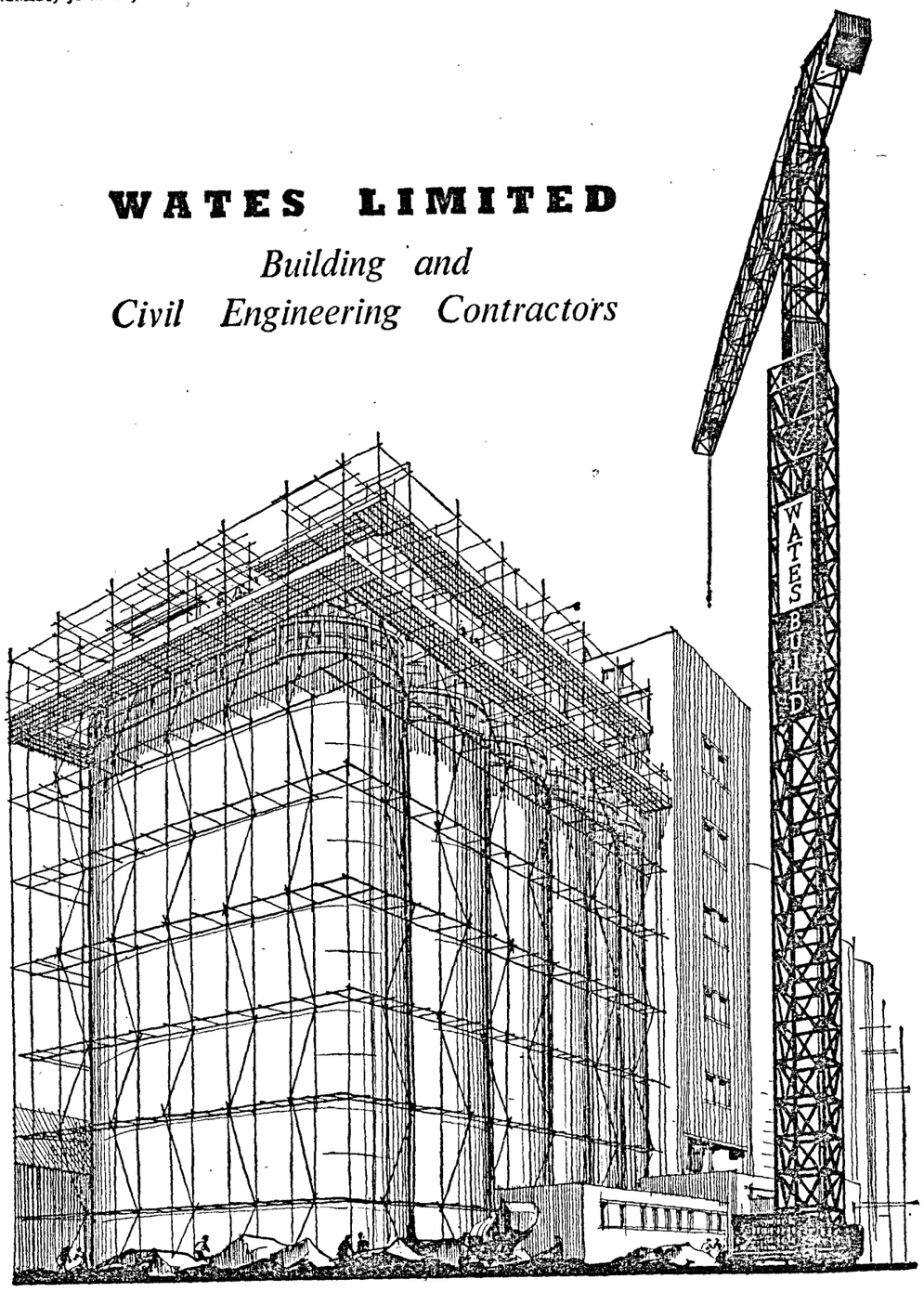

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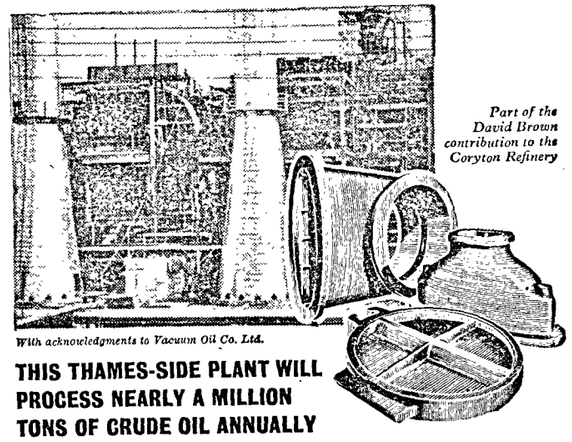

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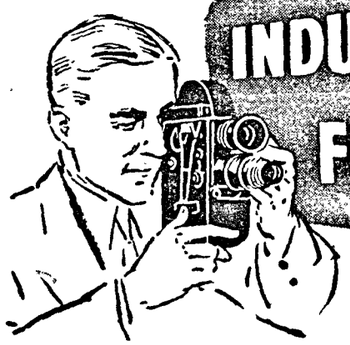

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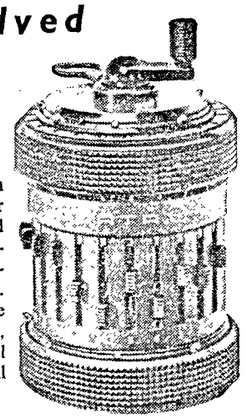

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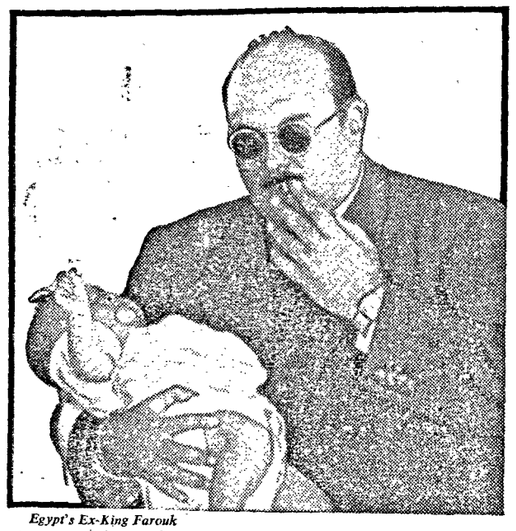

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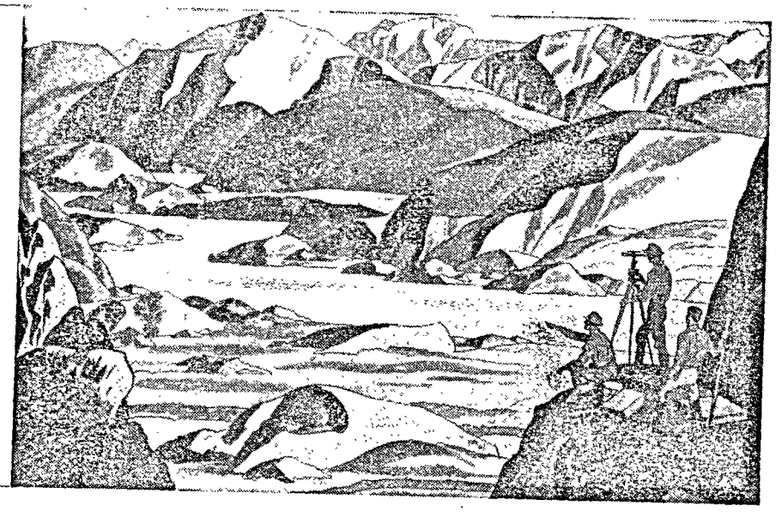

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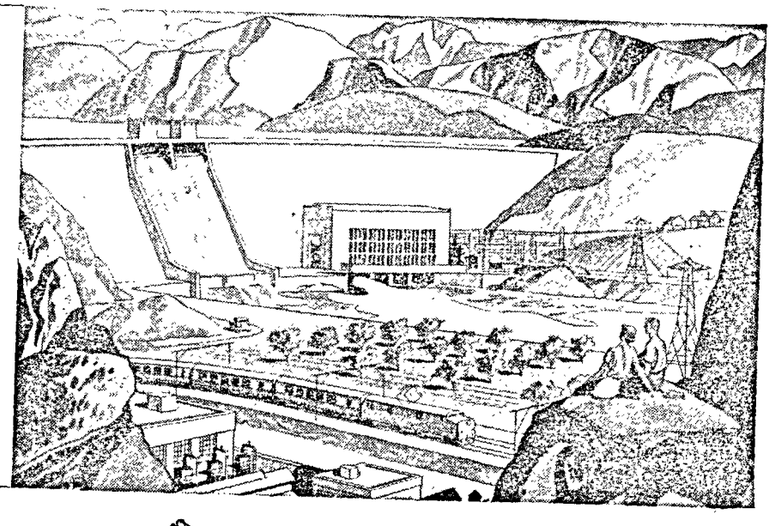

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JUNE 19, 1954

ONE SHILLING

The Dust of Geneva 949
What is the Public Interest? . . 951
Crisis Without Purpose 953
Sanity About Wages 955

NOTES OF THE WEEK

Visit to Washington; Chou En-lai Bids Last; Questions for Mr Malik; Candidates for Treasurer; Dr Nkrumah Returned; Rail Clash Postponed?; From Malaya to Morocco; Indonesia Drifts; New Broom for Morocco; Mission to Buganda; Reforming the Lunacy Laws; Patriotic Prodders in Germany; "Five Minutes After Britain"; Malan Defeated; Egypto-Saudi Front; The Treasures of Chatsworth. 956

LETTERS TO THE EDITOR . . . 966
BOOKS AND PUBLICATIONS . . 966

AMERICAN SURVEY

Fission and Fusion in Congress . . 971
California on Party Lines; Showing Up McCarthy; Exports Before Imports; Gas War Between the States?; Clear Sailing for the Seaway; Union Realignments; Petition by Lobby; Shorter Notes.

THE WORLD OVERSEAS

Leadership in the New China—I Political 979
Cloud in Iraq's Bright Sky; Nationalism in Ruhr Elections; Belgium's Coal Problems; Notes From New Zealand; Journal of Geneva—VIII.

THE BUSINESS WORLD

Taxation and Expenses 989
King of Diamonds 991

BUSINESS NOTES

Resilient Markets; Skilled Conversion; Prospects for Stewarts and Lloyds; English Steel; Trade and Convertibility; Waiting in Wheat; In Defence of Banks; Building Society Rates; Co-operation on Rockets; A Cable Maker's Reply; Second Hand Car Prices; Cotton Futures Quiet; Ryders Discount Introduction; Exports Hold Steady; Dunlop and Synthetics; Helicopters over London; The Revival of Private Savings; Shell Pointers. 994

COMPANY NOTES AND SECURITY PRICES 1004
STATISTICS 1009

Research for Industry

FOLLOWING PAGE 982

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The Dust of Geneva

IT is hard to tell whether the Geneva Conference is dead or whether a spark of life remains. But this at least is clear: that Chou En-lai's concession on Wednesday—and it is a real concession—was produced only by the ostentatious resolve of the western powers to wash their hands of Geneva and get on with their other business. Thus whether the Communists really want an agreement or not, the right conduct for the western governments is the same. Whatever the Russian and Chinese governments may now say, it is very good news indeed that Sir Winston Churchill and Mr Eden are going to Washington next week to "strengthen the bridge." For reasons that are now generally accepted—at least in this country—risks have been taken with the Anglo-American alliance; for a few weeks Britain has tried going it alone. The experiment has been disappointing—though it was not entirely fruitless—and the partnership is now to have its intimacy and confidence restored by personal contact. That should be, if it is not already, the overriding purpose, in Washington as well as in London.

The evidence that led to this decision could not be clearer. Mr Molotov and Chou En-lai destroyed by their speeches last week any illusions about their readiness to make concessions. With France faltering and Vietminh victorious why should they feel the need to compromise? The Communists seem not content to nibble off Indo-China leaf by leaf; they want and believe they can get the *fond d'artichaut*. A regrouping of forces that might have drawn a line across northern Vietnam—the first strip of an Asian iron curtain—was not enough for them; they wanted France and its allies to admit their right to meddle with threats and arms in the affairs of Laos and Cambodia. In their refusal to accept neutral and Asian supervision of the truce for which Mr Eden was working, as in their attitude to elections in Korea, the Russians showed once again that they despise and distrust impartial judgment and international control, unless these are certain to work in their favour. As for the Chinese they have offered Britain a little trade, a little civility, the equivalent in diplomacy of a tip for attention shown. But for the French there was nothing but blackmail, and for the Americans nothing but abuse.

None the less, Mr Eden was right to see what he could do by patience and mediation. In the Asian countries of the Commonwealth there is now a better, if reluctant, understanding of the threat in Indo-China and of what may be done to contain it. In the United States there has been time to reflect and to begin to distinguish bluff from genuine intention. In this country public opinion has had a six weeks' refresher course in the facts of international life, this time not in the Sudetenland but in the more distant and far more obscure Vietnam. Conscience about "colonialism" would have made cowards of many if they had not been shown once again the risks of giving way to men who had won their own power by force and seek to extend it by threats. The strategy of British policy during these past six weeks has

been right beyond much doubt, and even though it failed; but it is also true that the tactics were far too gentlemanly. By assuming the role of mediator Mr Eden may have cast doubts on his own government's purpose, and obscured its own vital interest—for Britain has very vital interests in South East Asia. By insisting on negotiating first and planning resistance second he may have weakened instead of strengthening the prospects of compromise at Geneva. But that is the worst that can be said, and even that is not certain.

★

When he returns, as he now must, the Foreign Secretary would be well advised to speak with what was once called appalling frankness. He may be tempted to mince words in order to conciliate an opposition whose leader is proposing to visit Peking later in the year, but the temptation should be resisted. For neither the House of Commons nor the British people has been made aware of the gravity of what has been learnt in Geneva, or of the risk of a French *débâcle* in the next few weeks that would surrender Tonking to the enemy and expose the whole peninsula to Communist infiltration. Mr Eden should, in particular, make it quite clear what the Geneva meeting was intended to do. It was not intended to find ways by which the Americans could be induced to admit China to the United Nations; it was not expected by any reasonable person to produce an Asian settlement. It was simply hoped to take a further step towards the pacification—and if possible the unification—of Korea, and to see whether the great powers could bring about a truce in the Indo-Chinese war.

Had it been possible to make real progress over Korea and Indo-China there would have been some hope of later and wider negotiations about the Far East as a whole. It was this hope, the hope of creating some confidence by limited agreement, that Mr Eden was pursuing. Had he succeeded, British policy would, for the moment, have looked right and American policy would have looked wrong. But instead the Communists, whether deliberately or not, have made it appear that Mr Dulles's suspicions—to say nothing of his methods—were right and that Mr Eden's hopes were wrong. If it is Communist strategy to divide the United States and Britain, a most promising opportunity has been bungled.

The Communists are now trying to retrieve the situation. They may make it possible for the talks between French and Vietminh military delegations to make some progress. The confusion in Paris and the tactics of General Giap's forces in the Red River delta may yet, in some unpredictable way, open the way to a cease-fire. But Anglo-American consultation cannot wait on such uncertainties. The next step to be taken is clear: policy will have to be concerted for defending the free world's vital interests in South East Asia. And that means that somewhere across South East Asia a line will have to be drawn beyond which further infiltration and aggression will be resisted without reserve. If we want to be sure that others will help to defend what we consider vital—Malaya is not very far away—we must also pledge ourselves. And a treaty of mutual obligation is of little value without agreement about the forces to be furnished and the places where they will be held ready.

Thereby two useful results will be ensured. First, the Communists will have been given fair warning, as they were not either in Korea or in Indo-China; secondly, the governments with interests to defend in South East Asia will be able, in case of aggression, to put to their parliaments the simple question: Do we or do we not honour our pledge? Whether it is possible to create, with the support of free Asian governments, a treaty organisation like Nato has not yet been revealed; the question may not even have been put. It may be necessary to proceed as was done seven years ago in Europe; to organise first the nations in immediate danger—Siam, Laos and Cambodia, Malaya—and then gradually to bring in the nations on the periphery. Seato must grow by stages.

Where the line in South East Asia is to be drawn is for statesmen and their military advisers to decide. It would be as dangerous to guarantee a line that is militarily indefensible as it would be to choose a military line that has no political stability behind it. For these reasons, and for these reasons only, some ground may have to be given in Indo-China. How much depends on what happens in France, and on the interpretation that is placed both by the Communists and by the allies of the United States on Mr Dulles's cautious, pessimistic and rather mysterious speech at Los Angeles.

★

But any decision to cut losses must be seen for what it is, in Asia no less than in the western world. It will mean that another small slice of humanity has been allowed to fall under cruel and intolerant rule. It will mean for hundreds of thousands of people who have worked with France and its friends, exile, denunciation, the concentration camp and death. Even those in Asia who would feel no disgust or shame at such an outcome would none the less murmur to themselves that it is not safe to be friends with the West and the white men, that sooner or later the Communists will come. This, it is true, is not the view that Mr Eden hears from Mr Nehru, who is appeasement personified; but it is the view that he will soon hear from Malaya, from Burma and from Siam.

Britain can no longer stand alone in Asia. Its vital interests there can be defended only with the help and support of allies. Already by so ostentatiously pursuing an independent policy towards China it has run the risk—clearly underlined in Mr. Dulles's Los Angeles speech—of weakening and limiting the American desire to defend South-East Asia. Indeed, the Prime Minister and the Foreign Secretary may find, when they reach Washington, that they are offered the last chance of securing American support for collective security in that region. If that chance is not taken quickly and firmly then Chou En-lai may find himself achieving, more quickly than he can ever have hoped, the chief and declared purpose of his policy—the complete removal of western power and influence from the countries south of China. It is things like these that need saying in the House of Commons, if Anglo-American policy in the next few weeks is to be effective. It is more important that Sir Winston and Mr Eden should rebuild the mutual confidence that they enjoyed with the President and the Secretary of State than that they should receive the plaudits of the Opposition. For though the assent of the Labour party, or even of one wing of it, would be helpful in reconstructing an effective policy of preserving peace, the support of the United States is absolutely essential. If by playing politics (as Mr Attlee is doing here and Senator Knowland and others in America) the crack in the relations between the two countries is allowed to widen into a real breach, there will be nothing left for any of us to do but to start saying our prayers.

What is the Public Interest?

THE Crichel Down report, which was published on Tuesday, after more than a month's delay, has rightly been treated as a document of first-class public importance, and the debate in the House of Commons that has been promised for an early date will be heated and acrimonious. This is not because of the inherent importance of the matters dealt with by Sir Andrew Clark, QC, in his lucid and forceful report, or because the Opposition are making a mountain of denunciation out of a molehill of official delinquency, but rather because it provides evidence to confirm a suspicion that has been growing on the general public for some time past—that bureaucracy in Britain has grown arrogantly careless of the rights of the subject. Certainly that has been proved in this case; and how many more such cases are there where the aggrieved individual has neither the means nor the persistence, nor the connections to force a public enquiry?

It is these wider issues that are worth discussing. Indeed, on the particular transactions with which Sir Andrew Clark was concerned, the only further comment that needs to be made in advance of the parliamentary debate is that the Minister of Agriculture has evidently not yet understood what lies behind the public indignation or perceived the danger that he is in. He persists in thinking that the only really important point at issue is to establish that there was no corruption or personal dishonesty. He tried on Tuesday to throw doubt on the verdict brought in by his own investigator. And he proposes to inflict on the erring civil servants no penalty more severe than an admonition from himself. This will hardly appease his critics.

★

The wider issues arising from this affair are themselves of differing grades of importance. In the first place, it is clear that some principles need to be laid down for the proper disposition of land that has been compulsorily acquired for a specific necessary purpose when that purpose has ceased to exist. Most people would say that, in most cases, the obviously equitable course would be to offer it for sale back to the original owners. But the Crichel Down report reveals that, in official circles, this is the one course of action that everyone unites to avoid.

At the start, Sir Andrew Clark suggests, this attitude was a reflection of the Labour party's determination not to yield back to "the private sector" any property that has ever, for any reason, been "taken into public ownership." Even for Socialists this is an excessively doctrinaire application of dogma, for it means that land is to be nationalised piecemeal, haphazard and as a by-blow of other policies. What is disturbing is to find the same attitude so deeply rooted in public officials that it has apparently become almost instinctive. This cannot be the fruit of six years of Socialist supervision alone. It seems rather to reflect a dangerously contemptuous attitude towards the rights of the private individual, which have evidently been relegated to a

What It Is About

In 1937 some 725 acres of land at Crichel Down in Dorset, forming part of three farms, was purchased, against the opposition of the owners, by the Air Ministry as a bombing range. In 1949 the Air Ministry decided that it had no further use for the land, which was transferred to the Minister of Agriculture and by him to the Land Commission. The original owners (or more accurately their successors in title) applied at various times either to buy the land back or to rent it and farm it. The Ministry nevertheless decided to equip the 725 acres as a separate farm; this involved a considerable expenditure on which no adequate return is likely to be secured. The land was therefore sold to the Commissioners of Crown Lands and let by them to a tenant who had no previous connection with the property.

Sir Andrew Clark, QC, was appointed by the Minister to inquire into these transactions and into the circumstances in which the decisions were taken. He finds that the Minister, in reaching his decision, was substantially misled as to the facts and that various other irregularities occurred. He adds that "there was no trace . . . of anything in the nature of bribery, corruption or personal dishonesty."

very low position on the mental priority list of the average bureaucrat. The more the original owner urges his claim, the more the officials allow their attitude to him to be governed by what Sir Andrew Clark calls " a feeling of irritation that any member of the public should have the temerity to oppose or even question the acts or decisions of officials of a Government or State Department." This is something new in England. Clearly, if this is the general attitude, the responsibility for seeing that justice is done cannot safely be left to the good sense of departments. Rules are needed ; and the first rule should be that, when the original necessity for taking away a person's property has disappeared, the property should be offered for sale back to its original owner unless it can be proved to the satisfaction of some independent enquiry or tribunal that some other disposition of it would better serve the public interest.

*

This is, however, only a special example of the general question of the proper relations between the citizen and the civil servant. Everyone would agree that the public interest should, where necessary, override the desires of individuals. But what is the public interest, and who shall determine it ? An enormous mass of legislation has now been built up on the assumption that every public servant has a natural affinity for the public interest and can be deemed (without further enquiry) to be acting in such a way as to ensue it. The only recognised exception is if he has been corrupted, and it is generally accepted that he very rarely is. If he is honest, then he must be acting in the public interest, for is he not subject to the orders of a minister, who is responsible to Parliament, which is responsible to the public ?

This is the theory on which it is considered safe to leave enormous powers of subsidiary legislation in the hands of the departments: "the hon. gentleman can rely on it that these powers will not be used without a most anxious concern for the public interest "—how often has not this, or the like, been said in defence of some blank legislative cheque ? This is why departments are left as final judges, not merely in matters that deeply affect private individuals, but also in matters where they are themselves parties (" an appeal shall lie to the Minister, whose decision shall be final "). They can safely be judges, for are they not by definition disinterested ? This is why government departments do not have to obey their own (or each other's) regulations: the private individual must be kept in check because nobody can be sure that he will naturally act in the public interest, but of course a government department always does. This is why government departments are allowed to crash any queue—for example why they built so many vast office buildings in London in the postwar years, before anybody else was allowed to build any—because any purpose of a government department is *ipso facto* more in the public interest than any purpose of anybody else.

The virtue of the Crichel Down report is that it exposes how false this theory is. The public official can be as stupid, as inaccurate, as wrong-headed, as selfish, as mendacious, as obstinate as if he were in private employment. Perhaps the sole responsibility of the Minister—in whose name everything is done—was a real safeguard in the days of Sir William Harcourt, who is reported to have told the officials of the Home Office when he was Secretary of State that his only function was to prevent them from being hanged from lamp-posts in Whitehall. But it is impossible nowadays for a minister even to know what is involved in the great majority of decisions for which he is responsible. If the Minister of Housing and Local Government were to reserve for himself the final decision in all cases of compulsory purchase and in all planning appeals, he would have to study and decide a score or more of complicated cases every working day—and those are not the only quasi-judicial functions that his Ministry performs. All save one or two have to be left to the machine—and for all the Minister knows, any one of them could be a Crichel Down. Moreover, even if he can master the facts, it is not easy for him to act. A minister is a very lonely man in his department. It takes great assurance and energy to go against the policy formulated by so formidable a hierachy and supported by such impressive documentation as an official file.

*

The " new despotism," in short, is not an exaggeration, it is a reality. It is a despotism that is practised by the most conscientious, incorruptible and industrious tyrants that the world has ever seen. But tyrants they still are, for they are ready to ride roughshod over the individual subject whenever their departmental convenience (which they honestly believe to be the public interest) requires it. And the remedy is to be found along the same lines that our ancestors found it long ago, in the right of every subject to appeal to his peers. The analogy, of course, could never be more than a rough one. No one would suggest that there should be appeals to the courts, and trials by jury, at every turn—life is too short, and many of the matters at issue are not susceptible to legal determination. But every subject who has a quarrel with the crown has a right to know that his case will, at some stage, be submitted to som wholly independent person for an impartial opinion.

Is that an unreasonable principle ? It is, in economic matters, a very novel one, and the departments will say it would impossibly complicate the performance of their duties. But after what happened at Crichel Down (which no private citizen will believe was a unique case, save in that it was exposed) can it possibly be said that such a principle is not necessary ? Yet if Parliament wants to see movement in this direction, it will have to be fought for by private members, who will have to break down the dependence of ministers on their departments. They have a chance to start on Sir Thomas Dugdale.

Crisis Without Purpose

THE circumstances in which the National Assembly turned M. Laniel out of office at the end of last week were wholly deplorable. Futile impatience, sheer contempt for parliamentary institutions, personal ambition and disregard for the national interest all played their part side by side with genuine indignation, stubborn patriotism and a vague desire to make a fresh start. Yet the result is likely to be largely negative ; for there is no sign that France's parliamentarians will do more than find a new pilot to follow the old Laniel-Bidault course. It is as if drivers in a London traffic jam left their cars in a rage, combined to remove the policeman on point duty, and then attempted to force their cars on, only to find that their selfishness and impatience towards one another made it necessary to send for another policeman. The London traffic problem would remain, just as the problem of parliamentary government in France remains, intractable and frightening, just short of anarchy.

M. Laniel's coalition government had been for months in a state of persistent and barely camouflaged crisis, held together only by the absence of any alternative policy or majority. This deterrent—the fear of a lengthy crisis that would demonstrate France's weakness —has now ceased to deter. The three hundred odd deputies who dismissed M. Laniel had little in common save their desire to be rid of him ; and in that emotion alone there is no basis for a new coalition. It would be foolish to expect that a new and clear policy for Asia, Africa and Europe will be forged in the heated debates that will now be staged. It would be wiser to reckon that roughly the same team of ministers will be asked, after a period of confusion and anguish, to pick up the threads of policy where they now lie.

This is no new experience for France and its allies, for it was in just this way that the late government came into office a year ago. The Assembly, tired of M. Pinay's right-wing coalition, experimented briefly with alternatives and then chose the almost unknown M. Laniel, but only after the longest interregnum in the history of the Fourth Republic. What was generally regarded as a caretaker government was nearly swept from power by a wave of strikes ; but it managed to survive further labour troubles, thanks to a measure of economic recovery. Time and again it looked like breaking up on questions of foreign policy, but it held together largely because of the general desire that the voice of France should be heard in successive conferences, at Bermuda, at Berlin and finally at Geneva.

It was the depression moving in from Geneva that caused the storm to break in Paris last week. With hopes of a negotiated agreement fading, the Gaullist and Radical critics of M. Laniel saw no further reason for pulling their punches. Moreover, the fall of Dien Bien Phu and the apparent hopelessness of the campaign in Indo-China evoked intense and bitter emotions. How could the storm be resisted by a group of men who had never agreed on a clear policy for North Africa or Indo-China, and who had agreed only to disagree about German rearmament ? Arch enemies of the EDC, the Gaullists, sat at the same table with its stubborn supporters, the MRP. In such a coalition the price of stability is immobility. But it is a price that cannot be paid for ever. The Vietminh offensive, the Geneva conference, and American and German impatience over EDC made decisions more and more necessary, and more and more difficult.

Unfortunately, M. Laniel's fall does not mean that a government of decision can now be formed. The contradictions are no less deep and complex among his opponents than among his supporters. Even the particular groups that brought him down—the Gaullists

A GUIDE TO THE FRENCH PARLIAMENT

M. Laniel's coalition was originally based on all the parties, except the Communists and Socialists.

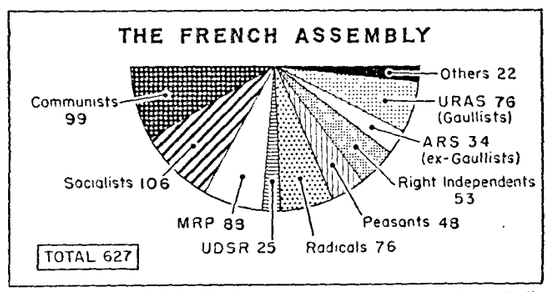
COMMUNISTS : Nobody as yet wants their support, but they play an important negative role. Firm opponents of EDC.

SOCIALISTS (SFIO) : enjoy opposition; reluctant to enter government ; officially pledged to EDC, but half the deputies against it.

MOUVEMENT RÉPUBLICAIN POPULAIRE (MRP): Christian Democrats; control postwar foreign policy (Both MM. Schuman and Bidault belong to it) and will oppose any government intending to change its course. Staunch supporters of EDC.

RADICALS : loose coalition ; wide gap between its left-wing (M. Mendes-France) and right-wing. In present crisis votes evenly divided for and against M. Laniel. Divided also on EDC, though probably majority in favour. Traditionally anti-clerical.

UNION DÉMOCRATIQUE ET SOCIALISTE DE LA RÉSISTANCE (UDSR) : Similar to above ; equally divided.



PEASANTS AND INDEPENDENTS : Chief supporters of M. Pinay's and then M. Laniel's governments ; opposed to any shifts to the left ; majority in favour of EDC.

ACTION RÉPUBLICAINE ET SOCIALE (ARS) : dissident Gaullists, broke with the Rally on entering the Pinay coalition. Anti-EDC, but keen on preserving right-wing coalition.

UNION RÉPUBLICAINE ET D'ACTION SOCIALE (URAS) : remnants of De Gaulle's Rally. Violently opposed to EDC.

and the left-wing Radicals—have nothing else in common. M. Mendès-France, the leader of the latter group, stands for conciliation and concessions in Indo-China and for reform in North Africa. The Gaullists, on the other hand, appear to favour a tougher attitude on both fronts. Then there is the long-standing division over the EDC and policy towards Germany. And, last but not least, there is the fact that the Communists stand beyond the pale of cabinet-making.

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Thus Gaul is divided not into three but into at least six parts, each subdivided into groups and particles combining in different ways according to circumstances. Only a cataclysm could weld them together ; not even the shock of Dien Bien Phu has sufficed. It may need further disasters in the Red River delta or the despatch of conscripts oversea to awaken the people to realities and to create a mood in which their deputies will take basic decisions. But this will, in the most favourable circumstances, take time. France must still be treated, as has been argued so often in these pages, as the convalescent ally. But it is a question of how long the friends of France can wait, of what decisions are taken now, and of the way in which the will of the French people should express itself. Dr Adenauer and the State Department may yet stay patient for a few months—not longer—while a decision on EDC is sought. But will the forces of General Giap in the Red River delta hold up their offensive while the Palais Bourbon makes up its mind ? Is Hanoi to be allowed to fall or not ?

In theory, parliament might vote for war *à outrance* or for withdrawal of the expeditionary force. In fact, the majority would probably back M. Bidault's middle-way policy of seeing what can be got by hard bargaining ; some of those who opposed M. Laniel spoke approvingly of his foreign minister's conduct at Geneva. But in the immediate future it will be a caretaker government and a wavering assembly that will have to decide whether to send conscripts abroad, whether to accept internationalisation of the war, whether to appease the Vietminh, whether to accept the partition of Vietnam. Answers cannot be long delayed ; what has to be decided is whether they shall be grudging, last-minute, half-hearted answers, with no national resolve behind them, or whether they shall be freely given, carefully pondered decisions that friends and enemies will recognise as the will of the French people.

At first sight, it looks as if the quickest possible formation of another stop-gap government and another spell of office (without much power) for M. Bidault are the best possible solutions. But the decisions that France faces are so fundamental that the foreign observer cannot help asking this question: is it not time that the almighty but impotent Assembly of the Fourth Republic sought a new mandate and asked the electorate for a historic judgment ? Such an appeal, it is true, would for a time paralyse the country and its policy ; but policy is already close to paralysis. It would mean delay on vital matters ; but there will be delay in any event. The result of the appeal might shake the Atlantic alliance to its foundations, but the cracks are there already. In short, the risks of having an election are no worse than those of not having an election. France's allies have no right to tell the French people, which is fully sovereign, what it ought to do. They have perhaps acquired the right to insist that the sovereign be consulted.

There is, unluckily, very little chance of this being done. The decisive and distasteful fact is that, though the free world may be wringing its hands over the appalling incompetence of the French constitution, the deputies themselves like it. Few of them want an election, and the odds are that the traditional allegiances of French voters and the power of party machines would still prevent the people from giving a clear verdict on the things that matter. Unfortunately it looks as if the collapse of government in France will have to get much worse still before the politicians will be forced to remember their patriotism ; and the most that France's allies can do is to see to it, if they can, that the shocks yet to come are not mortal.

Mr Macaulay's Essays

Our periodical literature stifles every other by its exuberant growth, except the few tall trees which spring from amongst it, and the roots of which it nourishes and protects. From the time of leaving college, the student is obliged to attend so much to the topics of the day that his mind is formed on them. Even the Fellows . . . have now little in common with those who ignore the world, and are as much taken up by its cares or its frivolities as the man of business or the man of fashion. . . . As our best writers have descended from catering for courts to providing for the literary public, so we may expect, as information is diffused, to find them adapting themselves to the multitude. . . . In this class of writers, Mr Macaulay occupies the first place. Possessing less original thought and less reflective philosophy than Burke . . . his works contain fewer passages of general wisdom, applicable at all times, than those of his predecessor. . . . With an unmusical voice and rather a vulgar presence, he always fixed attention, and the Commons, who fled when Burke rose, flocked to the house to hear Macaulay. His predominating characteristic, in relation to other writers and speakers, is common sense. He never goes away from his subject. He is never discursive, and never shoots wide of the mark or misses his aim. If he be always fully up to the knowledge of his party, and always prepared to support its views with the most powerful arguments and the most appropriate illustrations, he is never ahead of it. His services to humanity are confined to setting the past in a brilliant frame. He is not inventive. He has advanced no species of knowledge. He has illustrated a prodigious number of old truths, but not discovered new ones. Of all the old principles of his party—religious toleration, moderate reform, respect for the constitution—he has been the most eloquent expounder and defender of the day ; but he has not gone beyond them. . . . He belongs to Old, not to Young England.

The Economist

June 17, 1854

Sanity About Wages

THE decision by the Agricultural Wages Board for England and Wales to reject *in toto* the farm workers' claim for higher wages will have important consequences both for agriculture and the whole economy. It is in its way a momentous decision. This is the first time since its inception in 1939 that the Board—or rather the independent members who hold the balance in its deliberations—has sent the workers' representatives empty away. Its decision marks the end of a long spiral of awards that has raised the minimum wage of the adult farm worker from 34s. 10d. to £6 a week.

The workers' representatives had asked for a further "substantial increase" above this figure. Had their claim been met, it would have set off a new series of wage demands in related occupations. Conventionally other rural workers, such as road menders, receive wages which are slightly above those of farm workers. Moreover, the repercussions of the agricultural award would have spread throughout the whole economy. Farm workers are still the largest group near the bottom of the wages ladder. Any step which they take up it is a signal to all the other main groups of workers to do the same. A fresh increase in farm wages would have given a strong impetus to the growing rumbles of industrial discontent.

There is no reason to suppose that the eyes of the Agricultural Wages Board were fixed upon these broader issues. It had reason enough, within the narrower context of agricultural policy, to reject out of hand the workers' claim. The cold wind of realism is blowing at last through agriculture. The farmers' representatives were emphatic that the Government's last price award has left them without the means to pay higher wages. The farmers may well be wrong in thinking that they face an immediate fall in profits ; but they have been left in no doubt that the continuation of agricultural prosperity will depend on strenuous efforts to improve efficiency and to get down costs. The Government is relying on these developments to cut down the annual cost of its agricultural guarantees. It would seem a hopeless augury for the success of this policy to lead off with a big increase in prime costs.

But, however sensible or obvious the Board's decision may seem, the farm workers' claims raise questions of great importance for future policy. The workers' case rests on two hypotheses. The first is that agricultural workers ought to be paid as much as industrial workers. In support of this position, it can be said that productivity per head in agriculture has increased considerably over the last fifteen years and by a much larger amount than in most industries. Agricultural labour is more mechanised and requires a more specialised knowledge and skill than it used to do. The hours worked are longer than in industry. Why should farm workers remain the poor relations of their industrial brethren ?

The second hypothesis is that to pay higher wages is the only way of stopping the drift from the land into the towns and that it is very much in the national interest that this migration should be halted. There can be no denying that the rural exodus, which has been a persistent feature of national life over the last century, is once again in full swing. In the last five years agriculture has lost about 75,000 regular workers. At present the process is being accelerated, and the remoter rural areas in particular are being denuded of population. It is claimed that any further expansion of agricultural output (or even, in many areas, the maintenance of present production) will be rendered impossible under these circumstances.

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These arguments deserve to be taken seriously. The nation is pledged to a policy of agricultural expansion. Questions of pure justice apart, it cannot wish its large investment in agriculture to go to seed through lack of the necessary manpower. Yet even on this assumption the workers' case is far from convincing. British agriculture is at present producing 56 per cent more food than before the war with roughly the same labour force. This is in itself a striking achievement. It has been brought about by a considerable increase in mechanisation and capital investment, accompanied by improved techniques. Part at least of the loss of labour in recent years has been the result of these developments, and a falling labour force has been quite consistent with an expanding level of production.

Moreover, a rise in wages cuts both ways in its effect on agricultural employment. Until recently its main effect was to encourage a more intensive utilisation of the available labour, thus causing an increase both in output per head and in total farm output. But the limits of this policy have been reached. The small size of most British farms restricts the economic possibilities of mechanisation. Farmers now seem more likely to react to higher wages by sacking one of their men than by buying more machines.

Thus it is by no means certain that higher wages are a suitable specific for rural emigration. They might encourage more men to stay on the land ; but they would also discourage farmers—at least for the time being—from employing them. In any case, the drift from the land is due to many other factors. The pull of industrial full employment—backed by the much superior social facilities and public services of urban areas—appears to operate as an irresistible magnet. To offset this urban pull through the offer of higher wages (supposing this could be done without defeating its end through increases all round) would be a hopelessly expensive procedure. Not another ten shillings a week

but several pounds might have to be paid out before the tide was reversed.

Yet the relative difference between agricultural and industrial earnings is much less than it was before the war. A gap of about £2 a week is not considerable when the lower costs of rural living are taken into the account. This improvement in the farm workers' position is a reflection of his higher productivity; and further improvement can be soundly based only if it springs from the same cause. To set off a wage competition with industrial workers could do little to help the countryside, but a great deal to wreck the national economy.

Perhaps the decision of the Agricultural Wages Board will open a saner era in wages bargaining. Ever since the war the emphasis has been on raising the minimum wages of the least skilled workers in every industry. This approach, besides its inflationary dangers, has had a most mischievous effect upon production. The wage differentials, which determine the rewards available for extra skill or extra effort, have been narrowed. The morale and the enterprise of the more skilled workers have consequently suffered. Out of a mistaken loyalty to the cause of workers' solidarity, they have supported the claims put forward by the mass unions on behalf of their less skilled fellows, and have then resented the consequent narrowing of their own premium value.

There have recently been suggestions that the Trades Union Congress might be amenable to a reimposition of the "wage freeze"—in return, presumably, for an undertaking by the Government to stabilise the cost of living. The idea is not likely to come to anything; but it is indicative of the static and negative state of mind that is still prevalent in industrial relations. In itself a wage freeze has nothing to commend it; it is only of value as an alternative to a wage stampede. It creates a situation in which everyone must wait upon the hindmost and no rewards can be given or incentives offered to those who would earn them.

There is no doubt where the emphasis of wages policy needs to be thrown at the present time. It is in holding the line against further general increases in minimum wages, while allowing particular groups of skilled workers to claim a higher reward for good cause shown. This policy is as necessary for agriculture as for industry. The chances of recruiting workers of scarce or specialised skill (such as shepherds) are improved by the refusal to grant an all-round wage increase. Farmers can better afford to pay such men the additional wage they deserve. If this same spirit can be generalised, then the prospects for the national economy will be considerably improved.

Notes of the Week

Visit to Washington

THE visit of Sir Winston Churchill and Mr Eden to Washington next weekend will be in the nature of a rescue operation, the need for which has become increasingly apparent since the early days of the Geneva conference blew some sizeable holes in Anglo-American policy. President Eisenhower's invitation apparently dates from that period, although it was not possible to arrange the trip until the Geneva conference was sufficiently embalmed to free Mr Eden.

But it is not only shattered policies that Sir Winston and the President will be trying to rescue; there has been something of a crisis of confidence, even of friendship, between the two Governments. This seems to have been tacitly recognised by the President, for he has placed the talks on as personal and informal a basis as Sir Winston could wish. It is the general air of transatlantic back-biting, more than any policy disagreement, that has been causing concern at Westminster. All are agreed that the Geneva conference was necessary and Mr Eden's efforts well worth while; but except, presumably, for the lunatic left, all shades of British opinion recognise that Anglo-American accord must be the basis for any wider international arrangements, let alone for a move towards a meeting of heads of states.

Parliamentary pressure for such a meeting, however, is only temporarily in abeyance. When Sir Winston announced the Washington trip to the House of Commons, Mr Attlee pointedly recalled the motion passed by the House at the end of the so-called "hydrogen bomb" debate on April 5. This motion, sponsored by the Opposition but not opposed by the Tories, specifically called for an immediate British initiative for a meeting of heads of states. It was unthinkable that the Government should not approve such a proposal after Sir Winston's speech of May 11 last year, and the best it could do was to accept the motion leaving itself some latitude about the timing. Even this was not conceded by the Labour party, but the Government claimed it nevertheless. So long as the Geneva conference dragged on there was a perfect excuse for inaction, and even now Geneva is dying, Mr Attlee is not so much the slave of his backbenchers as to be unable to leave Sir Winston free from nagging, at least until after the visit to Washington. But when Sir Winston gets back he will be closely questioned on whether he raised the issue with the President. Sir Winston himself is an enthusiast for the idea; but he is also enough of a realist to know that the reforging of the Atlantic link must come first and that this may need more than a convivial weekend on the banks of the Potomac.

Chou En-lai Bids Last

IT cannot be certain until next week whether the Geneva conference can be saved or merely given a little longer to breathe. Until Chou En-lai made his last-minute proposals on Wednesday it looked as if it was dying, and the specialists were preparing to leave. Now it is possible—though hardly probable—that real negotiation will be still going on in Geneva while M. Bidault is busy in Paris and British Ministers are busy in Washington. This would suit the Communist book, which has always favoured long tests of patience and the wearing down of opponents in subcommittee.

If the Communists will really admit that Laos and Cambodia are independent states in which the Vietminh movement has no claim to recognition; that the conditions for a cease-fire there should be different from what they are in Vietnam; that they are entitled to defend themselves provided that no French or American bases are maintained there—then something substantial will have been gained. But Mr Eden cannot overlook the possibility that these hints of conciliation by Chou En-lai are merely designed to frustrate any American attempt to get Laos and Cambodia into the defence organisation that will be discussed in Washington. They may mean no more than that the Communists are willing to wait for Laos and Cambodia if they can get Tonking now. There is no ground for premature optimism.

Questions for Mr Malik

THE Soviet Ambassador in London, in a letter which appears on page 966, takes issue with *The Economist* for having given a "misleading impression" of the Soviet position on the major questions involved in disarmament. Mr Malik does not specify the points which he regards as inaccurate; but it may be deduced that his complaint is chiefly directed at two phrases used in our issue of June 5th. These were "Soviet insistence on dealing with nuclear weapons separately," and "Soviet rejection of effective international controls."

These two phrases would seem, despite Mr Malik's criticism, to sum up the basic negative factors in the Soviet position. The first point—separate treatment for nuclear weapons—appears to be confirmed, not contradicted, by the Soviet statements to which the Ambassador draws attention. Thus, the Soviet proposal laid before the United Nations Assembly last September called for immediate prohibition of nuclear weapons, but relegated "conventional" disarmament to a slower time-table. As to the second point, it is true that all Soviet statements accept the need for strict international controls in principle; but in practice the present government in Moscow, like its predecessor, still jibs at the degree of international supervision of atomic and other establishments which the majority of nations regard as an essential minimum.

Thus, if Mr Malik is to maintain his position, there are certain questions that must be answered.

First, is the Soviet Government now ready to accept the principle that any genuine disarmament system must cover all kinds of armaments, and ensure that their reduction is properly balanced?

Second, will it accept a programme for the mutual disclosure of all armed forces and armaments, with adequate means for verification?

Third, will it agree to a system of international controls so watertight that no government would be able to cover up a violation of the agreed plan, either by wielding a veto or by refusing access or information to the international inspectorate?

All these points have been accepted by the great majority of nations; notably, they were brought together in the UN Assembly's resolution of January 11, 1952, which was opposed only by the Soviet bloc. Can Mr Malik show that there has been any essential change in his government's position since that date? If not, it appears that the statements made in *The Economist* were correct.

Candidates for Treasurer

MR ARTHUR GREENWOOD had not been very active in Labour leadership for some years. Nevertheless, his death deprives the party of one of the few remaining bridges between its warring factions. Even the Bevanites' championship of him in last year's tussle for the treasurership of the party did not really shake his almost unique status as an elder statesman uncommitted either to themselves or to their opponents. Who should succeed him as treasurer has thus become a new point at issue within the party. Last year Mr Greenwood was opposed from the right—some of the unions did not consider him sufficiently militant against the Bevanites; but he could not be labelled, whereas it is difficult to name any successor who would not be clearly for or against the Bevanites. The right-wing unions, in fact, are making no bones about it. They are proposing to put up Mr Gaitskell, Mr Bevan's *bête noire*, for the job. The idea is to groom him for the leadership of the party after Mr Attlee—with a possible interregnum by Mr Morrison, in spite of the annoyance he caused some of his union supporters last year by his last-minute withdrawal from the contest for the treasurership.

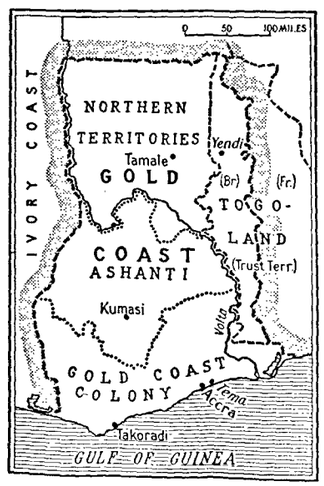
The Bevanites naturally regard the sponsoring of Mr Gaitskell as a fresh affront, and it is likely that Mr Bevan himself will stand for treasurership. This would be a bold but dangerous move for him. The union block votes would almost certainly keep him out, and, as he could not stand at the same time for his usual place in the constituency section, he would then find himself off the National Executive altogether. Even without any suicide dives by Mr Bevan, the mere addition of Mr Gaitskell to the executive would materially strengthen the anti-Bevanite forces on it; they are strong in numbers but a little thin in intellectual power.

One of the unions expected to back Mr Gaitskell is Mr Arthur Deakin's Transport and General Workers' Union. In the Birthday Honours Mr Deakin was made a Privy Councillor and no doubt he will be called a Tory stooge for his pains. As it happens, however, the Government has provided him with a chance of demonstrating that his sense of responsibility does not impair his independent spirit. The latest report on the disposal of the Road Haulage Executive's assets offer some useful ammunition to all the opponents of denationalisation, among whom Mr Deakin is one of the most prominent. Labour leaders who recognise the dangers of more nationalisation can yet show themselves good socialists to their rank and file by urging the folly and failure of denationalisation.

Dr Nkrumah Returned

THE most satisfactory outcome of the Gold Coast elections is undoubtedly the comfortable working majority achieved by Dr Nkrumah and his Convention People's Party. He himself and his Ministers have exercised genuine authority for the last three years, and in the course of their administration they have learnt much that is essential to effective government. Had they been superseded by an untried Opposition, the Gold Coast as a whole would have suffered a considerable setback.

Yet the scale of the Opposition vote is an important factor. It is, on the one hand, a clear indication of the measure of fairness and responsibility with which the elections were conducted. The Convention People's Party has not become, and has not tried to become, a "monolithic" political organisation. It is, on the other, a very obvious pointer to the type of Opposition that is likely to provide Dr Nkrumah and his colleagues with their main political problems. In broad terms, one can say that the political opposition as such has collapsed. The party of Dr Danquah, which attempted to oppose the CPP on its own ground of policy and national leadership, has suffered a debacle, and the new Assembly will be intellectually the poorer for the absence of such middle-class leaders as Dr Danquah himself and Mr William Afori Ata. But what one must call the regional or even quasi-nationalist opposition is strong. The Northern People's Party has a clear majority in the Northern Territories. The CPP has signally failed in its attempt to win all the Trans-Volta Togoland seats, and this implies a victory for the Togolanders who put the unification of Togoland before any closer association with an independent Gold Coast.



The Northern Territories are not separatist. Their party will press in the main for greater governmental concern with the problems of poverty and under-development in the North. The Togoland situation is less clear and could, in effect, lead to a strengthening of the demand for an eventually independent Togoland. The election results mean that Dr Nkrumah has no serious rivals in the field of policy. But he may have a delicate task ahead in holding together the separate partners in the Gold Coast—the Colony, Ashanti, the Northern Territories and British Togoland—in a workable union.

Rail Clash Postponed?

NEW lodging turns were introduced on Monday in the Eastern region of British railways without any opposition from the footplatemen concerned. But it remains to be seen whether any of them will be on strike on Sunday. On that day the Sunday token strikes, resolved upon last week by unofficial delegates from the Eastern and North Eastern regions, are due to begin, and to continue until lodging turns are abolished altogether.

The militancy that inspired this resolution has since become a good deal dimmer. Several local meetings of footplatemen in the North Eastern and Eastern regions have decided not to take part in the strike. But the reason is not that the men are more amenable. It is merely that the words of their union leaders seem to have had some effect. Mr Baty, for instance, the secretary of the Associated Society of Locomotive Engineers and Firemen, urged the folly of strikes at this particular time; for his executive, in reluctant obedience to the instructions of the recent annual conference, is seeking to discuss with the Transport Commission the total abolition of lodging turns. It may at last be occurring to the men that they are undermining their leaders' ability to speak for them with authority.

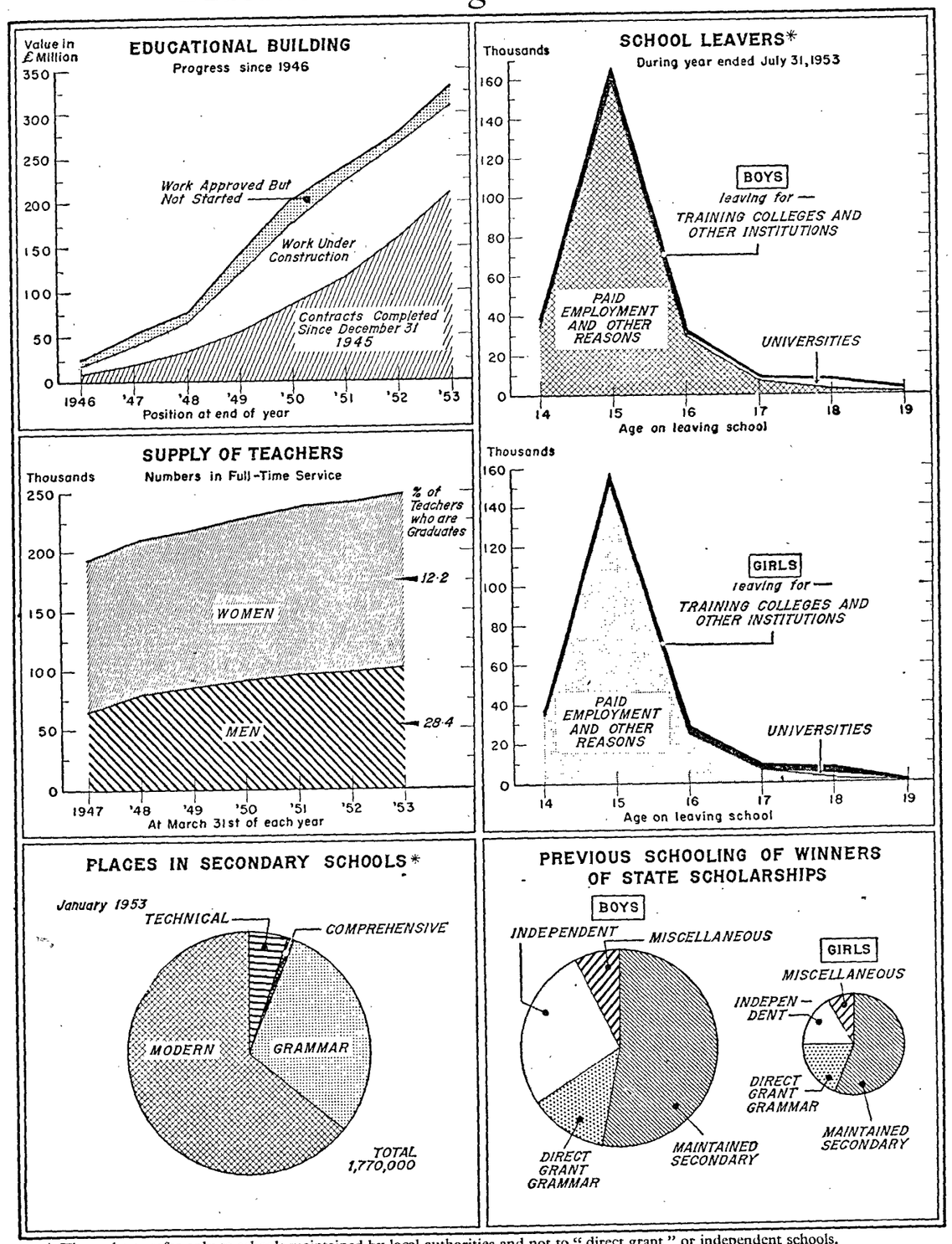
The commission has agreed to meet the unions, although no date has yet been fixed. Once it has rejected, as it must, the demand for the total abolition of lodging turns the militancy in the regions will probably revive. The Transport Commission and also the union leaders (who see the need for the new schedules) may yet have to face the gravest challenge to their authority.

From Malaya to Morocco

THE current of fear and expectation runs far and wide from Indo-China. The shocks are felt in British Malaya, in French Morocco and in independent Indonesia. There and in other countries, they galvanise people and events in a way that calls in question existing policies and, above all, existing timetables for action.

The crumbling of the French position to the north of them is bound to make many Malayans, Malay and Indian

Education in England and Wales



* These charts refer only to schools maintained by local authorities and not to "direct grant" or independent schools.
Source: "Education in 1953." Cmd. 9155. HMSO. 6s.

as well as Chinese, secretly examine their allegiances. It is, after all, not so long ago that Japanese bombers from bases in Indo-China sunk the *Repulse* and *Prince of Wales* and so sounded the knell of Singapore. It is true that nothing dramatic or sudden is likely to occur in the territory, for Sir Gerald Templer, whose two years of office as High Commissioner have just ended, has left it much more secure internally and far better prepared for steady political growth than he found it. But the seeds of a new and rather headstrong Malayan nationalism are showing themselves for the first time in the latest manœuvres of the UMNO-MCA (Malay-Chinese) Alliance, and this movement seems almost certain to gather momentum during the next year or two. Just how fast and how far it will go depends in part on what happens in neighbouring territories.

The success of any movement like the Alliance must depend on the degree of trust that can be placed in British pledges. Do the British genuinely intend to give Malaya fully representative self-government at the earliest reasonable moment? And how soon can that really be? These are the simple and fundamental questions that will be asked. For the present, the Alliance has probably overplayed its hand in refusing to participate in the first federal elections, proposed for next year. It says that Mr Lyttelton, the Colonial Secretary, has not accepted all the demands put forward since its two special representatives, Tungku Abdul Rahman and Mr T. H. Tan, returned from London in May. In substance, after minor but valuable concessions by Mr Lyttelton, these now amount to demands for a wider franchise than formal Federal citizenship; a three-fifths instead of a bare majority of elected members in the Legislative Council during the coming four-year period, and a Royal Commission to look further into the question. Mr Lyttelton has gone quite as far as could reasonably be expected at this stage and, while standing firm on the present arrangements, has asked the High Commissioner to think about a Royal Commission.

A general election will be held in Malaya next year for the first time, and few who understand what an advance this is can fairly cavil at it. But it is not clear to the average citizen of Malaya that this is really intended to be a first step toward a transfer of power. There is a danger that his awakening impatience may be exploited by political gangsters both at home and abroad.

Indonesia Drifts

THE world is apt to forget Indonesia. For the immediate future, it is true, its strategic importance can be exaggerated, so long as the Communist powers in the Far East are relatively weak in the air and at sea. But this vast archipelago, inhabited by more people than there are on the whole mainland of South East Asia, lies at the crossroads of the communications between Australia and the Orient, and between the Indian and Pacific Oceans. By capturing it the Communists would win a most important success. What are the chances? The Indonesians themselves, by no means as united either geographically or politically as the façade of their young state would suggest, have watched very closely the fall of Dien Bien Phu and the abortive meetings at Geneva. Now, while their main desire is to

avoid entanglements and to remain neutral, many of them are seriously afraid that they will fall victim either to Communist pressure from within or to American "imperialism" from without.

It is an open secret that the coalition cabinet of Dr Ali Sastroamidjojo depends not only on its two main elements, the Nationalists (PNI) and the Greater Indonesian Union Party (PIR), but also on Communist support. Neither party has particularly flourishing backing in the country at large, and both want to avoid the long-promised elections, which would almost certainly reduce their representation in parliament. Hence their willingness to flirt with the Communists. There are, however, growing signs of stress within the

cabinet, and the more moderate members of both parties are beginning to realise that the Communists are dangerous allies. They exercise a growing influence on policy and cannot be shaken off.

The Indonesian Communist Party (PKI), with a membership of 100,000 and commanding about 30 seats in parliament, knows that it can bring the government down at any moment. But, having infiltrated the Nationalist party, and arguing that any alternative government would be based on the right-wing Muslim and Socialist groups, the Communists prefer for the moment to go on holding the present position. At their Congress in March, they re-emphasised the two-pronged policy of "partial collaboration" with the government and of a simultaneous "remobilisation and reorganisation of the masses, especially the workers and peasants"; much of this is done through the trade union organisation, SOBSI, which has been deeply penetrated by the party. Indonesia is in a dangerous position and no help can be expected from Djakarta in organising South East Asian defence. At best, the traditional Indonesian indecisiveness will allow the present drift to continue.

New Broom for Morocco

IT was hard luck on the new French Resident-General in Morocco, M. Francis Lacoste, that he should step ashore to take up his new duties in a week so inauspicious for France. But although he had no government at his back and therefore no set policy, he made a brave showing in the inaugural speech which he delivered at Rabat on

Monday. Its tone was decisive, it contained allusions designed to mollify everyone, and it was thought adequate by the many moderates, Moroccan and Jewish as well as French, among his hearers. To the nationalist he uttered the prized words "future independence"; to the French resident he undertook that "all the elements in the population" would play a part in its new legislative institutions; he promised tribal leaders that he would uphold their authority; to those who have been lately walking in uneasy fear of terrorism he undertook that he would exercise his authority to deal relentlessly with terrorists.

He aired the familiar theory that terrorism is "a virus of external origin"; yet he must know that, no matter what its origin, it has spread in conditions that are France's sole responsibility—in the disagreement and indecision which Frenchmen and French cabinets display about North Africa, and in the fillip given to local dissidents by French policy in Indo-China. The proof of his capacity to develop his opening gambit will come only when he takes his first practical steps. Meantime he is beset with handicaps of which the worst are a black-and-tan mood among certain French residents and, of course, uncertainty about the kind of backing he will get from future French cabinets. Without sustained effort from Paris, no Resident-General can make good, however great his personal capacity; the sensitivity of North Africa to cabinet upheavals in Paris is this week well illustrated by the resignation of all the Nationalists in the Tunisian cabinet at news of M. Laniel's departure.

Mission to Buganda

IN spite of all the troubles and disturbances that have lately afflicted Buganda, it now looks as though the constitutional discussions expected to take place between Sir Keith Hancock and the delegation from the Lukiko—Buganda's parliament—will begin as planned. The Lukiko, which has now met again after a recess, has not, as some feared, chosen to use the Governor's dispute with the Uganda National Congress and the imposition of a state of emergency as an excuse for sidestepping this one constructive approach to the present impasse. As a result, there is now nothing to stop the arrival of Sir Keith Hancock next Tuesday.

The credit for this more favourable turn of events cannot be assigned to any one person. In the first place, Mr Kavuma, the senior regent of Buganda's chief minister, has given the Governor consistently firm support in his attempts to end the boycott of goods and the accompanying terrorism through which the Uganda National Congress seemed at one time to be on the verge of throwing the country into turmoil. The Congress has not called the boycott off, and in some parts of the country it undoubtedly has popular support, but the strong action of the chiefs and the police has greatly reduced its political effect.

Mr Mulira, one of the members of the delegation which came to London last November, who was recently appointed adviser in this country to the Kabaka, also played a part. After consulting with Sir Keith Hancock in this country he flew back to Buganda in an attempt to persuade the Lukiko not to wreck the forthcoming talks, which he

now intends to join. He took with him a message from the exiled Kabaka—whose word is still effective in most of Buganda—in which he asked the Lukiko to participate in the talks. That the Kabaka should now adopt so constructive an attitude is very much to his credit.

Reforming the Lunacy Laws

ONE of the most intractable questions facing the Royal Commission on mental illness and mental deficiency occupied a large part of the first day of its public sittings. How can certification be avoided in the case of patients who need hospital treatment but who refuse to receive it?

The witnesses on this first day came from the Ministry of Health and the Board of Control, and their evidence, together with a joint memorandum they had presented to the commission, has now been published (HMSO, 3s.). Their approach to the question of certification starts from the general principle that hospital treatment for mental illness should be as freely available for those willing to receive it as hospital treatment for other forms of illness. In the witnesses' view many people are put off going into a mental hospital because of the formalities involved even for voluntary patients, which stamp them as something different from general hospital cases. If these formalities were abolished, the witnesses thought that more people would be willing to receive treatment. They also proposed that the procedures for unwilling patients should be considered afresh and reduced to the minimum necessary to provide essential safeguards. Under the present law, a patient has to be certified before he can be treated against his will. What the commission and the witnesses discussed at length was whether he should be forcibly treated first, and only certified if at the end of a certain period, say twelve months, he had not recovered and still refused to become a voluntary patient. In other words, to begin with he would be restrained on the advice of a doctor instead of on a judicial order.

Treatment as a temporary patient already exists for those whose illness prevents them from expressing willingness or unwillingness to enter hospital. If it were extended to unwilling patients on the lines suggested, a great deal of certification would be avoided and many relatives' feelings spared in consequence. But the proposal needs very careful consideration before it is adopted. The process of certification is after all designed as a protection against unnecessary detention, and sometimes those taking part in the first day's discussion seemed to be more concerned with a patient's relatives than with his own rights.

Patriotic Prodders in Germany

HERR KAISER, Minister for All-German Affairs, has now launched his "Indivisible Germany" committee, which consists of 126 leading figures in various professions and parties. Its aim is to start a popular movement that

will prod the West Germans into taking an active interest in their compatriots on the other side of the zonal frontier, and in ways and means of achieving German unity. Herr Kaiser and his associates are rightly worried by the evidence that the East Germans are becoming estranged from the west, which shows so little interest in them. It will be an excellent thing if something is done to keep the Easterners in touch with life in a free democracy ; but that is as far as the "Indivisible Germany Committee" should go. To whip up nationalist feeling in the West can do nothing but harm. Given the circumstances, which show little hope of reuniting Germany in freedom with Soviet consent, it is a blessing that the west Germans have hitherto allowed negotiations to be conducted by allied statesmen and Dr Adenauer without making demonstrations and popular demands based on unrealistic wishes. The very title used by the new committee—*Volksbewegung*—has a sinister ring, particularly when it is noted that its manifesto mentions the territories east of the Oder-Neisse as well as the Soviet Zone.

Another move pointing to trouble has been made this week in Bonn. Dr Ehlers, speaker of the *Bundestag* and leading Protestant member of the Christian-Democratic party, has cast his deciding vote in favour of holding the coming Federal presidential election in Berlin. This move is unwise for several reasons. It increases French suspicions ; it undermines the authority of the Federal Government in Bonn, and it conflicts with the status of Berlin as an enclave which is still theoretically under four-power control. Only while this status is maintained can the western powers claim the right to occupy their sectors of the city. Dr Adenauer and his closest supporters doubtless see the point of these objections, but they cannot be expected to go on record as opponents of an apparently patriotic gesture.

"Five Minutes After Britain"

THE confusion that has long existed about Germany's policy on convertibility is being cleared away, in the course of preparations for the meeting of OEEC ministers in London next month. For a long time it was not understood in Britain what the Germans mean by the word—a great deal more than Mr Butler aims at for sterling. They are not interested in giving only to foreigners the right to convert their D-marks. They want Germans to be able to move their capital out of the country if they wish. The British idea of limited convertibility for non-residents only is therefore rejected. But that does not mean they intend to adopt exclusively the other example of partial convertibility—the Swiss type. Herr Abs gave a warning that this would be a disaster for German exports. No country, he has pointed out, is so balance-of-payments-conscious as the Swiss. Here, too, German aims have been misconstrued abroad, as some of the steps that have actually been taken to lift exchange controls have tended to make the D-mark a second Swiss franc.

The Germans' actual policy can be simply stated. It rests on the conclusion that the D-mark is already ripe for full convertibility, but that the final plunge cannot be taken yet. They aim at continuing their step-by-step progress towards both types of convertibility—British and Swiss. They will do so now in consultation with other nations, including the weaker brethren. Their banking authorities are fully aware of the dangers, and will avoid any move that might involve placing a large proportion of imports under fresh quota restrictions. The Germans are committed to continued liberalisation. But they see that American policy will decide the fate of convertible European currencies, and they will not take the last steps to complete freedom until they have some greater assurance than exists at present that German exports will be able to meet American competition in the days to come.

Many of the past doubts about German policy have been due to the fact that Dr Erhard, the Minister of Economics, has represented his country at the meetings of the OEEC and the European Payments Union, and has received much more publicity than the authorities of the *Bank deutscher Laender*, in whose hands the future of the Deutschemark actually lies. The impetuous minister gave the impression abroad that Germany was about to "go it alone" and free the D-mark from all controls in one bold stroke. His policy and his criticism of the EPU were not shared by the guardians of the D-mark, though the difference between them was only one of degree and not of principle. Though there was never any danger of Germany taking precipitate action, it is all to the good if Dr Erhard himself now accepts the convertibility slogan of Herr Abs—"five minutes after Great Britain."

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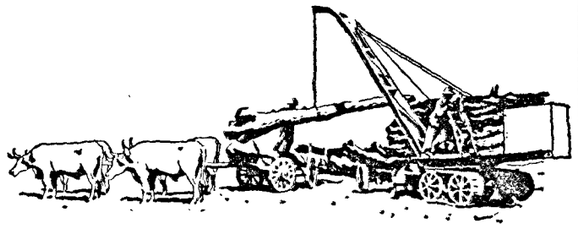

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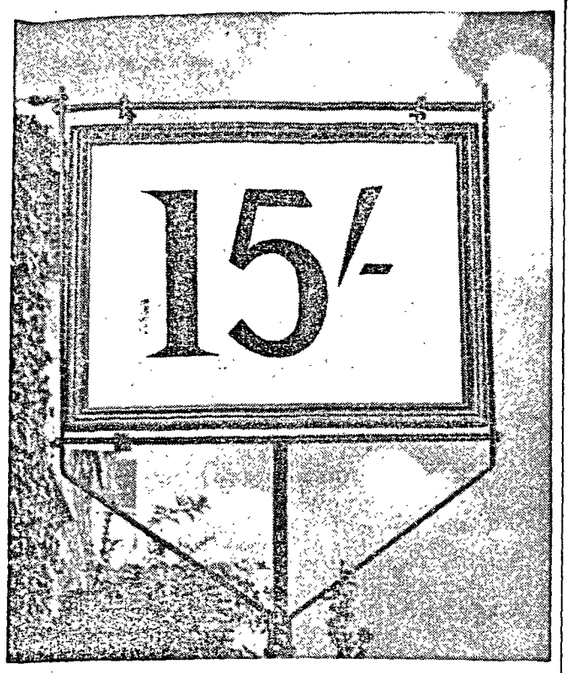

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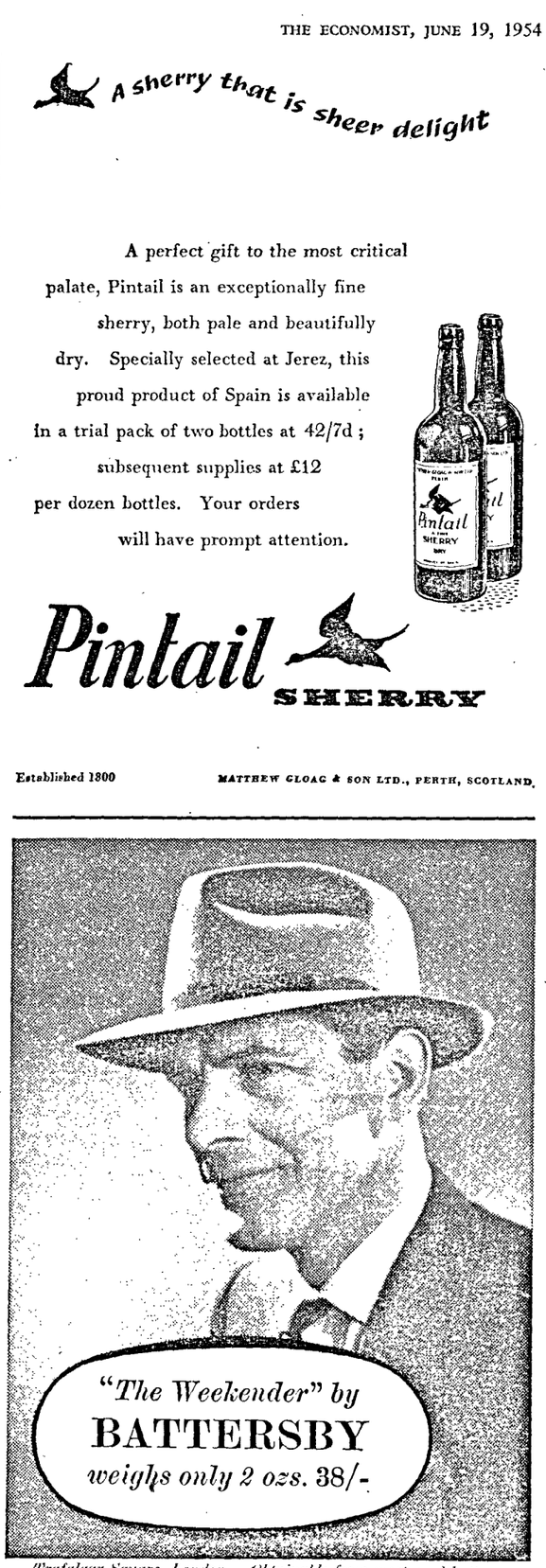

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Malan Defeated

IT is no surprise that Dr Malan's Bill, which would have removed some 48,000 Coloured Voters from the common electoral roll, failed to get the required two-thirds majority vote in parliament. The Bill was doomed as soon as it became clear that only some seven defections from the Opposition could be mustered to support it. Not even the last-minute compromise offered by the government, which would have left enfranchised those Coloureds whose names were on the existing roll, could do more than entice the six rebels (one was absent) into the Nationalists' lobby. The United party, though shrivelled in numbers, stood firm.

The Nationalists bullheaded determination to push the issue through to the end, even though defeat was certain, may prove to be a serious mistake. For the United party has, since taking up its firmer stand, been gathering much moral, and some voting, strength. The recent by-election at Standerton—the seat that Smuts lost in the 1948 landslide—was, as everybody expected, won by the Nationalists; but though their majority was increased, the swing, even by their own admission, was disappointingly small. Standerton is virtually one hundred per cent Afrikaner. As Mr Strauss observed, the real loser was the United party rebel group, for an impressive number of *platteland* Afrikaners turned out to vote against Malanism.

Unpleasant surprises may yet be in store for Dr Malan in the coming provincial elections. He is hoping for a clear-cut vote of confidence which will give him courage to renew his assault on the constitution. He may be disappointed.

Egypto-Saudi Front

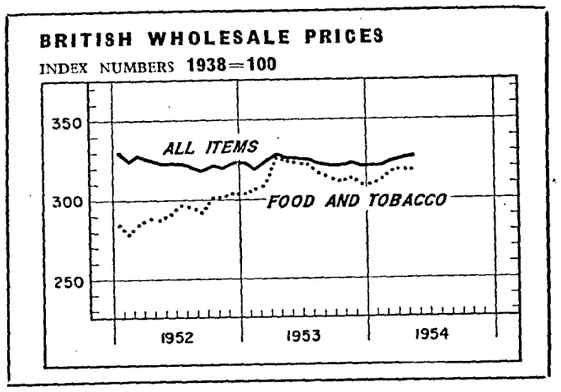
LAST week Major Salah Salem of the Egyptian *junta* visited Saudi Arabia and, while there, agreed with King Saud that their two countries would in some way pool their defence resources. Any working arrangement for such sharing necessarily entails some surrender of sovereignty; the very idea of a pool is therefore surprising in the case of two countries so wedded to their sovereignty as the Middle East's two leading oligarchies. Major Salem admitted, on his return to Cairo, that the agreement was so far only verbal; no practical plans had been laid. None need necessarily follow, for it is clear that the principal purpose of his statement was to vaunt Arab solidarity and by so doing to ward off the inclination shown by other Arab League members—notably Iraq and Lebanon—to buy arms from the West. In Egyptian eyes the path they are treading leads straight to alignment with the Turco-Pakistani pact. Not only Iraq and Lebanon, but also Jordan and Syria are being accused by Cairo radio of "deserting the cause of Arabism."

Egyptian and Saudi objections to Arab links with the Turco-Pakistani pact spring from different motives—both of them parochial. Egypt thinks that any bargain struck by an Arab state with the West weakens Egyptian bargaining power *vis-à-vis* Britain on the Canal Zone issue. The Saudis are concerned only about Iraq, which, for traditional and dynastic reasons, they do not wish to see converted by western aid into a well-armed power. The Middle East, always a great place for anomalies, has seldom produced one better than the sight of two regimes with everything to lose by the advance of Communism combining to thwart the extension of an anti-Communist front.

The Treasures of Chatsworth

THE Chatsworth estate, with its famous and now unique private collection of art, may yet be saved for the nation from sale and dispersal. The estate is only the latest of a long line of famous properties that have been ruined by the present crippling burden of taxation; but the sudden death of the late Duke of Devonshire in 1950 made the case a particularly harsh one. Owing to a flaw in the legal arrangements, the trustees were saddled, by a court ruling, with the full 80 per cent duty liable on the shares of the company which technically ran the estate, rather than with the reduced rate—about half—which is allowed as a concession to owners of agricultural land as such, and which can be paid off on an instalment basis. The trustees have now decided to drop their appeal against this decision, and, instead, negotiations are afoot with the Treasury direct. As a result, the property, and the collection, may be taken by the nation as part of the settlement.

It is now common form that everything possible should be done to stop the gradual destruction of Britain's heritage of historic houses. Probably the best, and—in terms of work done—the most economic, course would be to allow preferential tax treatment to the owners, if they put their own houses in order. But if the Treasury fights shy of being presented with so blank, and undemocratic, a cheque, it should at least make use of such powers as it possesses to preserve these heirlooms itself. Under the 1946 Finance Act it has authority to accept property in payment for death duties, and this sanction was extended by the 1953 Act to allow objects—such as the old library, the statues, drawings and pictures at Chatsworth—to be included in this payment in kind. This extension to its power has not yet been used, and art lovers everywhere would welcome a decision that Chatsworth, which has already suffered heavily from bad luck, should set the first precedent.



Letters to the Editor

The Bomb at Lancaster House

SIR—Referring to the article in your issue of June 5th, I wish to draw your attention to the fact that in it there is some inaccuracy leading to a distortion of the position of the Soviet Union regarding the question of the prohibition of all types of weapons of mass destruction, of the reduction of conventional weapons, and of the establishment of strict international control over the implementation of this prohibition and reduction.

I am enclosing herewith for your attention and for a possible publication of necessary corrections a copy of the draft resolution submitted to the United Nations Assembly by the Soviet Union on September 21, 1953, and the text of the Soviet Government's statement of December 21st concerning President Eisenhower's speech of December 8, 1953.—Yours faithfully, Y. MALIK,
Ambassador of the USSR

London, W.8

[This letter is the subject of a Note of the Week on page 957. The documents to which Mr Malik draws attention are, unfortunately, too long to be reproduced here; but both were, of course, published on the dates cited and are available to the general public.—EDITOR.]

New Peaks in Cocoa

SIR—In your business note "New Peaks in Cocoa" in the issue of May 29 you suggest that the cocoa farmers of the Gold Coast might be encouraged to produce more cocoa if they received a larger share of the present very high world price for cocoa.

There are, however, a number of difficulties which could well develop from such a decision. It is not certain whether cocoa farmers in the Gold Coast would automatically increase production in return for the prospects of higher income. They might even produce less. Even today, without the proposed increase, there is a tendency for less work to be done as a result of the farmer's present income, which, by Gold Coast standards, is high.

While the gain to the economy is thus uncertain, other disadvantages seem almost inevitable. Larger monetary incomes unmatched by a quick expansion in output tends to inflation which the Gold Coast, unlike so many other primary producing countries, has so far been able to avoid. If the gap were filled by greatly increased imports of consumer goods, it would almost certainly be necessary to cut back imports of capital goods essential for the strengthening and expansion of the whole economy. The balance of the cocoa price which is not paid to the farmer is now being used to finance the Gold Coast basic development plan. When the need to create more capital in Britain has been so strongly advocated in *The Economist*, it would appear somewhat inconsistent to advocate steps which must weaken the capacity to save in the Gold Coast, where the need for capital is even greater than in the mature British economy.—Yours faithfully,

YOUR ACCRA CORRESPONDENT

Next Step for Sterling

SIR—In your article of June 12 you show clearly some of the dangers of premature convertibility, even if it were limited to non-residents. May I mention one further reason for caution?

If sterling were made convertible for non-residents there might well be growing pressure for similar privileges for residents. If we were to allow foreigners with sterling to draw freely on the gold and dollar pool in London, then why, it would be argued, should an Australian or a Briton or an Indian not draw on them freely as well to buy dollar manufactures, to travel in North America or to transfer part of his capital to Canada? Should not charity begin at home?

If this is a real danger, sterling should not be made convertible for non-residents until we are strong enough to stand the strain both of such convertibility and of a substantial extra measure of "convertibility" for residents as well.—Yours faithfully,

DONALD MACDOUGALL
Nuffield College, Oxford

Books & Publications

Choosing America's Leaders

PRESIDENTIAL NOMINATING POLITICS IN 1952. Five volumes.
Edited by Paul David, Malcolm Moos and Ralph Goldman.
Johns Hopkins Press, Baltimore. 1,630 pages. $17.50.

THE hundred and fourteen anti-masonic delegates who met in Convention at Baltimore in September, 1831, and nominated candidates for the Presidency and Vice-Presidency of the United States, may not have succeeded in their immediate objective of getting their men elected, but they certainly inaugurated an American institution of enduring potency. With every subsequent leap year the nominating conventions of America's major parties have attracted a steadily mounting share of public attention, until in 1952 the gaze of the whole free world (and many a peeping Tom behind the Iron Curtain too) stared down upon the "International Amphitheatre" in Chicago.

Yet for all the millions of words of reporting and analysis that presidential conventions have evoked, little scholarly effort has been devoted to discovering exactly what precedes these gatherings and what shapes their conclusions. These crowds of perspiring delegates who select America's leaders—where do they come from, what are they like, what do they do? The American Political Science Association thought that 1952 was a good year in which to ask these questions, and with the aid of members in the forty-eight states and $70,000 from American research foundations set about finding some answers. Their conclusions fill five tightly compressed volumes, the first giving "The National Story" and the other four dealing successively with the delegations from each region of the United States, the North-east, the South, the Middle West and the far West.

One rises from a first perusal of these volumes with a fresh, overpowering awareness of the complexity of the American political process. On a British reader, at least, their first effect is to produce a sobering realisation of how irrelevant to the vast and sprawling complexities of American democracy are the neat and tidy patterns of our own party contests—patterns that are proffered quadrennially for American imitation by eager exporters of the British way of strife. No two of the forty-eight states that are analysed here (to say nothing of Alaska, Hawaii and Puerto Rico) go through the same motions of selection and direction of their delegates, and seldom, if ever, are these motions simple or swift. In Tuscaloosa the Republican county convention "met in a dentist's waiting room" and 25 Republicans were present; in Illinois "about 6,000 persons . . . attended the gathering in the Springfield National Guard Armory, although 3,150 was the maximum official convention membership." In Vermont "Mrs Cora Robinson, a milliner of Barre, received the nod of the leaders after her husband mentioned to the county committee-woman that his wife wished to attend the convention"; in Illinois two Taft supporters were elected "largely because Colonel McCormick called in every one of the ward committee-men . . . and told them that under no circumstances were these two to lose." In Delaware the Republican state convention "had the atmosphere of an orderly and sedate social function"; in Texas the "general atmosphere" of the Democratic "Loyalist" convention "was a unique mixture of a western religious camp meeting . . . a labour union picnic, and a Tammany Hall clambake without the clams."

The essentially confederate—one might almost say pre-federate—structure of the American parties is vividly brought out in these reports. State rights, whatever their fate in the national governmental process, are a living reality in the American party system. The result is a diversity that defies generalisation. When the editors of the report come to tabulate their conclusions there is not much they can say that is of universal applicability. They state the arguments for and against a national presidential primary with a clarity and completeness greater than can be found elsewhere, but they do not feel called upon to advocate it as a necessary reform. Indeed, in the main they agree with their colleagues who reported on the delegations at the state levels, that for the most part the state delegations pretty well represented at Chicago the sentiments of their party members back home; and this despite the fact that the delegates were often chosen by undemocratic and even arbitrary processes, and that a factor in their selection was often their ability to pay their own expenses.

In part, of course, this is just a particular manifestation of the pervasively middle-class character of American politics. But it is also a tribute to the continuing skill of the American politician, even at the lower levels, in translating the imperfectly formulated preferences of his constituents into acceptable candidacies. One thing does emerge pretty clearly; this politician is no longer, as he once was, the professional political machine-minder. Although the inquiry was surprisingly unsuccessful in getting comprehensive information of a "Who's Who" kind on the delegates, its findings do demonstrate that the amateur, that is, the part-time politician, is far more numerous than he used to be, and that when he turns to a professional for leadership and guidance, that professional is now more likely to be an advertising expert or a public relations man than the old-style Tammany boss. Politics have become too important to be left to the politicians.

The report, clear and illuminating on the convention proceedings themselves, has oddly little to say about their most novel feature, their tele-visibility. Indeed both press and radio, considering their enormous role in the politics of a convention year, are rather lightly treated in these compendious pages. But there is generous compensation in the wealth of particulars about "straight" politics. Here can be read, in fact-studded detail, the political face of the "new" South, from the Mississippi negro chairman with $500 in cash under his coat to the Texas oilmen backing their fancy with millions. In Wyoming there is the politics of conservation, in Nevada the battle between McCarran and Hank Greenspun, in Massachusetts the irrepressible Curley, in Wisconsin a Democratic Party that actually collects membership dues. All the rich fauna and flora of 1952, much of it going to be still vital and potent two years from now, has been rescued here from oblivion. The sum total is a notable achievement and one that its sponsors should not hesitate to repeat in 1956.

Battle of the Bookkeepers

ENGLISH ACCOUNTANCY, 1800-1954.
By Nicholas A. H. Stacey.
Gee. 312 pages. 25s.

A HISTORY OF THE CHARTERED ACCOUNTANTS OF SCOTLAND.
The Institute of Chartered Accountants of Scotland. 183 pages.

THE publication of Mr Stacey's book happily coincides with the centenary of the Institute of Chartered Accountants of Scotland, the oldest existing organisation of accountants in the world. The history of this organisation is ably told in a book issued by the Institute itself. This is frankly a commemorative volume. Mr Stacey, on the other hand, has not written a book merely to celebrate an occasion, even though much of its text is occupied with the often vexed relationships of the various professional organisations. He is too severe a critic of the profession, though a friendly one, to be its panegyrist. As he is not afraid of grinding his axes (accounting research and the lack of unity within the profession are two of them) his narrative seems at times to be rather long-winded; and by concentrating on institutional history he has neglected the development of accounting techniques. For all that, he has written a sober piece of economic history and, as accountancy is linked throughout with the changing economic and social conditions of industrial Britain, he deserves an audience wider than the ranks of the profession itself.

Long before the principle of limited liability was given full recognition in this country, Sir Walter Scott's nephew ignored his uncle's advice and "went for a soldier," instead of becoming an accountant. Yet if he had chosen the ledger, he would have found enough battles being fought. Mr Stacey is largely concerned with these struggles, particularly the dissensions within the profession. The need for adequate training and qualifications was recognised quite early in the history of British accounting, and as the profession grew in numbers so too did the number of professional organisations multiply. Every time the establishment of a register of "qualified" accountants was mooted, a fresh crop of these organisations sprouted. Some of them were of dubious origin, not requiring their members to put their abilities to a test in an examination; though many of them tightened up their standards of entry and qualification later on, a few of them deserved the criticisms that the older organisations poured upon them. When, however, the new organisation filled an obvious gap in the growing profession—as, for example, by providing suitable qualifications without forcing the entrant to take out articles—then the derision with which the well-established organisations greeted them could politely be put down to innate conservatism and less politely to a desire to establish and maintain an effective monopoly in the more remunerative branches of the profession.

Other struggles were going on at the same time. There was the growing demand for more informative accounts from public companies. Here the pressure came from outside the profession. (A reviewer in these columns can perhaps be excused for noticing the part played in this struggle by the late Lord Stamp and by *The Economist* itself.) For

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far too long the accountant was content to be the servant of the entrepreneur by refusing to recognise the divorce that had taken place between capital and management. It took the Royal Mail case and the 1948 Companies Act to set matters to right—and, even now, there is more that could be done. Research, standard cost accounting, management accounting, changing money values and the growing preponderance in the profession of the non-practising accountant are among the problems that will be fought over in the future. It is a tribute to the profession that these issues are very much alive and to Mr Stacey that he has set them squarely before his readers. Implicitly, he offers a challenge to the profession. In the past, it has been conservative and slow in reacting to the pressure of events. Need it always remain so? In the future, the accountant could become the servant of bureaucracy. Or should he be its mentor?

"Van's Genius"

THE IMAGINATION OF VANBRUGH AND HIS FELLOW ARTISTS.
By Laurence Whistler.
Batsford. 284 pages. 73s. 6d.

> Van's genius, without thought or lecture,
> Is hugely turn'd to architecture.

THE couplet is from Swift's satirical verses ridiculing the house which Vanbrugh built for himself in Whitehall. Is hugeness in domestic building destined to occupy a relatively short period of architectural history? Hatfield House, Blenheim Palace, and the larger Adam houses, are spanned only by some 170 years. A different cult of hugeness built the 80,000 tons Atlantic queens, which cannot reign for more than a limited number of years and may have no successors.

Mr Whistler, poet, architectural historian and exquisite engraver of glasses, has obviously found a most congenial theme in versatile Vanbrugh. His "Sir John Vanbrugh, Architect and Dramatist, 1664-1726," published in 1938, delightfully portrayed the architect, the playwright who created one of the Restoration Comedy's most memorable characters—Lord Foppington in *The Relapse*—the Captain of Marines, and the fine gentleman of the Kit-Cat Club. This book, presenting newly discovered material in the shape of Vanbrugh letters and recently identified drawings in the Victoria and Albert Museum, traces Vanbrugh's development as an architect in relation to his associates, Wren, Hawksmoor and Gibbs, together with such collaborating garden designers as Wise, Switzer and Bridgeman.

Mr Whistler steers the reader through the stages of Vanbrugh's progress on the mighty mansions of Castle Howard, Blenheim and Seaton Delaval, without neglecting his smaller projects. The 140 illustrations include splendid photographs, plans, and early engravings. An age intoxicated with the thrills of building vast houses lives again in some of the letters quoted. Writing on December 25, 1699, to Lord Manchester, a fellow member of the Kit-Cat Club and afterwards his patron at Kimbolton, Vanbrugh is full of his work for Lord Carlisle at Castle Howard:

> I have been this summer at my Ld Carlisle's, and seen most of the great houses in the north, as Ld Nottings: Duke of Leeds, Chattesworth, etc. I stay'd at Chattesworth four or five days the Duke being there. I shew'd him all my Ld Carlisle's designs, which he said was quite another thing, than what he imagin'd from the character yr Ldship gave him on't; . . .

Discussing Kimbolton's recent adaptation as a school, Mr Whistler, a Stoic, makes this revealing comment: "Some have enquired whether schoolboys derive special benefit from algebra under a gilded ceiling, or from *Coriolanus* between the columns. To have spent five years at Stowe is to know the answer to that question."

Woman Regent

MARGARET OF AUSTRIA.
By Jane de Iongh. *Translated from the Dutch by M. D. Herter Norton.*
Cape. 218 pages. 18s.

THE sixteenth century is the great age of women rulers. Hapsburg, Medici and Guise, Tudor and Stewart—each provided at least one example of a woman of forceful temperament and physical endurance with a strong interest in politics, who for good or evil was the unquestionable ruler of part of Western Europe. It would be curious to speculate why this should never have happened before, nor ever have happened since. It was one of the unexpected outcomes of the dynastic principle, when women profited by their freedom from the accidents of battle and their relative freedom from the accidents of the chase—relative only, as witness the premature death of Margaret of Austria's mother, the Burgundian heiress Mary.

Margaret of Austria herself, married in childhood to Charles VIII of France and then repudiated for the sake of the annexation of Brittany, was successively and briefly the wife of a Spanish and a Savoyard prince. She was widowed for the second time at the age of 24, and only at that point began her historical existence as regent of the Netherlands, first on behalf of her father, the Emperor Maximilian, and then on behalf of her nephew Charles V. The period is one that lends itself to the personal and intimate biography of which this is an example, for it was then that the personal letters of sovereigns for the first time enable one to make out their personalities, and it was then that the genius of the portrait painter was at its highest. The illustrations in this book are revealing; one could have wished for more of them. It would also have been a help to all but the expert reader to have had a map of the Netherlands. For in so far as the work suggests the historical theme, it is that of the attempt to keep the Burgundian-Netherlandish inheritance as a political unit and prevent it from being the pawn of either the German, Spanish or French ruler. If the enterprise had succeeded, the history of Europe would have been very different. That it failed was not, the author suggests, the fault of the Regent Margaret. This is a pleasant book, but not a deep one.

The Church on the Plains

THE CHURCH IN ENGLAND, 597-1688.
By S. C. Carpenter.
John Murray. 521 pages. 40s.

THIS book is a view of the Church of England from a highish but liberal Anglican: not uncritical (though he does believe that Gregory the Great made a pun about angels), widely read, humane, serene; a man liberal in the best sense, knowing his George Eliot and his Browning as well as he knows his Keble and his Hooker; a man with the tolerance and friendliness, though without the quaintness of style, of Thomas Fuller, who is one of his heroes.

For a cleric who has been Master of the Temple and an eminent upholder of the Christian social movement, he is markedly attached to the country rather than the town, the villager rather than the courtier, the quiet parochial priest rather than the episcopal defender of ecclesiastical polity. The men who warm his heart are the country parsons, especially if they are poets like George Herbert. One feels that he likes everyone with a mellow and unsentimental affection—he admires Campion on the right and Ridley on the left as much as he admires the Hookers and Lauds with whom he is himself in agreement. But he cannot quite bring himself to like the Puritans or to reveal to the reader the deep roots of their strength.

In truth there are few mountains and valleys in this story—even through the Reformation the car is driven without anything more perturbing than a lurch and a bump from the uneven surface. Even though he makes Archbishop Whitgift hang one more Puritan than he really did, you feel somehow that it does not much matter. You sympathise but mildly with the Rector of Stockley Pomeroy, who had to leap out of the window in his shirt and hide for three days and nights in a furze-bush. The reader will not be moved except in rare passages like the account of Cranmer's trial and burning. Nor will he understand any more than he did before of the passions and the lusts of humanity, the enthusiasms and fanaticisms secular or religious, the pendulum and the profundity of philosophical and theological thought. But he will enjoy a book that is sane, pleasant, entertaining, and permeated by a gentle and humorous pride in the venerable institution that it describes.

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American Survey

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

Fission and Fusion in Congress

Washington, D.C.

THE leaders of the "Citizens for Eisenhower" movement met in Washington last week to decide how best they could persuade Democrats and independents who voted for Mr Eisenhower in 1952 that his policies will be furthered if they vote for Republican candidates for Congress next November. President Eisenhower himself made an urgent plea for Republicans already in Congress to provide some substance for this argument before July 31st, on which date they are hoping to wind up the session and dig into the grass roots. He demanded that they get on with the "progressive, dynamic" programme without which, he once said, the Republican party "does not deserve to remain in power." His remedy was for "less political fission and more political fusion," and nowhere does it need to be applied more than in the higher ranks of his party in Congress.

It is fission, not fusion, that characterises the attitude of Mr Daniel Reed, chairman of the Ways and Means Committee of the House of Representatives, towards the President's foreign trade policies, of Mr Clifford Hope, chairman of the Agriculture Committee, towards his farm policies, and of Mr Leo Allen, chairman of the Rules Committee, towards his wish to continue a limited programme of public housing for families with very low incomes. Mr Allen has parted from the President on public housing to such an extent that he issued instructions to the delegates from the House who are trying to reconcile their Housing Bill with the different version passed by the Senate that on no account were they to move an inch from the House's resolve to abolish the public housing programme altogether. Mr Hope, with the backing of his committee, gave advice which the President paraphrased in his speech to the Citizens when he explained that

> the sensible thing to do, I have been told, over and over, was to close my eyes to the damage the present farm programme does to our farmers and the rest of our people—and do this job of correction next year.

To this advice Mr Eisenhower replied in words that most of his admirers would like to see him use more often.

> In this matter I am completely unmoved by arguments as to what constitutes good or winning politics. And may I remark that though I have not been in this political business very long I know that what is right for America is politically right.

It does not, however, seem that Mr Eisenhower has given this kind of answer to Mr Reed, even though the President was saying as late as March that "if we fail in our trade policy, we may fail in all." Whereas the President has repudiated Mr Hope's reaction to his "dynamic" policy for agriculture—that no more be said of it until the election is over—he has endorsed the "compromise" whereby Mr Reed, who would really much prefer to be introducing fresh protective tariffs, has sponsored a Bill continuing the present Reciprocal Trade Agreements Act for another year. Little, if anything, further in the way of legislation implementing the Randall report on foreign economic policy is to come this year.

There is of course at least one essential difference between farm policy and trade policy. The basic principle of the President's farm policy—that agricultural price supports should be flexible and not high and rigid—is already part of the law and will automatically be applied next year if the law is not amended. If Congress decides to amend the law in a way that is unacceptable to the President, he can veto the Bill and thus automatically get what he wants, provided Congress does not over-rule the veto. The President holds no such strategic position in regard to legislation on foreign trade, but while the Democrats expect to gain electoral advantage from the President's determination on his farm policy, they are also hoping to make profit out of his retreat on trade policy. By giving way on so many other things Mr Eisenhower calls attention to his stand on agricultural prices, yet because this is so isolated an instance he will probably fail to reap the benefit of having rejected political advice in favour of economic principles.

*

The Democrats' position on trade was made clear last week by a well-planned demonstration on the floor of the Senate. Mr Gore of Tennessee, a fellow townsman of Mr Cordell Hull, the originator of the policy of reciprocal trade agreements, called attention to the Randall report and President Eisenhower's former insistence on the urgency of taking action on it. He was endorsed by practically the whole Democratic membership of the Senate including the minority leader, Senator Lyndon Johnson, who is in the unusual situation for a minority leader of commanding a majority of one, and Senator Wayne Morse who is in a position to increase that majority to two. Their enthusiasm for the President's views on trade, they intimated, was such that they would move to incorporate his proposals on the subject into the next Bill reported out by the Senate Finance Committee, since tariffs are a tax matter. The Bill in question is likely to be the monumental measure

codifying the innumerable laws affecting the internal revenue.

The full circle of this irony has been completed by the fact that the President's closest advisers, to judge from the speeches of two of them, have evidently decided that, as the electorate cannot be given much of the President's programme on account, the Democrats must be blamed for this failure. This thesis can, in practice, be supported by only two instances when measures were defeated because the Democrats voted together as a party; on both occasions, however, the two wings fused for opposite reasons. Statehood for Hawaii is now a lost cause for this year because it was tied in the Senate to a Bill giving statehood to Alaska which the House will not accept. Some Democrats wanted both states in the Union, some wanted neither, while the Taft-Hartley Labour Act will also not be amended because northern Democrats wanted to insert a clause against racial discrimination and southern Democrats wanted to avoid such a clause at all costs.

Although these are the principal measures that have been lost in voting, many more items on the programme will be lost because lack of enthusiasm for them in the appropriate committee or in the Rules Committee will prevent them ever being voted on at all. It would, however, be a mistake to exaggerate this sluggishness. It is true that only one major piece of legislation—the Bill authorising the United States to participate in building the St Lawrence Seaway—has passed into law. But the Appropriations Bills are ahead of schedule and a number of other measures are progressing sufficiently well to make it seem probable that they will be passed before the session ends.

These include, besides the Atomic Energy Bill and the technical tax revision Bill, two main classes of legislation. There is what the President's script writers have called "a potent package of protection against subversives," Bills dealing with wire-tapping, keeping Communists out of defence plants and so on. Secondly, there is a group of welfare Bills, covering housing, unemployment insurance and old-age pensions. These build closely on existing models and, if passed, they at least will provide good examples of fusion instead of fission in politics. By tidying up and extending the coverage of existing social security schemes the Republicans in Congress will in effect be ratifying those achievements of the New Deal which the Citizens who voted for Eisenhower had no intention of repudiating.

California on Party Lines

FROM A CORRESPONDENT IN SAN FRANCISCO

LAST week seems to have seen the end of the most unusual of California's many extraordinary political customs, the habit by which registered Democrats, while outnumbering the Republicans in the state by three to two, have persisted in nominating Republicans as their candidates for state and national office. This paradox was the outcome of California's unique cross-filing system; this permits members of any party to run as candidates, not only for their own party's nomination but also for the nominations of any or all other parties, in the primary elections in which voters choose their party's candidates for the offices to be contested in general elections.

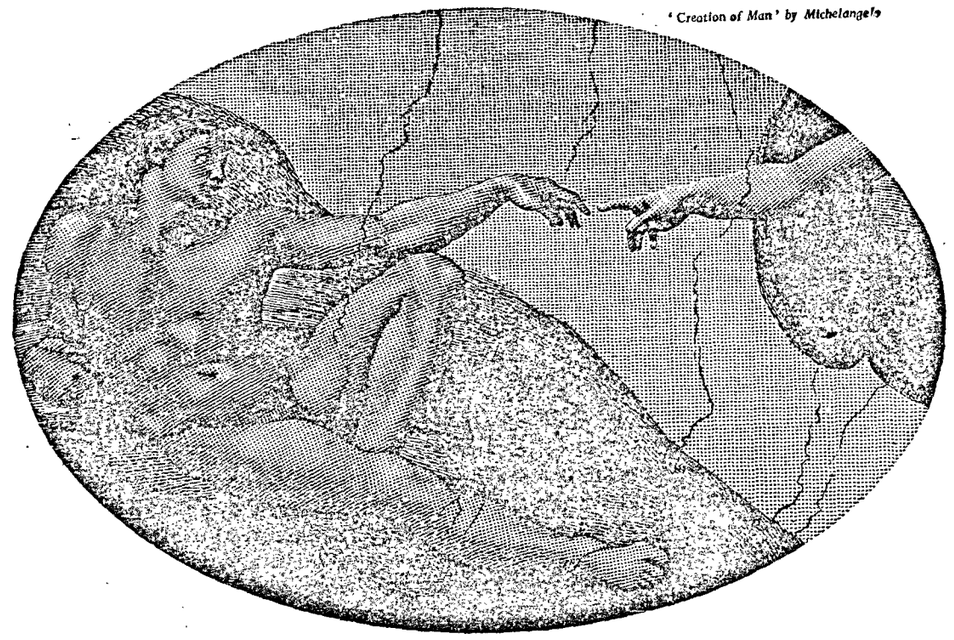
In 1952 an attempt was made to abolish this right of candidates to file their names on both party ballots, but in the end it was required only that the names should be accompanied by party labels. In last week's primary, for the first time since these elections were instituted in 1913 in order to break the hold of the party bosses on California, Democrats voting for Republicans who had cross-filed did so with their eyes open. Many of them still did it, but nevertheless a full list of Democrats won their party's nomination. In November Californian voters will have a choice between a Republican and a Democrat for Governor and Lieutenant-Governor, for US Senator, for all but four of the state's thirty congressional seats, and for all state officials except the Attorney-Generalship; for that post Mr Edmund Brown, the only Democrat now in office in California, was renominated by both parties. In 1950, the last non-presidential election year, about 90 of the 140 contests were decided in the primary elections in June, as the result of one candidate securing both nominations; this year all but ten will still be at stake in November.

★

It is plain, from this first test of the new voting regulations, that they are dividing California on clear-cut party lines and that the whole non-partisan pattern of the state is changing. It is a pattern that flourished particularly during Mr Warren's eleven years as Governor, for he drew his support from Democrats and independents as much as from Republicans, and that began to break as soon as he went to the Supreme Court and was succeeded by the present Governor, Mr Goodwin Knight. Mr Knight had been the leader of the right wing Republicans in California, who never ceased to complain about Mr Warren's indifference to party concerns. Mr Knight opposed his predecessor's social welfare and budget policies and since he took office he has had no qualms about dipping into the state's reserve funds to meet current needs. He may not be the extreme reactionary some Republicans would like, but he is conservative enough to please the oil and public utility interests, the American Medical Association and almost the entire press of California.

Against this formidable coalition and the rollicking, joke-cracking good humour of the new Governor, the Democrats put up a disciple of Mr Warren, Mr Richard Graves, personable but not colourful, an administrator rather than a politician. He was picked, almost in desperation, by a few conservative Democrats, and only rejoined the Democratic party just in time to enter for the nomination this spring. He therefore began without united support, or even wide acquaintance, within his party, without funds to match the $1 million which Mr Knight is reported to have spent on his primary campaign, and without the help of any major newspaper. His running-mate, Mr Roybal, the Democratic candidate for Lieutenant-Governor, was equally obscure, being well-known only to the Mexican-American colony in Los Angeles, but he at least was the choice of the left-of-centre elements in the party.

These two virtual unknowns polled very nearly one million votes each, while Mr Yorty, the Democratic Congressman who is running against the Republican Senator Kuchel, polled some 700,000 Democratic votes against Mr Kuchel's 400,000; Mr Kuchel, however, did well in the Republican primary. Finally, the two Democratic candidates who were officially repudiated by the Democratic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Life is a dream, a jest, a burden, we have been told; it has even been called 'a long headache in a noisy street'. It can be all these things; and it can be more. Life, for anyone, is first of all an opportunity; to dream if we wish, or to create; to plod along, or to soar; to complain, or to serve.

The lives of organisations can be as various as those of individuals. Some follow placidly in the steps of centuries; others must ceaselessly advance if they are to survive at all. But in the industrial world of to-day, there is no such choice of philosophy: each industry must constantly be seeking new methods, new tasks, and new markets.

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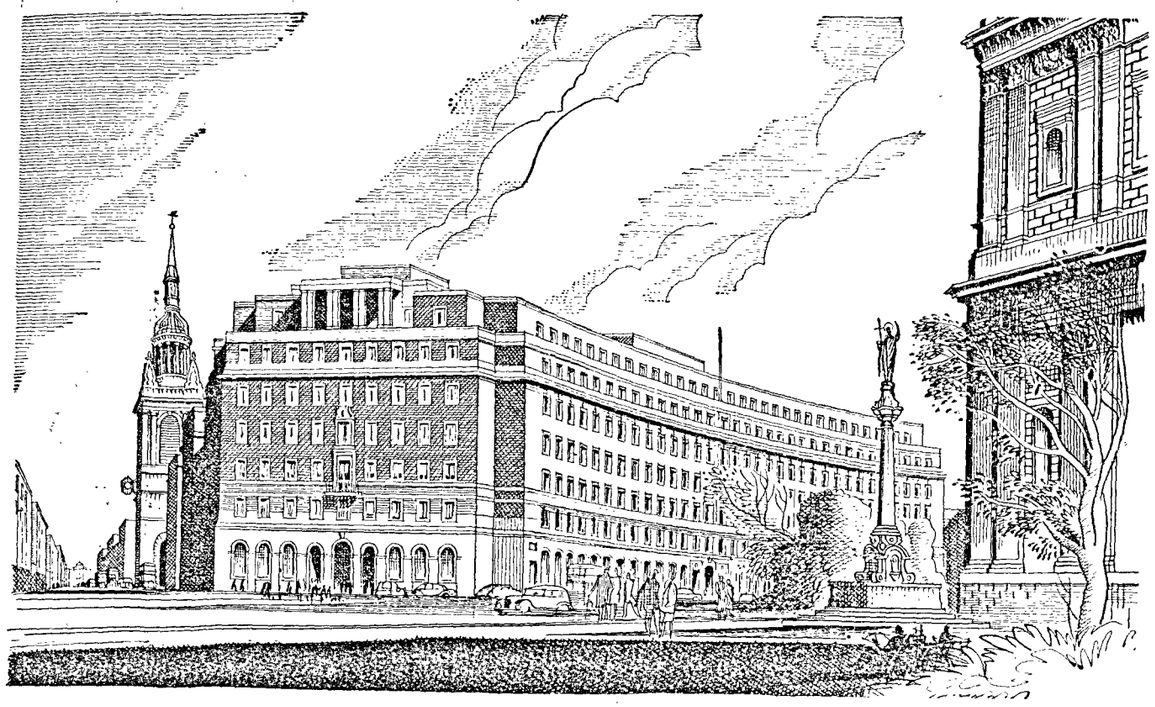

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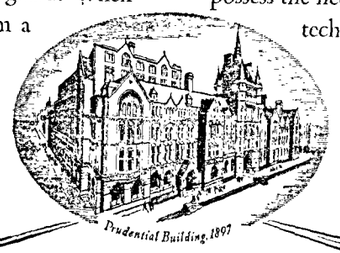

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National Committee, Mr James Roosevelt, because of his marital difficulties, and Mr Robert Condon, because the Atomic Energy Commission had cast doubts on his reliability, both won Democratic nominations for congressional seats easily. Local factors played a part in each case and the family name helped Mr Roosevelt, but it was essentially the party designation on the ballot which pulled Mr Condon through.

This signal that party labels have now a new significance in California, a state which sends to Congress a delegation second in size only to New York, acted as a warning to the Republicans, in a year in which they cannot afford to lose a single seat in either House, and as a call to arms to the Democrats for a contest that suddenly looks hopeful. The question for Californian Democrats is whether their party can now reconcile its conservative and radical elements sufficiently to capitalise in November on its numerical superiority and the prestige of its triumphs in last week's primary elections.

Showing Up McCarthy

THIS week is expected to bring the end of the public hearings on the controversy between Senator McCarthy and the Army, over whether the Senator attempted to get preferential treatment for Private Schine or the Army attempted to get the Senator to relax his investigations. But there is no expectation that the report of the committee of inquiry, when it eventually appears, will end the controversy. For out of the weeks of conflicting evidence and flat denials, which would seem to give the Department of Justice grounds for perjury charges should it wish to bring them, it emerges fairly clearly that, while each side tried to bring pressure to bear on the other, neither went so far as the other has alleged.

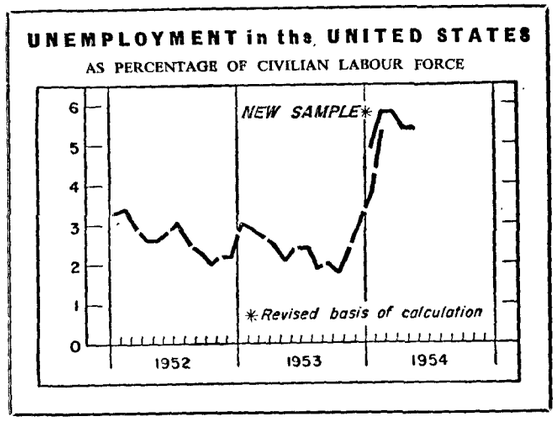
The Republican members of the committee are insisting on closing the hearings over the protests of the Democrats, who have no wish to end this public display of the differences within the Republican party. But, rather surprisingly, since it would mean another similar display, the Democrats have so far given little encouragement to the efforts of the Republican Senator Flanders, who wants to bring about a show-down in the Senate on Mr McCarthy by showing up his financial irregularities. These were investigated by a Senate committee in 1952 and Mr Flanders, long one of the most outspoken Republican critics of Mr McCarthy, is now accusing him of being in contempt of the Senate because he refused to answer the committee's searching questions. Mr Flanders has challenged the Senate to remove Mr McCarthy from his committee chairmanships, something that has not been done for thirty years, if he does not purge himself of his contempt by answering the questions by the beginning of July.

If Mr Flanders persists, and he is a persistent man, weeks of argument could delay the Senate's adjournment and make the passage of what remains of the President's legislative programme even less certain that it is at present. This is the official reason given by Senator Knowland, the Republican leader, for trying to curb Mr Flanders. If the Democrats were to support Mr Flanders, however, a debate could hardly be avoided, since they are in the majority. But they evidently fear that the result might be a public repudiation of Mr McCarthy by the Republican party and that such a repudiation would be to the advantage of the Republicans in the coming election. If these Democratic fears are justified, as from public opinion polls and other reports they seem to be, then the weeks of public hearings which have thus weakened Mr McCarthy's influence will have been worth while.

Exports Before Imports

A NEW Bill now before Congress goes some way to meet the complaints of the business world that the Export-Import Bank, under the strict tutelage of the Treasury, is failing to give manufacturers and exporters the support which it is intended to provide for foreign trade. Under the new measure, which has been toned down to meet objections from the Treasury and to gain presidential support, the lending authority of the Bank will be raised by $500 million to a ceiling of $5 billion. Since the Bank still holds $1.2 billion of untapped lending authority, the supplement is seen mainly as a stimulus to a bolder policy. Moreover, the Bill reverses the reorganisation plan introduced only a year ago, and gives back to the Bank at least the semblance of independence from the Treasury. The National Advisory Council, which is composed of Cabinet members, will hand over much of its present authority to fix the Bank's policies to a bipartisan board of directors, though its invisible hand will be retained in a "co-ordinating capacity." The Bill does not, however, resolve the controversial question of whether the Export-Import Bank should, as exporters wish, provide long-term development loans, or whether, as the Treasury thinks, this field should be reserved to the World Bank.

In giving enthusiastic support to the encouragement of exports through the Export-Import Bank, the President hopes, no doubt, to dispel the idea that he is retreating on the foreign trade front. But on the other wing of that front, the import side, Congress has engineered further delay by postponing its hearings on the Administration's legislation for liberalising trade policies until next January. It is small comfort that the House has granted a stop-gap extension of one year for the Reciprocal Trade Agreements Act and, although the Act has now expired, it will probably be some weeks before the Senate finds time for the measure. Those Congressmen who tried unsuccessfully to extract from the



President a *quid pro quo*—that he would not in practice utilise the extension in his authority to negotiate new agreements—apparently had the proposed trade pact with Japan in mind. On the other hand, the Bill extending for another eighteen months duty-free trade between the United States and the Philippines is unlikely to encounter much opposition.

It was perhaps inevitable that, as domestic unemployment grew, it should influence foreign trade policies. In what is called the "Eisenhower" interpretation of the "Buy American" Act, the President is expected to offer to domestic firms, in areas where unemployment is heavy, a small but useful margin over foreign bids for government contracts. And in a proposed amendment to his foreign aid Bill, the President is directed to consider "areas of labour surplus" at home when commissioning off-shore purchases, to ensure that the strategic importance of overseas contracts outweighs any adverse effects on the domestic economy.

Gas War Between the States?

BEFORE adjourning for the summer, the Supreme Court reaffirmed in detail its earlier decision on the Phillips Petroleum case and thus dropped into the lap of the Federal Power Commission some 2,300 producers of natural gas who do not want to be there any more than the commission wants the responsibility of looking after them. The Court, by a majority of 5 to 3, ruled that the FPC was wrong in claiming that it had no jurisdiction over the rates at which the Phillips company, and by inference all other independent companies, sells the natural gas it produces to the interstate pipeline companies which transmit gas to the ultimate consumers. The dissenting Justices, who included Mr Douglas, not usually to be found on the businessmen's side of a decision, argued that this was a strained interpretation of the Natural Gas Act of 1938, and extended federal interference into a regulatory field which the Act had intended should be reserved for the states.

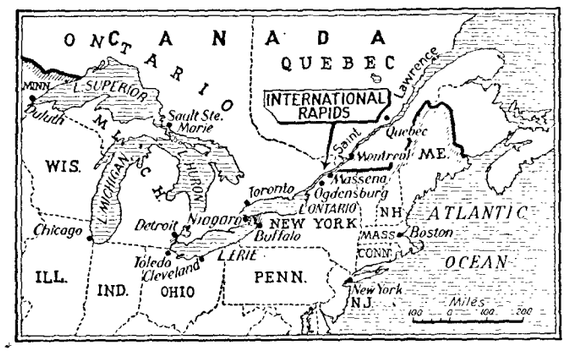
This view is of course being echoed by the natural gas producers themselves and by the representatives of the states—Texas, Oklahoma, New Mexico and Louisiana—where most of the gas is found. They argue that the ruling could hamper state conservation practices and also discourage the production of natural gas, so that in the end an Act designed to protect consumers might in fact force them to pay more. There is inevitably talk of legislation to reverse the ruling, and it is unlikely that President Eisenhower would veto such a Bill as President Truman once did. But there is no prospect of Congress finding time for anything so controversial at this session, and by next year it may seem less necessary.

For by next year the FPC may have made up its mind whether or not the Phillips company is overcharging for gas and thus exploiting consumers in the states served by the pipelines it supplies with gas. The case just decided by the Supreme Court began when cities in Wisconsin and Michigan appealed to the FPC for relief, but whether they will now get such relief is doubtful. For recent FPC decisions have been allowing price increases on a scale which seems more reasonable to gas prdoucers in the south than to consumers in the north.

Clear Sailing for the Seaway

IN its final batch of decisions, the Supreme Court has upheld the right of the New York Power Authority to develop, in conjunction with the Province of Ontario, the hydro-electric resources of the St Lawrence river. It has also indirectly removed the last obstacle to American participation in the second part of the original St Lawrence project—the construction of a channel for ocean-going vessels. Since both these schemes apply to the International Rapids section of the river, near Massena, the series of dams required for the power development will greatly reduce the cost of the seaway. This fact, together with President Eisenhower's strong support for the undertaking on grounds of national security, proved useful weapons in Congress. However, it was the fact that Canada was prepared to go ahead with the task single-handed that finally overcame the fifty years of intransigent opposition from private interests.

The question now is whether Canada, which has already spent $500 million on the St Lawrence channel and whose commitments under the proposed joint programme leave it to foot a bill more than twice the size of the US contribution, will accept this belated gesture from its southern neighbour. The temptation to monopolise both the glory and the revenue—and at the same time to keep clear of American customs procedures—is strong, though it is unlikely for political reasons to prevail.



As it now stands, the new American law authorises the expenditure of $105 million by a St Lawrence Seaway Development Corporation, which is to be directed and supervised by the Secretary of Defence. The approved scheme, which is expected to be self-liquidating, is less ambitious than the original and expenditure will be concentrated on a 46-mile stretch of the waterway along the New York State boundary, where two lateral canals and three locks are to be constructed to increase the depth of the channel from 14 to the required 27 feet. In conjunction with Canadian plans, this will enable ocean-going vessels to reach Toledo; the present Act does not cover the deepening of the 21-foot channels which now link the three more distant Great Lakes. Until Congress authorises additional money, larger vessels will not be able to reach Chicago and the other ports on these lakes when fully laden.

The seaway should bring great commercial gains to Canada and the Middle West—and to Europe, which will get the benefit of lower freight charges for wheat and other supplies. It will also have considerable strategic value, since it will enable iron ore from Labrador and elsewhere to be shipped straight to the steel industries of the middle west, as replacement for the diminishing supplies from Minnesota. The eastern and southern ports are busy calculating their expected losses from the diversion of trade; at least they will have six to ten years' grace before full advantage can be taken of the seaway.

Union Realignments

THE unofficial truce between the two big trade union groups, the American Federation of Labor and the Congress of Industrial Organisations, has at last become official, with the signature of the long-talked-of no-raiding pact by 94 trade unions, representing over 10 million organised workers and more than half the members of each group. The signatories undertake not to try to recruit workers represented by another signatory—that is, the AFL unions agree not to raid the membership of the CIO unions and *vice versa*. Such competition, fostering a bitterness which has made negotiation difficult, has been one of the main obstacles to a merger between the two groups, and the no-raiding truce is expected to continue until a full agreement to unite has been reached.

Most of the unions which refused to sign are small and specialised, and unlikely to interfere with each other, but there are two notable exceptions, one from each group, the CIO's steelworkers and the AFL's teamsters, or lorry-drivers, each with over a million members. The truce is the achievement of the new heads of the two groups, Mr Reuther of the CIO and Mr Meany of the AFL; Mr Reuther's chief rival is the steelworkers' president, Mr McDonald, and Mr Meany's is Mr Beck of the teamsters. Mr McDonald and Mr Beck are both more interested in the immediate gains to be made by increasing their membership and by bargaining directly with employers than in the political influence for which Mr Reuther and Mr Meany are working, and neither Mr McDonald nor Mr Beck has any objection to keeping his rival guessing.

This is an approach which also appeals to the great independent of the trade unions, Mr John L. Lewis, and these three men have recently been meeting in circumstances of well-publicised mystification that gave rise to reports that a third labour group was in the making. However, the link between them does not seem to be anything more than a convenience, to be maintained only as long as it furthers their personal ambitions and the interests of the members of their individual unions. It shows, nevertheless, that it is still premature to talk of a united labour movement in America.

Petition by Lobby

WASHINGTON lobbyists, the paid agents employed by pressure groups to try to guide legislation into channels favourable to their clients, have constitutional authority for their activities in the First Amendment, which guarantees citizens the right "to petition the government for a redress of grievances." Last year, a Federal District Court decided that this right was violated by Congress's attempt—in the Federal Lobbying Act of 1946—to ensure that citizens should be aware of what the lobbyists were doing in their name. However, the Supreme Court has now reversed that decision, defending the right of Congress to seek "disclosures of direct pressures, exerted by lobbyists themselves or through their hirelings," as a valid exercise of its power of self-protection.

Unfortunately, the decision of the Supreme Court is not likely to have much effect upon the application of a law described in Mr Justice Jackson's dissenting opinion as "so mischievously vague that the government charged with its enforcement does not understand it." While the 1946 Act requires that individuals or organisations receiving funds for the purpose of influencing legislation must inform Congress of their identity and expenses, its application is limited to lobbying in the very restricted sense of "direct communication with members of Congress on pending or proposed federal legislation," and no adequate means of enforcement is provided.

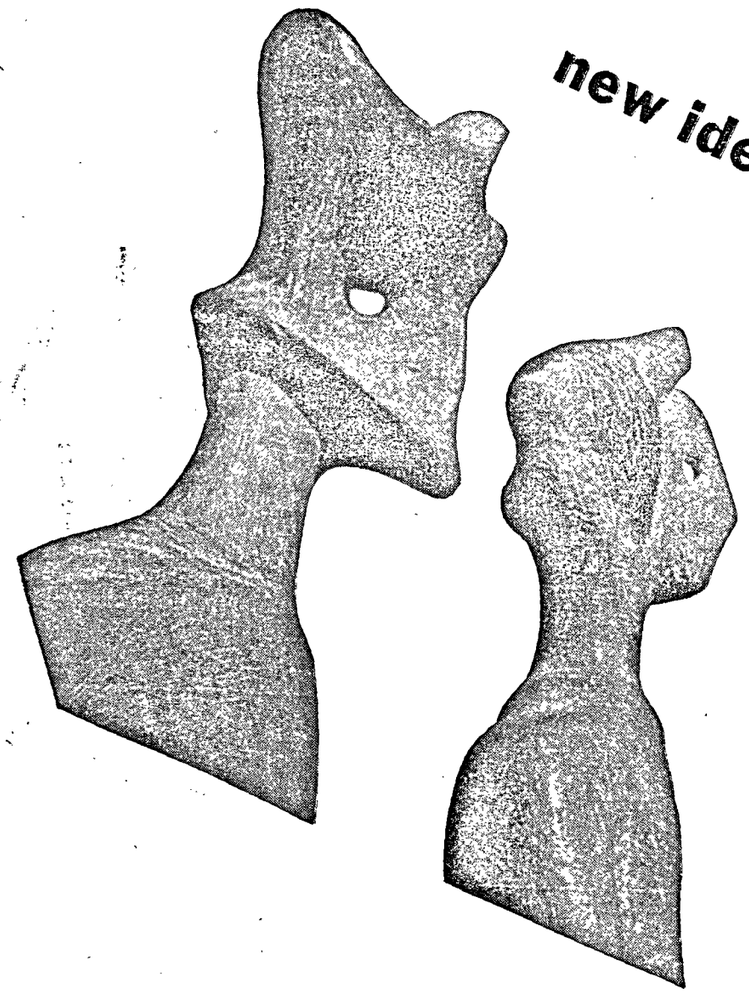
Since the enactment of the law, over 2,500 individuals and organisations have registered as lobbyists, reporting an annual expenditure, in 1953, of over $4 million. However, this record falls far short of the estimated billion dollar business of lobbying at the "grass roots," by such undivulged means as disseminating propaganda, labelled as "facts," through the press and wireless, encouraging mass campaigns of letter-writing and telegraphing, and stimulating "spontaneous" local delegations to Washington. To counter such insidious violations of the regulations regarding publicity and registration will require more than the Supreme Court's efforts to confer constitutionality upon the existing Act; as the three dissenting Justices insisted, it will not be achieved without a complete revision of the lobbying legislation, a task which properly belongs to Congress and not to the Courts.

SHORTER NOTES

The government's Rubber Producing Facilities Disposal Commission has received 75 bids, submitted by private companies, for the sale of its 27 synthetic rubber plants. Between now and next January, when the results of the sales must be reported to Congress, the commission will be negotiating contracts based on the bids received, with due consideration being given to price, competitive aspects, financial responsibility and national security.

★

Mr Robert R. Young has at last won his long and expensive struggle for control of the New York Central Railroad by a margin of over a million votes, thus ending the eighty-five year rule of the Vanderbilt and Morgan families. The Texas financier, who spent during the course of his campaign hundreds of thousands of dollars on advertising, posting reprints of the advertisements, and other methods of soliciting the votes of shareholders, will not realise much profit from his annual salary of $1 a year as chairman but he has promised to increase dividends and improve the railway's services; he is putting in his own nominee as president and chief executive officer with the responsibility for carrying out this promise.



new ideas in sculpture

Part of a new bronze by Henry Moore entitled "King and Queen". Designed for a park setting, it has now been acquired by the Open Air Museum of Sculpture, Antwerp.

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The World Overseas

Leadership in the New China—I

The Men at the Top

EVERY revolution brings to the front in public life numbers of individuals who were previously little or not at all known, even to specialists on the affairs of the country concerned. In China, however, the leaders of the Communist regime have not appeared on the stage quite as suddenly as they did in Russia in 1917 or in other East European countries in 1944-45, for a local Communist government with its own army and administration had existed in China for over twenty years before the establishment of the Central People's Government in Peking in 1949. Some of its leaders were known through visits of journalists to the area of its rule, and through contacts during General Marshall's mediation. Nevertheless the victory of the Communists in the civil war and their assumption of control over all spheres of Chinese national life have brought to high position many personalities whose previous careers have been obscure and unnoticed.

The break with the past has been very sharp. Some figures from the previous regime who have made their peace with the Communists still hold offices, often of considerable nominal dignity; but, apart from a few who have probably been secret adherents of the Communist cause for a long time, they are carefully excluded from power or influence, and all positions that matter are held firmly in the hands of the dominant revolutionary party.

In considering the leadership of the new China it is convenient to distinguish the general political control from the more specialised leadership in the military, economic, and cultural-propagandist fields. These spheres cannot, however, be entirely separated, for what may be regarded as the general political leadership is found represented in key positions of authority in the specialised fields in order to ensure the unity of command. The political structure of Communist China is characterised, to an even greater degree than is normal in Communist countries, by a splitting-up and diversification of the functions of the state so as to leave the party as the sole unifying and co-ordinating factor. This is all the more necessary in China because the Central People's Government is still nominally a coalition of parties and it is essential that any political body which includes non-Communists should be kept weak and incoherent.

The highest authority in the People's Republic is the Politburo of the Central Committee of the Chinese Communist Party (the CCP). The Politburo has at present eleven members, of whom one, Chang Wen-t'ien, being Ambassador in Moscow, is normally abroad. Five of the eleven are concurrently members of the Central Committee Secretariat, six of them members of the People's Revolutionary Military Council, three of them members of the State Planning Committee and three of them members of the Government Administration Council (which corresponds to what is usually meant by "the Government" in a Western country). The distribution is shown below:

	CCP Central Committee		People's Revolutionary Military Council	State Planning Committee	Government Administration Council
	Politburo	Secretariat			
1	Mao Tse-tung	Mao Tse-tung	Mao Tse-tung	...	...
2	Liu Shao-ch'i	Liu Shao-ch'i	Liu Shao-ch'i	...	...
3	Chou En-lai	Chou En-lai	Chou En-lai	...	Chou En-lai
4	Chu Teh	Chu Teh	Chu Teh	...	...
5	Ch'en Yun	Ch'en Yun	...	Ch'en Yun	Ch'en Yun
6	Kao Kang	...	Kao Kang	...	...
7	Lin Po-ch'u	...	...	...	...
8	Tung Pi-wu	...	...	...	Tung Pi-wu
9	P'eng Chen	...	...	P'eng Chen	...
10	Chang Wen-t'ien	...	...	...	...
11	P'eng Teh-huai	...	P'eng Teh-huai	P'eng Teh-huai	...

Mao Tse-tung is in addition chairman of the Central People's Government Council, a position which makes him the formal head of the state. The People's Government Council, with a total of 63 members (including all the members of the CCP Politburo) is supposed to be the highest organ of government and to have under it the following five bodies:—

(1) The Government Administration Council;
(2) The People's Revolutionary Military Council;
(3) The State Planning Committee;
(4) The Supreme People's Court;
(5) The Office of the People's Procurator-General.

The six vice-chairmen of the People's Government Council include three non-Communists—Sung Ch'ing-ling, the widow of Sun Yat-sen; Li Ch'i-shen, the formerly powerful general who broke away from the Kuomintang; and Chang Lan, leader of the so-called Democratic League. The People's Government Council, however, is too unwieldy to be an effective political body and such activity as it is allowed to have is guided by its secretary-general, Lin Po-ch'u, a member of the CCP Politburo.

The four members of the Politburo who are concurrently members of both the Secretariat and the People's Revolutionary Military Council—that is to say, Mao Tse-tung, Liu Shao-ch'i, Chou En-lai and Chu Teh—must be reckoned at present the top rank of the Communist leader-

ship. Of these four Chu Teh, at the age of 68, is the oldest and Liu Shao-ch'i is the youngest—though his age is variously given by different authorities as 56, 54 and 49. Chu Teh, who also holds the post of Commander-in-Chief of the People's Liberation Army, is primarily a soldier ; the other three are civilians, in so far as the term is applicable to professionals of violent revolution who have spent a large part of their lives waging civil war.

Of Mao Tse-tung himself it need only be said that his position of supreme leadership appears to remain unchallenged, but that the evidence indicates that his health is precarious and it is doubtful whether he now keeps a tight grip on the party machine. In the event of his demise or complete incapacity, Liu seems to be the most likely successor to his authority on account of his concentration on the organisation and discipline of the party. Chou's functions as "Prime Minister" and Minister for Foreign Affairs enable him to cut a more impressive figure on the world stage, but they involve distraction from the work which qualifies the party boss.

Both Mao and Liu come from peasant "kulak" stock in the province of Hunan, and although Liu has not always been on Mao's side in party controversies, their common rural-provincial background probably helps them to work together. Liu, however, unlike Mao, studied in the Soviet Union. Neither Mao nor Liu have any acquaintance with Western Europe or America, but Chou, the ex-Parisian, is entirely at home in western company and is obviously cut out for the task of conducting Communist China's foreign relations outside the Soviet bloc. In the foreign field Liu confines himself to being President of the Sino-Soviet Friendship Association and a vice-chairman of the World Federation of Trade Unions.

Proconsul in Mukden

Outside the Big Four of Chinese Communism the most important figure is probably Kao Kang, who is in a strong position not only because of his posts at the centre (Politburo and People's Revolutionary Military Council), but also because of his influence and connections in the most important of China's five super-provincial administrative regions (outside North China, which is directly under the control of the central government). Kao Kang organised the underground work for the Communists in Manchuria during the war against Japan and since the Communist conquest he has been chairman of the North-East Administrative Committee with headquarters in Mukden (now called Shenyang).

The industrial primacy of Manchuria, its "advanced" political character—moves towards collectivisation in agriculture have gone further there than anywhere else in China—as well as its special relation to the Soviet Union, all combine to make Mukden a place second only to Peking for the determination of political power in China. The Communist party has set its face resolutely against the provincial semi-independence and "war-lordism" of the old days, but China is a very large country with communications not yet adequate for a modern state, and a recent speech by Liu Shao-ch'i indicated some anxiety in Peking at the tendency of Communist proconsuls to develop into local monarchs. Kao Kang is the strongest of the national leaders who also have regional power, and though there have been rumours of his removal from the Manchurian scene, these have not so far been confirmed.

(To be continued)

Cloud in Iraq's Bright Sky

WHEN as many as five parties go to the polls in Iraq, some clashes and allegations of falsification of results are bound to occur. This time voting had to be conducted afresh in Basra (4 seats), Mosul (3 seats) and the holy Shiah town of Nejef (2 seats), and all the losing parties have lodged protests about "government interference" with the urns. But the adjustments achieved by re-polling in no way alter the final result ; this shows that Nuri Pasha's party is still in the lead, but much less decidedly so than in the old Parliament and that the number of independents is greater than in the previous house.

This slight change of pattern gives a faint indication of the extent to which a younger generation now questions the feudal stranglehold of the *ancien régime* of landowners upon parliament. But it does not alter the complexion of the House as a whole. As was pointed out in *The Economist* last week, no such change can come about quickly in a country which adopts a democratic system while it is still both backward and predominantly rural. The town constituencies that contain Iraq's small but growing middle class are for the present swamped by peasant constituencies, and there is no immediate end to their frustration and despondency unless the landlord class opens its eyes to the importance of feathering other nests besides its own.

This situation is classic. It is, of course, to be found in other countries, but in Iraq there is this difference: the Iraqi parliament, now richly endowed with income from oil, controls huge funds that must, if they are spent wisely, be spent on Iraq's main assets ; these lie in the field of agriculture, for they are *lebensraum,* plentiful water and soil that is most fertile if properly drained. Thus a parliament perennially composed chiefly of landowners controls huge sums that are bound largely to be spent on betterment of the land.

The social discontent that is inherent in this situation is mitigated in countries where land taxation matches land values, or where the system of land tenure is as fair to the poor man as to the rich. But in Iraq neither of these conditions prevail. What is more, any attempt to move towards them is baulked by a parliament, the majority of whose members will not tolerate changes in their feudal privileges. Iraq today is endowed with only a few leaders possessed of sufficient character to force change through, and these tend to be elders who prefer not to end the feudal heyday to which their cronies are accustomed. Younger and more liberal men who perceive the importance of taxing land and giving more of the nation a stake in its prosperity all topple, or throw in their hand, at thought of the fatal resistance they are going to encounter in parliament. Unless someone mates the driving force of the one group with the ideas of the other, resistance to feudalism must, in time, swell to revolutionary dimensions.

Nationalism in Ruhr Elections

WEST GERMAN politicians are manœuvring into position for the *Land* elections that are being held this summer. North-Rhine Westphalia is the most important *Land* to go to the polls containing as it does Federal Germany's industrial heart, the Ruhr. Special efforts are

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being made by the parties to win the elections there on June 27th. At present Dr Adenauer's party, under the left-wing Christian-Democrat, Dr Arnold, has an absolute majority, with the Catholic *Centrum*. The government is therefore in Catholic hands, a matter of particular irritation to the anti-clerical Free Democratic Party (FDP) which is fighting strongly for a place in the Ruhr sun.

Opposition to Catholicism in civil life is now a dominating factor in German politics everywhere. But the electorate in North Rhine-Westphalia is so largely Catholic—with a Protestant enclave in the Ruhr itself—that the religious issue will probably be avoided by the other party leaders. Attacks on the Christian-Democrats' economic policy also have to be lightly treated for two reasons—all the main groups except the Social-Democratic Party (SPD) have helped to shape it, and it has been very successful. Even the SPD prefers not to fight on labour or economic issues.

So the leaders outside the Christian-Democratic camp have taken to beating the nationalist drum, and the question of German relations with Russia has come to the fore. The Free Democrats have taken the lead in demanding that direct contacts with Moscow should be made without delay, in order to conclude a trade pact and to break the deadlock on German reunification. Dr Pfleiderer, a member of the FDP and a former diplomat with experience of Russia, has made himself famous by proposing in the *Bundestag* that a deputation of members should go to the Soviet capital. He himself saw a deputy of the Soviet ambassador in East Berlin during the four-power conference, and has official Soviet approval for the proposed trip. Dr Pfleiderer has been supported by his party chief, Dr Dehler, and is known to have the approval of some influential politicians in Dr Adenauer's own party, not all of whom think the Chancellor is sufficiently anxious for German unity.

The Chancellor's Dilemma

By this public move, the FDP has put Dr Adenauer in an awkward position. He has had to declare rather feebly that he, too, is in favour of German sovereignty and diplomatic relations with Moscow, but in good time and in the right way. The Chancellor no doubt has his eye on the autumn, when he is going to Washington. His visit will almost certainly include talks on means of giving Germany the rights that were accorded in the Bonn convention but which have never been implemented because that treaty was bound up with the European Defence Community. Dr Adenauer will not want to offend Washington in the meantime ; and it is perhaps for this reason that a big deputation from the Eastern Committee of the German Federation of Industries has postponed its intended trip to Moscow for trade talks. In the Ruhr, this check will not help Christian-Democrat chances.

It is hard to estimate the effect of the blow to Dr Adenauer's position in North Rhine-Westphalia that was recently delivered by Dr Brüning. Wide publicity was given to Dr Brüning's lecture to industrialists of the Rhine-Ruhr Club, in which this Catholic ex-Chancellor attacked "the Bonn government" for being dictatorial and rigid in its foreign policy. Forgetting that the fate of President Benes finally exploded the theory that any country can form a "bridge between east and west," Dr Brüning said that Germany would become a mediator between the two blocs, and that the German treaties with Russia in the 1920s should be studied now. He also forecast an American slump and advised his listeners to work up trade with Russia.

In the Ruhr, the Free Democratic policy of making contact with Moscow will find support among many industrialists who are determined to explore all possibilities of trade with the Communist world, and feel they have been left at the starting-post by the British. The FDP already has a considerable following among the non-Catholic industrialists on account of its opposition to state socialism and the ambitions of the trade unions. This party is, indeed, a strongly right-wing organisation, in the Ruhr. Its local joint chairman in that area is Herr Middelhauve, who triumphantly survived the criticism levelled at him at the time of the Naumann affair.

Wooing Ex-Officers

The Free Democratic party is also acting as champion of German rights in connection with the Saar and rearmament. Its leaders have threatened to leave the Bonn coalition if Dr Adenauer finally abandons Germany's claim to the Saar ; and it is putting up a plan for a European coalition army to take the place of the EDC. For years past, the party has made a special effort to win the professional ex-officers, and it has largely succeeded.

Dr Pfleiderer's initiative brought a statement from the Socialist leader, Herr Ollenhauer, who hastened to repeat that his party favoured direct dealings with the Russians, and that the east and west Germans must come together for technical talks. Such proposals are not intended to involve the west Germans in recognising the Communist German State but the Communists are using them for this end. Mr Molotov has ostentatiously given the East German premier Herr Grotewohl, the role of interceding in Moscow for the Pfleiderer plan. In East Berlin, both Dr Pfleiderer and Herr Ollenhauer have been praised.

The ordinary voters in the *Land* elections may not be swayed by arguments in high quarters. It is quite likely that they will simply express their relative content with their present and still increasing prosperity by voting, as before, mainly for the Christian-Democrats. But the elections are again serving to show that Federal Germany is tragically short of sound and sensible political leaders. It would be hard to find west German politicians or ex-generals of consciously evil intent ; but the country has more than the normal proportion of men with good intentions who are unable to see the dangerous consequences of their policy.

Belgium's Coal Problems

FROM A CORRESPONDENT

THE problem of the marginal Belgian coal mines with low productivity and high labour costs which posed particular difficulties at the time the Schuman Plan was being negotiated has now come to the fore again. The piling-up of stocks at the pit head and the threatened closing of mines in the Borinage are only fresh symptoms of the same old basic problem of a high-cost industry which has plagued the Belgian government for a long time, and has now become the concern not only of the Belgians but of the Coal and Steel Community.

In the treaty establishing the community, special provisions were included to help the Belgian and Italian coal

(*Continued on page* 983)

(*Continued from page* 982)

mines to adjust, during a five-year transitional period, to the lower cost situation prevailing elsewhere in the community. The most important of these special arrangements is a compensation scheme. A perequation levy is collected from coal sold by countries where the average costs of production are lower than the weighted average of the community and the proceeds of the levy used, in the case of Belgium, to subsidise the price of high-cost Belgian coal both in the Belgian market and in the community. As a result of these special provisions, the immediate effects of the Schuman Plan have been to benefit both coal consumers and coal producers. After the opening of the common market, Belgian exports to the five other members of the community increased substantially. Prices have been reduced by an average of 29 Belgian francs per ton sold and the average profit margin has, in most cases, remained unchanged. But the basic objective of reducing the cost of production of Belgian coal to the level prevailing in the community is far from met and the fact that funds which are badly needed for investment have to be used to finance unwanted stocks serves to accentuate the problem.

Freedom for Private Initiative

Except for a brief period after World War II when the Belgian government applied, without much success, a far reaching system of state intervention, complete with price regulation, subsidies and inter-mine compensations, the attempts of the Belgian government to solve the problem of the marginal mines have conformed to the prevailing liberal economic policy. To avoid budgetary deficits, state subsidies have been kept to a minimum and the maximum amount of freedom has been left to private initiative in the hope of attracting private capital. An ambitious re-equipment and rationalisation programme was undertaken in 1949 and almost all the direct Marshall Plan aid received by Belgium was devoted to re-equipment of the mines. The tapping of coal gas on an industrial scale was also begun and developed to the point where 11 per cent of the total gas supplied to the public was gas taken off in working the mines, thus making the mines safer and substantially improving the receipts of some of the collieries. For a time these measures seemed to be bringing results, except in some of the poorest mines in the Borinage region. Production regained the prewar level. A number of unproductive pits were closed, others were amalgamated. Output underground increased from 926 to 1,042 kilograms.

But about two years ago output ceased to improve. An ambitious five-year modernisation programme was therefore undertaken at the time Belgium joined the coal and steel community, in order to put the industry in a position to meet the competition of the rest of the community at the end of the transitional period. A total investment of 12,900 million Belgian francs was planned for the five-year period 1952-1957. However, during 1953 the new investment target was not met.

The most dramatic evidence of the continuing difficulties of the Belgian coal industry was the abrupt announcement in December, 1953, by a division of the large Cockerill iron and steel company that it intended shutting down certain pits in the Borinage, thus throwing several thousand Belgian and Italian miners out of work. Other marginal mines in the same area were also threatened. Early this year the High Authority, at the request of the Belgian government, authorised special subsidies for three mining enterprises in the Borinage coal field which together produce some 2,760,000 tons. These special provisions are of a temporary character to allow the mines to be worked while the whole future of the Belgian coal industry, and the fate of the Borinage mines in particular, are examined. In collaboration with the Belgian government a special committee of independent experts has been appointed to review the rationalisation programmes of the marginal Borinage mines.

Advantages of Schuman Plan

This study, together with a more general study by the staff of the High Authority on the effects of the compensation scheme and the additional steps required to make it possible to integrate the Belgian mines into the common market at the end of the transitional period, should be concluded within the next few weeks. It seems probable that some of the least efficient mines will in the end have to be shut down, but the High Authority may be counted on, as it has said, in its Second General Report to the Common Assembly, "to draw the maximum profit from the grace afforded by the transitional period" and in co-operation with the Belgian government and the collieries to make a concerted drive to bring down costs.

The creation of the coal and steel community should make the solution of the problem of Belgium's marginal mines easier, as well as more imperative. When the Belgians could count with any certainty only on their own coal production it would have been impossible for any Belgian government to acquiesce in the shutting down of mines producing a substantial tonnage of coal and it was defensible to pay a kind of insurance premium in the form of heavy government subsidies to keep the mines in production. Now the problem can be looked at in the larger framework of the community and a decision made as to whether the supply situation of the area as a whole requires the continuation of large subsidies. The costs of production of the marginal mines will now be compared not only with the relatively high cost Belgian industry but with production elsewhere in the community as well. The existence of the common market undoubtedly makes the closing of some mines more probable in the long run, but it should also mean lower prices to the Belgian steel industry and the Belgian consumer, and, eventually, more stable conditions of employment.

NOTES FROM NEW ZEALAND

These notes are contributed by our correspondent in Wellington

Election Prospects

PRELIMINARY moves for New Zealand's general election in November are now developing. Both of the two major political parties, National and Labour, have virtually completed their selection of candidates and are in the process of announcing them piecemeal. A third party will take the field under the social credit banner and has announced that it will contest all of the 80 seats for the

House of Representatives. It is likely to prove more of a diversion than a major political factor. The Communists will also put a number of candidates forward, but the political climate for them is likely to be even less favourable than it has been in the past.

The New Zealand Labour Party has just concluded its annual conference which is always preceded by the annual assembly of the Federation of Labour, New Zealand's equivalent of the British TUC. Both conferences endorsed the leadership of Mr Walter Nash, the former Labour Minister of Finance, as leader of the parliamentary Labour party. This endorsement was by no means so enthusiastic or so unanimous as it was represented to be for there is an impression in certain Labour circles that Mr Nash, in his 72nd year, has age against him ; but both the federation and the party recognised that there was no alternative leader likely to command the same electoral support.

The most obvious development at both of these conferences was the growing influence of the trades union section of the party as represented by the Federation of Labour. It was almost entirely due to the support of the unions that Mr Michael Moohan, who is not as senior as some of his colleagues still in the House, was elected vice-president of the party in place of Mr James Roberts, a stalwart who has held Labour leadership, or near leadership, for many years and has just retired. Labour will probably produce a good many young candidates who will provide some answer to the frequent criticism that the Labour old guard dies but never surrenders.

The government or National party has still to hold its annual conference, but it has a very well organised machine which is being quietly warmed up for the campaign. Government spokesmen continue to rely upon frequent reiteration of New Zealand's obvious prosperity and enquiries about how Labour could improve it. The real issue is likely to be the cost of living which has affected the distribution of prosperity rather seriously in certain sections of the community. Though the government has a margin of 20 seats in a House of 80, even its most optimistic supporters do not expect it to hold this. Current discontents, of which there are rather more than might be expected, may do some surprising things in marginal seats and the government party is being warned not to give way to its disposition towards self complacency.

* * *

Defence of South East Asia

DESPITE the amount of space devoted to Indo-China and Geneva by the New Zealand daily press, there is little to suggest that public opinion has been greatly aroused ; domestic issues still overshadow everything else. A certain section of New Zealand opinion favours the argument that the country must look chiefly to the United States rather than to Britain for protection in the Pacific. This section supports the Anzus Pact, whether Britain is included in it or not, on the grounds that New Zealand cannot dictate conditions and must make the best terms it can. This does not mean that there is any anti-British feeling in New Zealand but rather a school of thought that is not optimistic about Britain's future as a Pacific power. On the other hand there is an overwhelming feeling in favour of any agreement that preserves Anglo-American harmony and will enable New Zealand to avoid making a choice between Britain and the United States.

It was for this reason that New Zealand's participation in the five power staff talks in Washington on South East Asia was approved. New Zealanders seem to feel that something must be done to check the Communist infiltration of South East Asia, and that their country should participate in the discussion and the necessary measures without prejudice. How far public opinion would back any move to send troops or military supplies to Indo-China or anywhere else is uncertain. New Zealand has accepted the burden of maintaining a small expeditionary force in Korea with equanimity ; it has also accepted the unlikelihood of withdrawing this force in the near future. If it comes to the point, it is unlikely to hesitate about playing what small part it can in the containment of Communism in South East Asia.

One of New Zealand's chief reasons for participating in the five power military talks was that they presented a means by which the United Kingdom, excluded from Anzus, could be brought into a general military discussion of the position in South East Asia. So far as New Zealand has an official policy in the matter, it is plainly directed to promoting any discussions that may serve to reconcile Anglo-American differences and evolve a joint course of action.

* * *

Repercussions of Petrov

THE New Zealand government sent its Assistant Commissioner of Police, Mr P. J. Nalder, who is also head of its security service, to attend the opening sessions of the Royal Commission on Espionage in Australia. The main purpose of Mr Nalder's visit was to confer with Australian security officials and find out whether any of the ramifications of the Petrov disclosures affected his country, New Zealand has a natural interest in the matter because its small coterie of declared Communists has always been closely influenced by Australian Communist moves. There was more than a strong suspicion that during the 1951 waterfront strike in New Zealand, the Communist "grapevine" across the Tasman was used to convey Australian money to assist the strikers. It is not even a matter of suspicion that certain of the strikers' leaders were smuggled out of New Zealand to Australia and back again, but the New Zealand police were never able to prove how it was done.

The Soviet Embassy in Wellington had, since last year, been under the direction of the same Mr Generalov who has been withdrawn from Australia and there is a regular courier traffic between the Russian diplomatic establishments in Canberra and Wellington. Mr Generalov had been only once to New Zealand—to present his credentials—but it has been noted that the present *Chargé d'Affaires*, who has been in New Zealand three years, and a diplomatic third secretary, who was withdrawn last year, had travelled quite extensively in New Zealand and mixed fairly freely with New Zealanders. On the general thesis that Soviet diplomats who enjoy such liberty of action outside their embassies are the "key" men of the NVD, there is some natural curiosity about their activities.

The size of the Russian diplomatic establishment in this country—there are some 13 Russian nationals in the Wellington Embassy together with their wives and children—has frequently been remarked upon, particularly since New Zealand closed its own Legation in Moscow in 1950 and trade and diplomatic links between the two countries are tenuous.

New Zealand's security police operate as a section of the ordinary police force and not as a separate entity as they do in Australia and Britain. Their organisation has been criticised and the need for their existence has been questioned. If the Australian inquiry shows that Russian espionage has been carried on in New Zealand, some of the critics may be silenced, but others will want to know why New Zealand had to discover its espionage threat in Australia.

Suspicions of Communist influences in prolonging the 1951 waterfront strike played quite a large part in the overwhelming vote received by Mr Holland when he went to the country after the strike was broken. Any proof of Communist espionage activities in New Zealand as a result of the Australian inquiry could well have much the same effect next November.

* * *

Surpluses and Borrowing

MR HOLLAND, who is both Prime Minister and Minister of Finance, dealt with some big figures when he reviewed the public accounts for the past financial year. He showed what he called an "overall" surplus of £1.6 million for the year's working, and announced the flotation of a £30 million development loan, as well as a government loan of £12 million from the trading banks for housing development.

Mr Holland arrived at his overall surplus by producing surpluses of £1.8 million and £1.5 million in the Consolidated Fund and the Social Security Fund respectively and setting them off against an excess expenditure of £1.7 million in the Public Works Fund. The net surplus of £1.6 million does not appear so impressive when set against the actual expenditure of £177.5 million in the Consolidated Fund, £62.1 million in the Social Security Fund and £33.8 million in the Public Works Account. Nevertheless, Mr Holland was entitled to derive some satisfaction—and he obviously did—from the fact that he had a modest surplus and had been able to make tax reductions totalling between £8 and £10 million during the year.

The Prime Minister described the government's £12 million loan from the trading banks for housing as "a piece of good business." The transaction, however, is still being strongly criticised as basically inflationary in character. It is being equally stoutly defended on the grounds that the banks are able to lend the money without embarrassment, that they are obtaining a good return for their customers and that the money will be used to create New Zealand's most pressing necessity—houses.

The announcement of a new £30 million development loan has caused no surprise as the government had hinted that it was to be expected. Its policy is now to finance as much works' development as possible from periodic loans. There is, nevertheless, a strong opinion that tax money is still being turned into capital investment and that the greatest fillip New Zealand could receive would be a substantial reduction in the general burden of taxation. How this can be reconciled with the public reluctance to surrender social security benefits it is difficult to see.

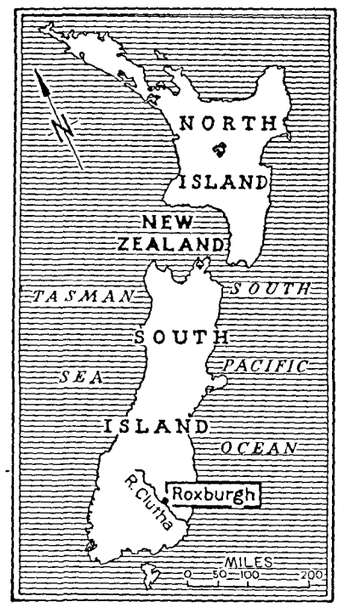
Mr Holland's review of the national finances, delivered in the form of a national broadcast, was buoyant and sanguine. It had only one notable and vital omission. It did not discuss the diminishing value of the New Zealand pound and the effects of inflation upon the small wage and salary earner. There is abundant evidence of prosperity in New Zealand, particularly in the farming community, but a considerable section of the public, wrestling with difficult family budgets, is inclined to be critical of Mr Holland's deft handling of millions.

* * *

Delay at Roxburgh

GROWING concern about slow progress on New Zealand's major hydro-electric power project, at Roxburgh in Central Otago, has come to a head with the revision of the existing contract between the New Zealand Ministry of Works and a British and a Swiss firm which had contracted to carry out the diversion of the Clutha river and the installation of the dam and generating machinery for £8,600,000.

Various charges and counter-charges have been made about the reasons for the delay. Some British workmen have claimed that labour has not been efficiently used and that the New Zealand Ministry of Works officials, jealous because the project had been taken out of their hands, have not been co-operating fully with the contractors. But the Minister of Works, Mr Goosman, has stoutly defended his officers.



It has, however, been announced that the contractors will pay £200,000 to the New Zealand government in compensation for past delays in the progress of the scheme and that in future, they will associate themselves with the New Zealand contracting firm of Arnold Downer, Limited. Mr Arnold Downer, who is a former engineer of the New Zealand Ministry of Works, has announced that he will introduce "more New Zealand custom" on the job. This was interpreted by Mr Goosman to mean, more New Zealand engineers.

It is now estimated that the job will be completed in March, 1958, and it is expected that the first generator will be installed and supplying power by the end of 1956, a year later than was originally planned. A new estimate has also been made of the cost of the completed contract. It is £1 million more than the original estimate made by the Ministry of Works (£10,200,000) which was £1,600,000 above the tender by the British and Swiss contractors. It seems apparent that the real cause of the trouble, apart from some inevitable labour friction, has been the fact that the

original tender was too low and that the contractors found themselves in difficulties as a result.

Journal of Geneva—VIII

JUNE 10th.—At a plenary session on Indo-China, Mr Eden summed up the position reached by the conference as follows: (1) *The cessation of hostilities.* It was agreed that this should take place simultaneously in all three Associated States and that the problem should be examined first in Vietnam. The conference was awaiting a report from the military representatives discussing a Vietnam cease-fire. (2) *The supervision of an armistice* which Mr Eden believed was a "crucial" issue. All agreed that some form of international supervision was essential but they did not agree on how to make it effective and impartial. The British Government believed that the five Colombo powers (India, Pakistan, Ceylon, Burma and Indonesia) would make a truly impartial commission. A commission composed of two Communist and two non-Communist countries simply would not work. Mr Eden also believed that the proposed commission must take decisions by majority vote, that there should be no use of the veto, and that the international commission must have authority to reconcile differences in the mixed armistice commissions of the two high commands. (3) *The future of Laos and Cambodia.* Mr Eden pointed out that the peoples of Laos and Cambodia were divided by race, religion, language and culture from those of Vietnam, and that there was not the slightest justification for forcing Laos and Cambodia into a union under the Vietminh against their wishes. He said that references to "resistance armies" in Laos and Cambodia and to "two belligerent sides" did not agree with the information of British representatives on the spot. Mr Eden said that unless the deep divergences on the armistice supervision and on the future of Laos and Cambodia could be narrowed without further delay, the conference would have to admit its failure. Both Mr Molotov and Mr Dong (Vietminh), who spoke after Mr Eden, maintained their former positions.

June 11th.—At a plenary session on Korea, Mr Eden and delegates from Canada and New Zealand all made speeches strongly supporting the authority of the United Nations and insisting on genuinely free elections. They all refused to accept a general agreement on vague principles such as Mr Molotov suggested on June 5th. Mr Eden pointed out that this left all the vital differences on one side; for instance, the Communist proposal that would in effect give a veto to the North Korea minority on the mixed commission to supervise the elections was unacceptable. He added that unless some solution of the deep differences between the two sides could be found they would have to admit their failure.

Mr Chou En-lai urged the conference to adopt Mr Molotov's five proposals of June 5th.

(In a speech at Los Angeles Mr Dulles made it clear that while the United States would be prepared to intervene unilaterally to meet overt Chinese aggression in Indo-China or elsewhere, it would only intervene in the present situation in Indo-China if the following five conditions were fulfilled:—(1) an invitation to intervene from the present lawful authorities; (2) clear assurance of complete independence for Laos, Cambodia and Vietnam; (3) evidence of concern by the United Nations; (4) the co-operation in the collective effort of some of the other nations in the area; (5) an assurance that France itself would not withdraw from the battle until it was won.)

June 12th. Mr Eden and Mr Molotov had an "inconclusive" private meeting.

June 13th. No meetings.

June 14th. Mr Eden and Mr Molotov had another private meeting, at which they are believed to have again discussed the possibility of direct military talks between the two sides now fighting in Laos and Cambodia.

At a restricted session on Indo-China Mr Molotov made proposals on the composition and functions of an international armistice commission, which were coolly received by the western delegates. Mr Molotov said that the international commission need take only major decisions by a unanimous vote; but his definition of what would constitute a major decision was so widely and vaguely drawn as to make this apparent concession valueless. He also said that if the votes of the four-nation commission proposed by the Communists were evenly divided, the chairman should have the casting vote, and that India should be the permanent chairman.

Mr Eden proposed that the talks on Indo-China should be suspended until the secret military talks on an armistice in Vietnam had been concluded.

June 15th. At a plenary session on Korea, General Nam Il (North Korea) proposed:—

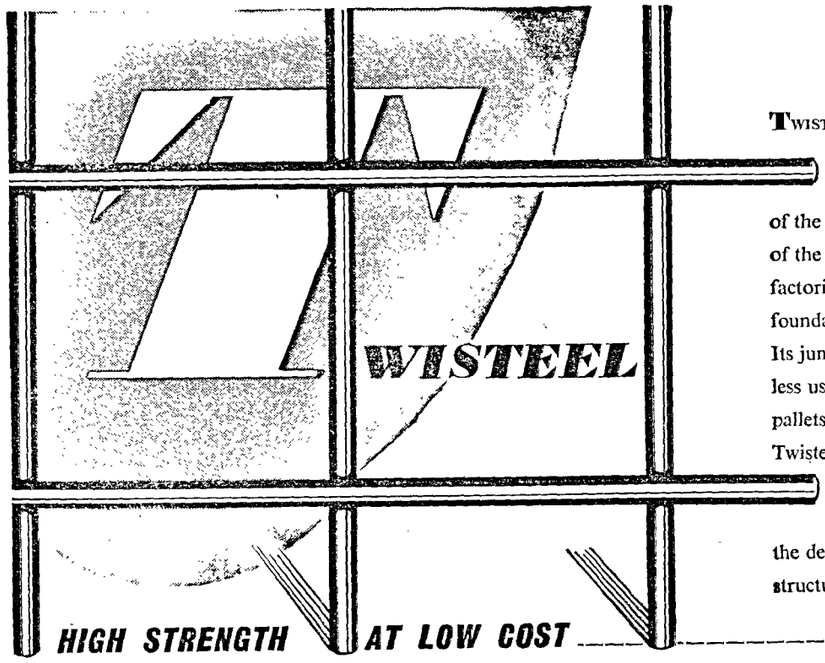
(1) The proportional withdrawal of all foreign troops from Korea as soon as possible. (2) The reduction of the North and South Korean forces within one year to not more than 100,000 men on each side. (3) The formation of an all-Korean commission to consider "gradual liquidation of the state of war" and "transition of the troops of both sides to a peace-time position." (4) The recognition that treaties between either Korean government and other states are "incompatible with the interests of the peaceful unification of Korea" in so far as they involve military obligations. (5) The formation of an all-Korean committee to work out and implement agreed measures for the development of economic and cultural relations between South and North Korea. (6) The recognition that the peaceful development of Korea should be ensured by the states taking part in the Geneva conference.

Mr Chou En-lai and Mr Molotov both supported these proposals and suggested that the five great powers plus the two Korean governments should discuss in restricted session measures to consolidate peace in Korea.

After the session the 16 non-Communist countries taking part in the Korean talks issued a statement saying that they disagreed with the Communists on two basic matters of principle:—(*a*) the authority and competence of the United Nations in Korea; and (*b*) genuinely free elections in Korea. The Communists repudiate the authority of the United Nations and insist on procedures that would make free elections impossible. The 16 nations reluctantly concluded that so long as the Communists reject these two principles it is useless to continue the talks on Korea.

June 16th. Mr Eden and Mr Chou En-lai had a private meeting and later, at a restricted session on Indo-China, the latter is understood to have indicated that he was in favour of the withdrawal of foreign troops from Laos and Cambodia, including, it is believed, Vietminh as well as French troops. He also proposed a meeting between the two high commands in Laos and Cambodia.

Mr Molotov suggested that Indonesia might be included with India, Pakistan, Czechoslovakia and Poland on the armistice commission, and that if this were not approved there might be a three-member commission composed of Poland, India and Indonesia.



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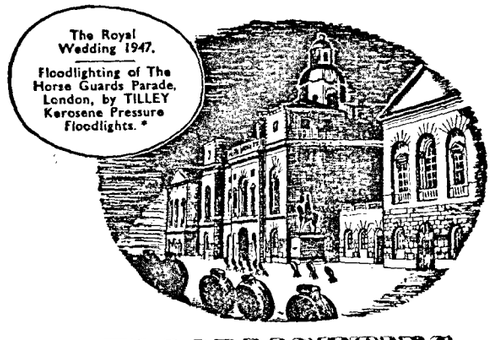

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THE BUSINESS WORLD

Taxation and Expenses

TAX evasion is the subject of a comedy now playing in the West End and the dramatic critics have recommended it for businessmen, with the rider that the tickets ought to be a chargeable business expense. The businessman's lunch and the car on an expense account are stock jokes in the suburban music halls. A joke is a serious matter, though there is no need, as a few inspectors of taxes and a few taxpayers seem to think, to regard it as a tragedy. Any discussion on expenses and taxation always seems to provoke tempers. The last rumpus in Parliament—there is one every year—concerned a questionnaire which demanded an itemised account of expenses claimed against the tax assessment of a businessman. The Institute of Directors objected to the questionnaire; Mr Boyd-Carpenter apologised for its wording and it was withdrawn. The Inland Revenue staff can be forgiven if they feel that they have been criticised for doing what the Government told them to do a year ago. This week the Institute of Directors has given evidence before the Royal Commission on Taxation on the whole subject of directors' expenses.

This is no storm in an inkwell. The Inland Revenue authorities are tightening the screw on expense allowances. It is evidently their administration of the law as much as the law itself, that is the cause of complaint. The law is clear, and its wording is rigorous. The 1948 Finance Act made a distinction between expense allowances claimed by a company and those claimed by a director or by a highly paid employee. A company, a sole trader and a partnership can set against profits for tax purposes any expenses (including those incurred by employees earning less than £2,000 a year) which have been "wholly and exclusively" laid out for the purposes of trade. A director (no matter what he earns) or an employee earning £2,000 a year or more (inclusive of any sums received as expenses either as a round sum or specific allowances) can claim tax relief only on those expenses which have been incurred "wholly, exclusively and necessarily" in performing the duties of his office. The single word "necessarily" marks the difference in treatment of expenses under Schedules D and E; it produces such different effects upon the taxpayer that it has been said that these are not two different schedules but rather two different taxes. In granting relief under Schedule E the Inspector of Taxes is bound by an "expense rule," dating from 1853, and by a mass of judicial decisions and administrative annotations which have been appended to it:

> If the holder of an office or employment of profit is necessarily obliged to incur and defray out of the emoluments thereof the expenses of travelling in the performance of the duties of the office or employment, or of keeping and maintaining a horse to enable him to perform the same, or otherwise to expend money wholly, exclusively and necessarily in the performance of the said duties, there may be deducted from the emoluments to be assessed the expenses so necessarily incurred and defrayed.

The days when the commercial traveller went his rounds in a gig are long past, but an inspector of taxes has still to follow the wording of a rule which, in Mr Justice Vaisey's words, is as "stringent and exacting" as ever.

The law presumably singles out directors for particular attention under Schedule E on the argument that although every claim for expenses, no matter who makes it, is a cost to the company directors and managers will keep a tighter rein on the expenses of employees than on their own. There have certainly been cases of unjustifiable extravagance and of wilful evasion. Most tax inspectors would agree that some taxable income leaks through their net as expense

allowances; most of them would agree that if these sums are kept within reasonable bounds, they are not usually worth the trouble of detailed vouching. It is the duty of an accountant to limit his client's liability for tax by all legitimate means and, without necessarily holding a watching brief for the Inland Revenue, to prevent his client from making a fool or a criminal of himself. Between the inspector and the accountant, an informal system of administrative tolerances has been established which effectively checks abuse, but avoids for the majority of taxpayers the worries and waste of a detailed inquisition. There is, admittedly, considerable incentive for a director or employee earning a high salary to push as many as expenses as he can on to the company or to secure them free of tax. If tax rates were low and earned income relief did not run into a brick wall at just over £2,000, there would be far fewer squabbles about expenses.

If squabbles are to be avoided, the law, so exacting in its wording, needs to be administered with reasonable tact. There are heavy-handed inspectors, who work inflexibly to rule and who demand the last detail of evidence; but there are many more who are prepared to deal with the conscientious taxpayer in a spirit of give and take. It is an advantage to the hard worked inspector as well as to the taxpayer that a reasonable claim for tax relief goes through with the minimum of fuss and argument. If the law were administered in its full rigour, all sums received as expenses would be grouped with the individual's salary and tax would be deducted at the appropriate rate, leaving the taxpayer to claim relief (and the reimbursement of tax) on those expenses "wholly, exclusively and necessarily" incurred. To prove his claim, he would have to provide the inspector of taxes with an analysis of the sums spent on his expense account. In its memorandum to the Royal Commission on Taxation, the Institute of Directors declared that an unnecessary amount of detail is required to satisfy the Inland Revenue authorities. The Institute added that the claimant has to submit to a "searching inquisition" and that the inspectors make "the procedure as difficult and unpleasant for the claimant as possible." In answering this charge the Inland Revenue authorities could argue that all they require is a "reasonable" analysis; that they do not insist that every bill should be produced; that, in any case, this procedure is not often followed; and that inspectors of taxes have quite a free hand to grant dispensations.

To secure a formal dispensation, the taxpayer's employer has to submit to the Inland Revenue office a claim asking that certain specified sums should be regarded as expenses and should therefore be exempted from tax. Once the inspector has satisfied himself—and he is bound to do so by law—that no additional tax would fall to be paid even if a dispensation were refused, he can formally exempt from tax the sums claimed as expenses. These dispensations can be withdrawn at any time and it is the inspector's duty to review them periodically; but while they are in force, he says in effect to the successful claimant: "others abide our question; thou art free." Hence, these formal dispensations are not very popular with tax inspectors, for they then have few means of telling whether the sums so exempted from tax have been spent on those expenses that are allowed by law.

To safeguard the revenue and at the same time to avoid excessive penalties and restrictions on the taxpayer, the Inland Revenue (working cooperatively with accountants) has devised a reasonable compromise between the rigidity of the first and the slackness of the second procedures. This is the system of "half" or "informal" dispensations. Under this scheme sums paid to individuals as expenses are not added to their salaries and taxed; instead such sums are shown separately as tax-free items, usually on the back of the PAYE card. Each year the company has to make a return, showing for each individual concerned what sums have been paid out in expenses and for what purposes, and what benefits have been made in kind. Usually, the inspector of taxes does not require an excessively itemised return and if the sums claimed appear to him to be reasonable, after taking into account past claims, the status of the individual in the company, and the trade in which the company is concerned, he will exempt these sums from tax without much question. But obviously he must retain his right to dispute the claim, and his right to reopen the dispensation.

Given this broad administrative framework, everything turns on the attitude of the individual inspector of taxes, for the smooth settlement of claims for expenses, as for all other claims for relief, depends finally on the outcome of discussion across the table. Zeal can outrun discretion and then the taxpayer may feel that he has grounds for grumbling—though he certainly has no legal complaint. One of the dangers is that so much depends on specific details and particular individuals that the authorities in Somerset House can issue directives only of a general nature. And these directives can, as the recent questionnaire suggests, be too literally interpreted.

The reason for the tightening up of the administration of expense claims can perhaps be found in last year's Finance Bill debate, when the Opposition pressed for a more exacting administration of the law. With a shortage of staff in the tax offices, the review of dispensations may have got behind the clock. Now, it seems that the authorities are passing them through a finer sieve than they did in the past. In its memorandum the Institute of Directors claims that "dispensations already given are being withdrawn" and that "even where the claimant succeeds in satisfying the inspector that his expenses for any given year are properly allowable no dispensation, at any rate as regards entertaining expenses and foreign travel, is now given for ensuing years: the procedure is an annual one." Entertainment and travelling allowances are the biggest loopholes and hence they always cause the most trouble. There have been innumerable complaints, for instance, about the deduction of "home savings" from such claims. In settling these claims, the authorities accept only that portion of the sums spent which represents extra expense, after deducting what the claimant would have spent if he had remained at home. In this respect the authorities follow a ruling in the Courts in 1930, in *re Nolder v. Walters*; with such a precedent it is difficult to see what else they could do.

On this and on other more important points, there have been several suggestions that the law and practice should be revised. From one side, Sir Frank Soskice has proposed that sums claimed as expenses should be sworn on oath by the claimant. This is wholly excessive. A signature on the income tax return is already given under penalty; the inspector of taxes already has sufficient powers to query or reject the claims made in that return. On the other side, it has been suggested that the Inland Revenue should accept a statement from the taxpayer's accountant that the sums claimed as expenses have been spent with strict regard to the wording of the law. That suggestion would put an unreasonable burden on accountants and deprive inspectors of taxes of powers that they could not spare. More recently, the Institute of Directors argued that the word "necessarily" should be deleted from the expense rule. Amendments such as that would need most careful scrutiny, for the law must remain as precise as possible if evasion on an appreciable scale is to be prevented. The real question is whether the law as it now stands is administered fairly and reasonably. To that question, the fair answer seems to be a qualified Yes.

King of Diamonds

IN the diamond trade the De Beers group "doth bestride the narrow world like a Colossus." It controls over half the world's output of diamonds by value, and the odds are nineteen to one that any diamond bought has passed through the hands of its sales organisation. Yet De Beers Consolidated Mines, on which the market puts a value of some £85 million, is only one of three empires over which Sir Ernest Oppenheimer presides. Anglo American Corporation of South Africa is the mainspring of this group of gold, diamond and base metal undertakings. From this company, which is primarily a gold mining finance house, two offshoots extend: Rhodesian Anglo American superintend's the group's investment in Rhodesia, largely in copper and coal; and Anglo American Investment Trust holds the diamond investments—a 20 per cent interest in De Beers Consolidated Mines, with minority holdings in the marketing and investment companies of the De Beers group.

DIAMOND SALES BY CENTRAL ORGANISATION

(£ million)

	Gem	Industrial	Total
1948	26·8	11·3	38·1
1949	19·9	8·5	28·4
1950	38·3	12·6	50·9
1951	46·8	18·3	65·1
1952	45·8	23·9	69·7
1953	43·3	17·8	61·2
1st 5 months 1954	20·0	6·6	26·6
1st 5 months 1953	21·0	6·7	27·7

Since the war the diamond branch of the Oppenheimer empire has enjoyed unprecedented prosperity. There was a brief setback in 1949, but it was soon followed by the Korean war; dealers and cutters bought heavily, fearing a shortage and rising prices, and people scrambled into diamonds as a "safe" hedge. At the same time large quantities of industrial stones were absorbed by defence production and by the American strategic stock. De Beers reopened the New Jagersfontein mine at the end of 1949 at a cost of £2 million, and laid out over £4 million in reopening the vast Premier mine the following February. In 1952, the total sales of the diamond selling organisation reached a peak of £70 million. They have fallen since, but the demand for gem stones—though not for industrial diamonds—is still buoyant, and stocks are low.

For several years De Beers have spread their net beyond mining and selling diamonds into widening fields, through two subsidiaries. De Beers Industrial Corporation is interested mainly in a half share of African Explosives and Chemical Industries, ICI being the other partner. The second, De Beers Investment Trust, has recently pumped large sums into the expanding economy of South Africa and Rhodesia mainly by way of short-term loans often carrying conversion options into ordinary shares. In all De Beers Investment Trust has provided £50 million of new finance. Of this, £20 million in short loans constitutes the reserve fund which the Diamond Corporation could use to sustain the diamond market should bad times return. Most of the balance—also derived from the huge profit which the Diamond Corporation made from the sale of its old stocks after the war — has been reinvested in mining and industry. Sir Ernest Oppenheimer gave the breakdown of the De Beers group's investment to Anglo American shareholders this week:

	£
To National Finance Corporation	20,849,000
Loans by De Beers Investment Trust—	
West Rand Gold	5,057,875
Orange Free State Mines	16,291,364
Finance Companies	1,742,628
Rhodesian Copper	245,000
Rhodesian Coal	490,365
Chemical Industry	5,060,977
	£49,737,209

The decision to apply diamond profits to develop

De Beers Directory

De Beers Consolidated Mines: capital £6,082,184 in 800,000 40 per cent pref. of 50s. and 16,328,739 5s. ord.

Anglo American Investment Trust: owns 20 per cent of De Beers' equity.

Premier (Transvaal) Diamond Mining Company: De Beers holds 92 per cent of the pref. and 98.2 per cent of the defd.

Consolidated Diamond Mines of South West Africa: De Beers holds 96.4 per cent of the equity.

Griqualand West Diamond Mining Company, Dutoitspan Mines: De Beers holds 54.48 per cent.

New Jagersfontein Mining and Exploration Company: De Beers holds 53.95 per cent, but rents the mine.

Consolidated Company Bultfontein: De Beers holds 41.29 per cent.

De Beers Industrial Corporation: De Beers holds 71¼ per cent of the equity.

African Explosives and Chemical Industries: Equity is owned jointly by De Beers Industrial and ICI.

Diamond Corporation: De Beers holds 60 per cent, Cons. Diamonds 23.1 per cent, and Anglo American Investment Trust 16.9 per cent.

De Beers Investment Trust: owned 84.1 per cent by Diamond Corporation, 10.9 per cent by De Beers, 2.7 per cent by Cons. Diamonds, and 2.3 per cent by Anglo American Investment Trust.

Consolidated African Selection Trust: Diamond Corp. holds 16.63 per cent.

Société Minière du Beceka: Diamond Corp. holds 16.62 per cent.

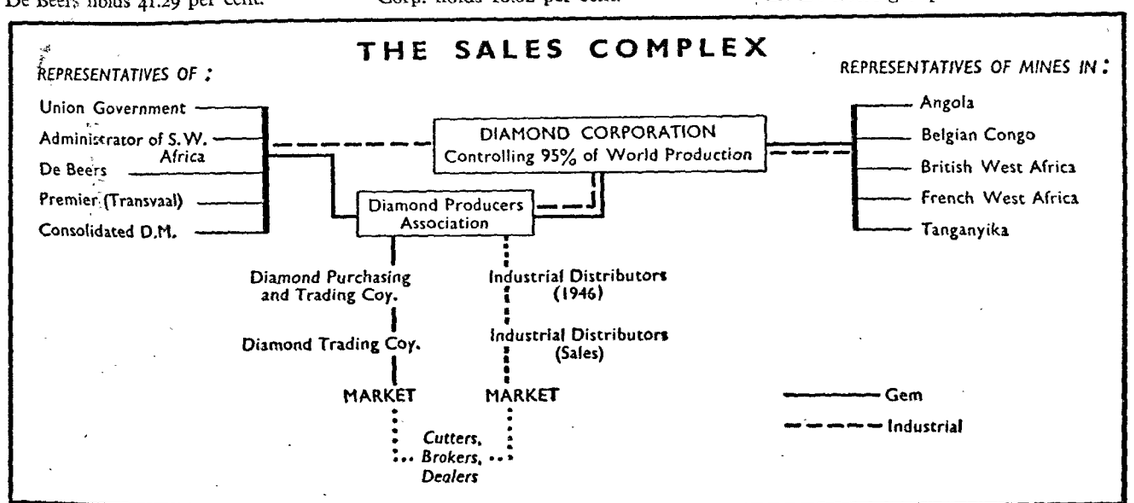
Companhia de Diamantes de Angola: Diamond Corp. holds 0.82 per cent.

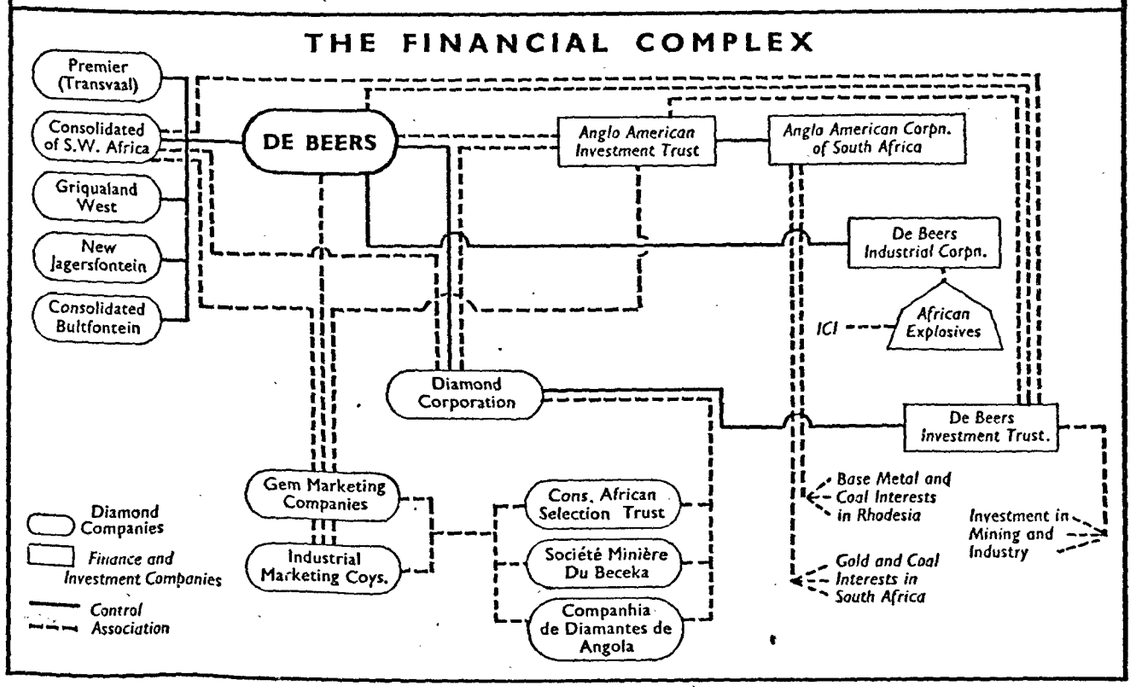
Diamond Purchasing and Trading Company: De Beers holds 32 per cent, Cons. Diamonds 8 per cent, Anglo American Investment 16.6 per cent.

Diamond Trading Company: De Beers owns 32 per cent, Cons. Diamonds 8 per cent, Anglo American Investment Trust 22.2 per cent.

Industrial Distributors (1946): De Beers owns 24 per cent, Cons. Diamonds 6 per cent and Anglo American Investment Trust 10 per cent.

The remaining capital of the marketing companies is held by producers outside the De Beers group.





the gold, coal and other resources of South Africa and Rhodesia attracted much comment in Britain. It was argued that shareholders might have been allowed to decide for themselves whether to invest their money in the speculative ventures of the Orange Free State, but Sir Ernest would have none of it. He saw that to bring the OFS mines into production and to nourish South Africa's growing economy would be no light task. He was the mining financier with large cash resources at his disposal and he claimed that he was "reviving the tradition of Cecil John Rhodes," the De Beers chairman of 54 years ago. So shareholders of this group have followed Sir Ernest pioneering with the mantle of Rhodes around his shoulders whether they liked it or not. So far they have come to no harm and he has chosen mainly prior charges for the investments; income from investments other than trade investments rose last year in De Beers' consolidated accounts from £2.1 million to £2.8 million—a bagatelle compared with the diamond account, though that fell a little from £28.6 million to £26.2 million.

The investor's first feeling about the accompanying charts, which explain the financial and marketing arrangements of De Beers, may be that they provide a text-book example of an international monopoly. It would be a true diagnosis, but a harsh one. The velvet glove of association has been used far more freely than the mailed fist of control. Even De Beers itself is linked with the Anglo American group by a mere 20 per cent shareholding—far less than a controlling interest, though effective enough for a workaday alliance. Full control covers the diamond mines of South and South-West Africa; it stretches down into the marketing organisation through the complete control of the Diamond Corporation. Then the velvet glove reappears. The Diamond Corporation is a potential fairy godmother to outside producers because it holds the £20 million fund reserved to take up the minimum quotas of diamonds if the need should arise. The Diamond Corporation also has useful but minority investments in producing companies in the Gold Coast, the Belgian Congo and Portuguese Africa. The picture is further complicated by Anglo American Investment Trust, for in addition to its investment in De Beers this company has minority holdings in the trading and investment companies right through the group.

*

Not unnaturally, De Beers have long favoured centralised selling, and when the old diamond syndicate collapsed in the slump of the 'thirties, it formed the Diamond Corporation to carry on those functions. The latest recruit to the cartel is Dr Williamson, owner of a fabulous mine in Tanganyika, who after an earlier disagreement with De Beers on prices, returned to the fold in 1952. The hub of the organisation, which now handles 95 per cent of the world's output of diamonds, is the Diamond Producers' Association, which establishes a minimum quota of guaranteed sales for each of its members. They are: De Beers; Premier (Transvaal); Diamond Corporation; Consolidated Diamond Mines of South-West Africa, and the Union government and the Administrator of South-West Africa representing the state diggings in their territories). The outside producers are indirectly represented on the Association by the Diamond Corporation, which has long-term contracts to purchase their outputs, subject to a guaranteed minimum.

*

Gem stones are passed to the market via the Diamond Purchasing and Trading Company, which carries out the highly skilled task of sorting and pricing, and the Diamond Trading Company, which effects the actual sale. Industrial stones are similarly handled by Industrial Distributors (1946) and Industrial Distributors (Sales). The bulk of the output is sold through London. Cutters, brokers and dealers on the organisation's list attend the monthly "sights" held in an unpretentious building opposite Hatton Garden. The buyer is shown into a small room with a northern light to examine the parcel that he has been allotted. If he approves the parcel it is his, for prompt payment. Objections to the quality of the parcel are met if they are considered to be valid. Some members of the trade would complain that the selling organisation tends to be autocratic, but most would agree that in the long run its policy of attempting to stabilise prices is in their own interests. Three-quarters of the total supplies of gem and industrial stones find their way to the United States; a small quantity is imported direct, the remainder after cutting and polishing in Europe and Israel.

The diamond trade has lost a little glitter, but its prospects are still bright. The mines are working to the limit of existing capacity, which appears to be below current demand for gem stones. As stocks are now very low, sales of gem stones will show some decline this year if present prices are maintained. The demand for industrial stones, however, has fallen off considerably in the last two years, owing partly to the cessation of purchases for the American stockpile; the fact the sales in the first five months of this year were almost as high as in the same period of 1953 is explained by unexpected purchases for the stockpile. There seems little likelihood in the near future of any marked decline in De Beers' profits. The more distant prospect is inevitably uncertain. Demand for both gem and industrial stones is greatly influenced by world political developments, good or bad. Though the central selling organisation controls both supply and price, it is not omnipotent. The Diamond Corporation's resources are greater than they have ever been, but they could only mitigate, not abolish, the lean years to which the diamond trade is prone. Investors in De Beers now have their risks spread over a wider field, but the yield of nearly 11 per cent on the equity emphasises that despite its size and strength it is still in the risk class.

Business Notes

Resilient Markets

No rise in the share markets proceeds without a pause. One such occurred in the early days of this week when both industrials and gilt-edged suffered a minor shake out. But the abiding impression must be one of strength. The rallies continue to come swiftly and decisively, and often they exceed the extent of the previous decline. By the middle of this week a rally was in progress. Dated gilt edged stocks, leading industrials, and to a smaller extent gold and copper shares, were involved. The accompanying table showing the peaks and troughs since the budget gives an impression mainly of firmness and stability.

	Industrial Index (Financial Times)	US Industrial Index (Dow Jones)	Savings 1965/75	3½% War Loan
April 6.....	142·6	304·26	89 11/16	87⅝
„ 23.....	147·1	313·37	90 1/16	87 3/16 xd
„ 28.....	144·2	313·75	89⅝	86¼ xd
May 14.....	149·9	322·50	91 11/16	88 3/16 xd
„ 27.....	151·7	326·37	91 1/16	86⅞ xd
June 4.....	152·6	327·63	91 11/16	86⅝
„ 14.....	147·1	322·65	91⅛	86¼
„ 16.....	149·6	327·28	91 11/16	86 5/16

The market thus runs into a period of many calls for new finance in good fettle. There is already evidence of the willingness of investors to absorb suitable stocks. The great success of the Government's conversion operation was an example of it. The heavy oversubscription of the £4 million Rolls Royce Debenture issue was another, and there were indications that yesterday's offer of £500,000 4¼ per cent debenture stock, 1964-79, of British Rollmakers, at £99 was also attracting a good response.

The quick absorption of the £20 million of Treasury 3½ per cent stock issued in part compensation for the nationalised coal mines was of a different nature. The amount was larger than expected even though it compares with a previous half yearly instalment of £33 million in December. But even though the half yearly Coal Compensation is now tailing off the Government still has to take back much of its stock. Now that most of the colliery companies are winding up, liquidators tend to sell at once and the Government broker stands behind the market ready to take back stock at a jobber's turn below the issue price. The issue was made on the basis of £96¼ being equal to £100 of compensation, compared with a price of £92 11/16 on the December issue—showing appreciation of medium-dated stocks in 6 months.

Skilled Conversion

THE Government's latest cash-and-conversion offer has certainly been a striking success—a genuine and not merely a nominal one. After the lists for the conversion side of the operation closed last Tuesday it was announced that holders of £292 million of 3 per cent National Defence Loan, 1954-58, had accepted the invitation to exchange into the new 2 per cent Conversion Stock, 1958-59. Only £29 million of the £321 million of 3 per cent stock will therefore remain for redemption in cash on the Treasury's chosen date of September 2nd next. In all operations of this character participation by the departmental funds is a normal procedure; but when the acceptances announced amount to so high a proportion as over 90 per cent of the theoretical maximum it can usually be presumed, even in the absence of other indications, that there has been a substantial "genuine" response. And in this case it was well known that at the moment of the offer a considerable proportion of the called stock was in the hands of the banks and the money market.

*

At the outset some of these institutions took the view that the terms had been cut too fine to make an appeal, while to the discount market the maximum life of four years and seven months looked on the long side. But, as so often happens, initial resistance gradually gave place to acquiescence, if not to eagerness. It was perceived that this unexpected break in the recent practice of the authorities of offering stocks with steadily lengthened dates—in the sixties, and with the last February's issue dated 1969—was a tactical move and not a change in policy. A clear hint had in effect been given that it would be wise not to count upon the offer of another "short" when the autumn maturity of £535 million of 1¾ per cent Serial Funding stock is refinanced. Willy-nilly, the banks found that they had been left with hardly any alternative but to convert at least the greater part of their holdings; and on the same argument banks and other institutions have switched out of the maturing Serial Funding stock (via sales to the Government broker) into the cash issue of the new stock.

Thanks partly to these and analogous processes, the cash subscriptions from non-official applicants are believed to have amounted to £150 million or more; and, to judge from the premium established since—the quotation at the close on Thursday was 99¼, compared with the issue price of 99½—the eventual result of the operation will be more impressive still. Meanwhile, the threat to stocks with spread dates has provoked a frantic search for short-medium and medium stocks with single or narrow dates, thereby lifting precisely that sector of the market at which the next official shaft is likely to be directed. The authorities are noted for their skill at the game, but this latest round is one of the shrewdest yet seen.

Prospects for Stewarts and Lloyds

IT is still early to be sure, but the portents are moving favourably for success when the public offer of 10 million £1 ordinary shares at 35s. in Stewarts and Lloyds is made next week. After a dip in the ordinary share market that must have dismayed the consortium for a few days, prices are rallying each day. The conclusion of the resale of English Steel shares to Vickers and Cammell Laird provides a gesture of confidence from industry as welcome as it was long awaited. The Stewarts and Lloyds prospectus will be published on Monday. Application lists will open on Thursday and close on Friday—the Bank of England taking yesterday's price of 3½ per cent Treasury stock 1979/81 as that at which that stock may be tendered.

The yield is generous—though for that Mr George Strauss deserves the discredit. On the basis of a 12½ per cent dividend Stewarts and Lloyds at 35s. yield 7 1/7 per cent compared with about 7½ per cent now obtainable from United Steel and Lancashire Steel. United Steel's increased interim dividend of 4 per cent against 2½ per cent has prompted a reassessment of the total dividend for the current year and assisted the atmosphere for the Stewarts and Lloyds issue. In former days the differential between Stewarts and Lloyds—the cream of steel equities—and the general run of steel shares was nearer 1 per cent.

The offer will be fully covered under the arrangements by which institutional and other underwriters support their commitments with firm applications. There are indications, indeed, that some of them would be ready to buy excess shares in the market after allotment, and at a premium. The unknown factor, as in earlier steel issues, is the attitude of the private investor. If he will not apply for Stewarts and Lloyds on these terms, he will never be attracted to any other steel shares. The application money of 5s. per share is low and might encourage some stagging on "pink forms." The technical success of the issue is not in doubt; but real success depends on the maintenance of a steady market and a small premium—in other words on the reverse of what happened after the United Steel and Lancashire Steel offers.

English Steel

AFTER many months of hard-fought negotiations Vickers and Cammell Laird have agreed to buy back the equity of English Steel Corporation of which nationalisation deprived them in 1951. The price is £10 million, and it covers 6 million £1 "A" ordinary shares sold to Vickers and 2 million "B" ordinary shares sold to Cammell Laird at 25s. a share. The two classes are governed by a complicated trust deed, but their voting and dividend powers are *pari passu*. Therefore English Steel's equity goes back 75 per cent to Vickers and 25 per cent to Cammell Laird. The company was nationalised with a different capital structure, so that precise comparison is not possible, but 70-30 was the approximate pre-nationalisation ratio.

The deal was well timed in view of the Stewarts & Lloyds offer next week. How far Sir John Morison, the chairman of the Iron and Steel Holding and Realisation Agency, has made a good bargain is difficult to judge. When English Steel was taken over for £22.1 million it consisted of 2,234,899 preferred ordinary shares of £1, 1,131,120 deferred ordinary shares of £1, and £821,167 of 6 per cent debenture stock. It comes out again with 8 million of ordinary shares, 5 million 5½ per cent preference shares of £1, and £5 million of 4½ per cent debenture stock. The 6 per cent debenture stock has now been paid off, and the equity sold for £10 million, leaving the preference shares and the new 4½ per cent debenture stock in the hands of the Agency against a book value of £11,273,311.

Thus if the Agency can eventually sell £5 million of 5½ per cent preference capital and £5 million of 4½ per cent debenture stock at par—which should not be impossible—no loss will have been suffered, at least superficially. But there is another factor. The old 6 per cent debenture was repaid out of profits accumulated during the period of nationalisation. The Agency has in fact reduced its book value to the tune of £821,167 with its own money. Fortunately the making of a profit on resale, however calculated, is not the Agency's exclusive task. The figure which is likely to govern the prices at which steel companies can be sold is the "net maintainable revenue"—effectively the probable profit after last year's premium on exported steel has been excluded. The English Steel transaction was private, and it has not been necessary to make any estimate of net maintainable revenue, but the Agency is probably not dissatisfied with the price obtained.

Trade and Convertibility

OFFICIALS of countries in the Organisation for European Economic Co-operation have met in Paris this week to discuss the problem of reconciling a move towards formal convertibility with the cause of the continued liberalisation and expansion of international trade. The possibilities of a direct clash between the two objectives has for some time been a matter of serious concern to the Chancellor of the Exchequer and his advisers; and it is to discuss the ways of avoiding such a clash that the special meeting of OEEC finance ministers will be held in London under the chairmanship of Mr Butler towards the end of next month. This week's discussions in Paris were intended to prepare the way for that ministerial and potentially important meeting. Meanwhile, the Chancellor has this week re-affirmed in Parliament the Government's continued aim of convertibility, on the three familiar conditions—continued improvement in the gold reserves; good creditor policies by other countries; and adequate financial support from the International Monetary Fund.

The first and main item on the agenda at the Paris talks was the preservation and extension of the OEEC's code of liberalisation. This has provided for the dismantling in a non-discriminatory way, and on a defined minimum scale, of quantitative restrictions on imports from other OEEC

countries. The scheme has worked in conjunction with the arrangements of the European Payments Union and would be threatened if EPU were to fall a victim to the convertibility of one or more of its international currencies. Can this code of liberalisation, with its precise targets and its mechanism for permanent co-operation, be dovetailed into the wider but looser system of the General Agreement on Tariffs and Trade? Or will a new organisation, doing the work of the OEEC on a world-wide basis, have to be evolved?

A parallel problem is that of the credit facilities now automatically available under EPU, and threatened by the move to convertibility. Can these credit facilities be effectively provided by a wider organisation such as the International Monetary Fund? And, if not, can the IMF be loosened and adjusted to take the strain of the new responsibilities that will fall upon it in the event of a collective advance to convertibility? This is a problem that will undoubtedly come before the annual meeting of the International Monetary Fund due in Washington in September. But it is reassuring to note the thoroughness with which these questions that go to the very roots of the convertibility problem are being considered before the event, instead of being allowed to cause trouble afterwards.

Waiting in Wheat

BUSINESS in wheat here and on the Continent is stagnant while the trade awaits the outcome of the International Wheat Council's meeting in London. The meeting began last Wednesday and is expected to continue until the 23rd. The United States, which has the most pressing disposal problem, will probably suggest that the importing members should take up wheat to the limit of their quotas next season, on the basis of the minimum IWA price of US $1.55 a bushel for no. 1 Manitoba wheat, ex-Fort William, compared with the equivalent present Canadian price of $1.75½. Nothing could be done about the unfilled balances of this season's quotas, which amount to 5.6 million metric tons out of a total of 11.4 million, and lapse on July 31st. Although total consumption of wheat should increase at lower prices, the main purpose of the suggestion would be to increase sales by the United States, Canada and Australia, at the expense of exporters outside the agreement, principally Argentina, and smaller exporters such as Turkey. Canada and Australia would have mixed feelings about this proposal, but they could not avoid following the market. And it seems that Canada is aware of America's intentions, for the Canadian Minister of Trade has said that his government would not make a fetish of maintaining present prices if they interfered with exports. Some of the smaller importing nations might cavil at fulfilling their obligations under the agreement, and it is likely that the United States would not press the matter at this stage, preferring to await the response to an informal approach.

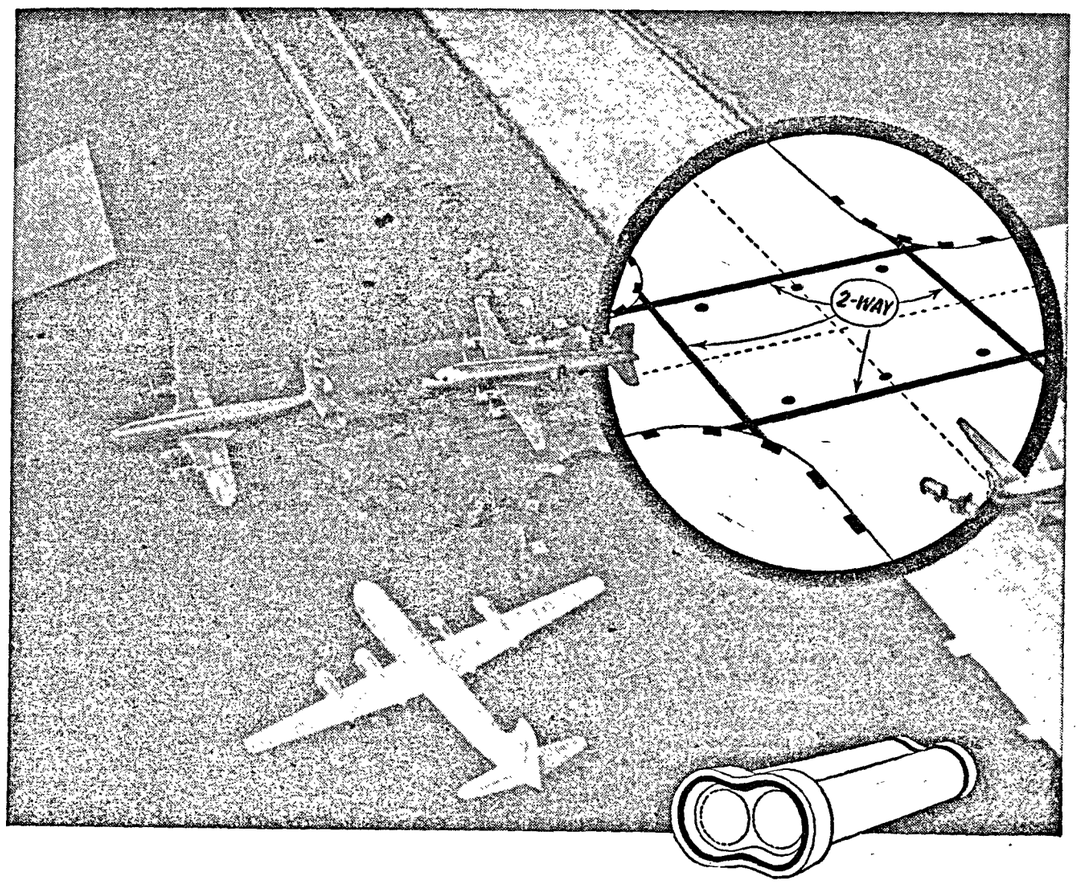
Meanwhile the earlier reduction in prices is stimulating sales of American red garlicky wheat, chiefly for feed, but also for milling. The price of this soft wheat dropped from £22 10s. a ton cif UK to £20 and has since strengthened slightly to £20 10s. At this price it is over £3 a ton cheaper than any other wheat available. Its quality is said to be good for its type, but for milling it has the disadvantage that the seed of wild garlic sticks to the rollers and taints the flour. The garlic seed can, however, be removed beforehand, and the resulting loss of weight is more than outweighed by the large saving in price. The quantity of this American wheat is relatively small, but the response to lower prices does emphasise that millers can adjust their practices within limits to use the cheapest wheat.

In Defence of Banks

RECENT criticisms of the banks—notably those made in addresses by Professor R. S. Sayers and Professor A. K. Cairncross and in an article contributed to *The Economist* some months ago—are provoking some reasoned replies from the bankers. The critics have affirmed that the banks are turning too fast and too much into savings banks, that their function of discriminating lending based on nice judgment of business risks has been dwindling in importance, that it is not in any case a function that is readily combined with the huge routine task of providing and running the nation's mechanism of payments, and that in performing this mechanical function the banks have not seized all possible opportunities for streamlining their organisations in the interests of maximum efficiency. A spirited commentary upon these and other recent criticisms appropriately formed the principal theme in the presidential address delivered this week by Mr J. J. Campbell, general manager of the Clydesdale and North of Scotland Bank, to the annual general meeting of the Institute of Bankers in Scotland. Mr Campbell's retort was the stronger for not being a mere apologia. He finds complacency dull and informed criticism welcome: "There is much more need today for us to strive to adapt our practices to the new situation than to hark back to days that are past, and to find reasons in the difficulties which undoubtedly exist for delaying rather than speeding the process of transition."

Although he thus emphasised the importance of a constant search for improvements, Mr Campbell pointed out that many of the banking trends upon which the critics have seized have resulted from influences beyond the banks' control. The big rise in the part played by investments in their balance sheets and the fall in the proportion of advances are primarily a legacy of the war—and, Mr Campbell might have added, also of Daltonian finance after the war. But, aside from this, the ratio of advances would undoubtedly have recovered more rapidly in recent years had it not been for the necessary official restraints, in the form of Treasury "directives," upon bank lending. In reply to Professor Cairncross's specific point that "it is high time the banks stopped insisting on full collateral," Mr Campbell affirms that the proportion of bank lending that is unsecured or only partly secured is higher now than at any previous time in this century. A banker's judgment of his customer as a man and of his business record is more important than any formal security; and the effective competition that exists between the banks tends to ensure that all creditworthy customers get the finance they merit—if their projects fall within the scope of the directives.

At a number of the points of administration and mechanics raised by the critics, Mr Campbell admits, there



Under an Airport Runway

If you never want to have to dig them up again put down

This is a typical runway intersection—it is a key point. Under it is a network of conduits, carrying the cables for the runway lights. If anything happens to those conduits, if they have to come up again—*two* runways will be out of action.

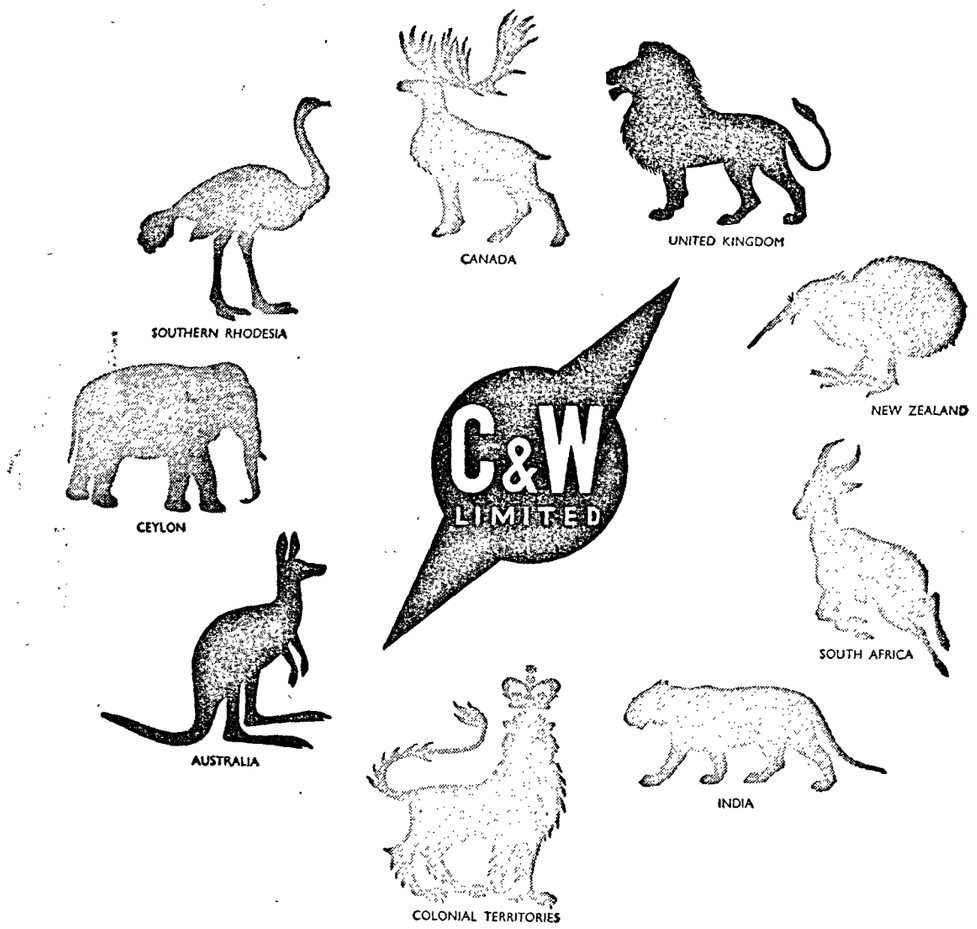
Think what that means to a big airport. Last year *in August alone* London Airport handled nearly 8,000 aircraft and 160,000 passengers. A lot depends on those conduits; they must be able to stay down there, doing their job—for good!

That's why they put down conduits of salt glazed vitrified clay.

Salt glazed conduits are glassy smooth and hard as nails. They are acid-resisting; sulphates in the soil cannot corrode them. The same applies to the hundreds of salt glazed *drain-pipes* that are out there too. Safe and efficient, salt glazed conduits and pipes can —and do—stay down for centuries.

Salt Glazed VITRIFIED CLAY *pipes and conduits*

NATIONAL SALT GLAZED PIPE MANUFACTURERS' ASSOCIATION



The Lion has a message

The Lion has many messages that must travel speedily and securely. To the lands of the Caribou and of the Springbok; to the lands of the Kiwi and the Kangaroo. To the sovereign nations and all the other countries of the Commonwealth.

These territories in their turn have information and opinions to send to one another. Who carries the messages?

Consider how the eight senior countries of the Commonwealth exchange messages. Each within its own boundaries collects messages and sends them overseas. Each receives and delivers incoming messages. For example, in the United Kingdom the G.P.O. does these things. In Australia they are done by the Overseas Telecommunication Commission (Australia) and the Post Office. The messages may travel by cable under the sea or by wireless through the ether. Cable & Wireless Ltd. owns the 150,000 mile Commonwealth cable network and maintains it with its fleet of 8 cable ships. The Company also owns, maintains and operates the wireless relay stations on the trunk routes. The Company's staff, at their stations in 74 countries, stand at the centre of Commonwealth communications.

Cable & Wireless Ltd. operates the overseas telegraph service of most of the Colonial territories and the cable services of foreign countries in which concessions are held.

How these services are carried out is explained in a 40-page illustrated booklet "World Wide Communication", which gives many interesting details about the Company's equipment, operations and administration. A copy will be sent to you without charge if you will write, mentioning this paper, to:— The Public Relations Officer, Cable & Wireless Ltd., Electra House, Victoria Embankment, London, W.C.2.

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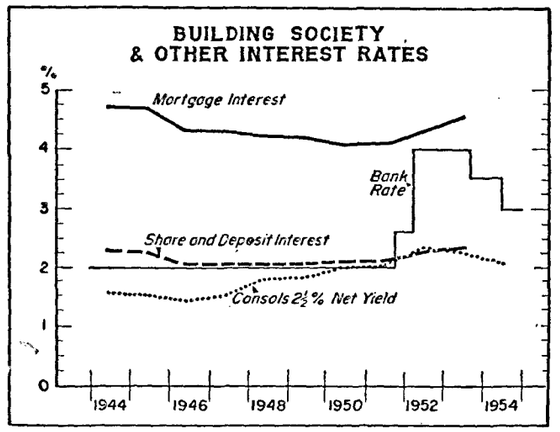
are possibilities of improvement; but the general tenor of his argument was that most of these possibilities involve changes of a kind that can take place only gradually. In Scotland, for example, there is scope for change in the law to widen the types of acceptable banking security; and in Scotland, too, he concedes that there may be too many small branches, but they are being reduced as a result of the recent amalgamations between Scottish banks. More generally, there may be further possibilities for mechanical aids to banking efficiency, but "mechanisation cannot be equated with efficiency in every case."

Building Society Rates

THE Building Societies' Association has issued a further statement on the relation between mortgage charges and Bank Rate; it differs from previous statements only in being more amply argued. The claim is repeated that there is no necessary or immediate connection between Bank Rate and the rates paid and charged by the societies. As a statement of fact, that cannot be denied. Indeed the accompanying graph (compiled by *The Economist*, not by the Association) underlines the point. The rates per cent paid to shareholders and depositors and charged to borrowers have shown remarkably little fluctuation over the past 10 years once the calculation is based on all the societies and on all the money outstanding. The graph is thus even flatter than it would be if the calculation were based on the rates currently charged and offered for new money. By comparison the net yield on 2½ per cent Consols and Bank Rate itself have moved in sharp jerks.



But on this occasion the Building Societies' Association goes further than it has before. It claims that the increase in the rates charged for mortgages from 4 per cent to 4½ per cent that occurred shortly after the Bank Rate had been raised from 2½ per cent to 4 per cent in March, 1952, was not caused by that event, and would have taken place even if Bank Rate had not been raised, because of the general increase in the level of interest rates that had already taken place. It is unfruitful to argue about "might have beens" but it is at least permissible to suggest that the decision to bring Bank Rate back into use—which came in November, 1951, not in March, 1952—cannot be divorced from the general rise in interest rates nor even from building society charges, for it happened to be a vital long term policy decision.

Nevertheless there is good sense behind the Association's view. The interest policy of the societies must be governed by the question of whether they want borrowers or subscribers most. At the moment they stand behind a big house building programme with an ample demand for mortgage loans in sight. Their advertising and presumably their money policy are geared to attract the investors who will provide finance for relending on new mortgages. The Association's statement seems to accept the idea that the next change in rates, whenever it comes, will be downwards. The societies, it says, "may be relied upon to reduce the mortgage rate if and when they can reduce the rates paid to investors without the risk of withdrawal of the funds on which the lending activities of the societies depend."

Co-operation on Rockets

LAST week's talks in Washington between the Minister of Supply and the American Secretary for Defence turned on ways of improving Anglo-American co-operation in the development of guided weapons. Existing arrangements for exchanging information on such weapons between the military staffs have not prevented unnecessary duplication of effort in their design and development.

The joint statement issued after the talks suggests, for all its vagueness, that the two countries are contemplating a complete interchange of information and collaboration in the development of guided weapons. There is little doubt that such collaboration would be valuable to both sides. The development and production of guided weapons make demands on the manpower of the electronics industry that appal even the Americans; scientists of the highest calibre are still rare in this field; and it would be folly to waste first-class American and British brains in duplicating each other's work. There are two main problems. One is to develop the systems for guiding and homing the missile with the necessary motors, fuelling, and explosives. And after these "missile systems" have been developed, they must be perfected in application by solving the second problem—the elimination of mechanical inefficiency from the components used in construction.

Closer co-operation between the two countries could imply that the design of certain classes of weapons might be left to the country that is best equipped to develop them. There should therefore be a fair prospect of some measure of standardisation on guided weapons in the Nato forces. There remains, however, the problem of differing military requirements. Guided weapons for air defence have developed along different lines in the two countries, and this would have happened quite apart from any interchange of basic information. Guided weapons were not seriously studied in this country until three years after the American programme had started, consequently the first generation of British guided weapons are not likely to be in service as soon as the American, but when they do begin to appear,

in roughly two years' time, they should in some cases embody more advanced techniques. A great deal of unnecessary secrecy surrounds the amount of work on guided weapons that has been done in this country, at a cost of several millions of pounds for each design ; the fact that the two countries appear to be on the verge of an agreement to share in development work is an indication of the strain that it imposes on military budgets and on the scientific manpower of both countries.

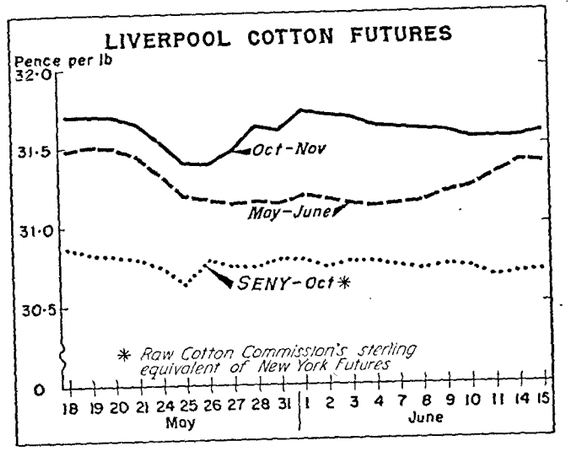
A Cable Maker's Reply

PART of the cable manufacturers' objection to the pressure that is being put on them by the Government to implement most of the recommendations of the Monopolies Commission about their industry is based on the argument that they are being ordered to abandon trading practices that many other industries employ without question. Sir Alexander Roger, the retiring chairman of British Insulated Callender's Cables, complaining of this "discrimination" last week, commented that "many of the customs which have not found approval are recognised and adopted throughout much of British industry." This is probably true ; and it will remain true at least until the panel of the Monopolies Commission entrusted with the inquiry into exclusive dealing practices hands down its conclusions. This general inquiry, however, will hardly produce as thorough a survey of the circumstances of any particular industry as the commission has conducted into cable-making, matches, dental goods and the others ; and its conclusions about these practices in general will not invalidate its earlier finding that in the cable industry they operated against the public interest.

Sir Alexander objected to the Government's request—which is backed with the threat of an Order in Council—that the prices of certain cables which the industry's trade associations would retain the power to fix should be no higher than would give the lowest cost producer a reasonable profit, and should be subject to Government inquiries into costs. "The lowest cost producer in certain sizes of common cables," he argued, "can be one who spends no money on technical research and development and sales marketing, particularly overseas." It would not be difficult to find some academic economists who agree broadly that price-fixing may be a necessary condition of technical research and development in an industry ; this argument (discussed in the special section on "Research in Industry" in this issue) is ingenious if not convincing. But there seems something slightly odd in the argument that a company may be unfair to keep its prices low by not spending enough on sales promotion—the mere possibility, indeed, might strike the Incorporated Sales Managers' Association and the Advertising Association as a distinctly subversive suggestion. Does cheapness never bring its own reward ?

Cotton Futures Quiet

TRADING in cotton futures in Liverpool is quiet, as was to be expected at this stage, but the market is functioning satisfactorily. Most business can be done within one point (one-hundredth of a penny) a lb of the last price quoted, and transactions for 1,000 bales or more have moved the price by less than three points. Selling is almost entirely by spinners transferring their hedges from the public cover scheme of the Raw Cotton Commission, and most of the buying represents straddle operations between Liverpool and the New York market, mainly by American interests. Since trading began on May 18th, prices have been cheap compared with New York, i.e. the difference between the two markets has been appreciably smaller than is justified by the cost of shipping cotton from New York to Liverpool. Hence traders have found it profitable to buy futures in the cheap market and sell in the dear. Late last month a spurt of buying in Liverpool, mainly by exporters who had made forward sales of actual cotton, led to a recovery in prices of cotton for delivery in October/November. Prices subsequently eased, but prices of the distant delivery months rose on straddle buying, thus narrowing the difference between the near and distant positions. Last Monday the whole market advanced on the announcement that the United States would not subsidise exports of cotton from the 1954 crop, but slipped back later as spinners took the opportunity to transfer hedges from the Commission.



The announcement should allay one of the market's anxieties, but another remains—the belief in some quarters that sterling may appreciate against the dollar. This is helping to keep the market below parity, and some of the big spinners who are also participants in the market control scheme are transferring hedges from the Commission to New York, and covering the risk of revaluation in the foreign exchange market. Seinners generally would prefer to remain hedged with the Commission until the Liverpool market is nearer parity with New York, and hope in the meantime to reduce their hedged position by sales of yarn. There is still ample time for this, because public cover will continue until August 31st. But no spinner wishes to leave the transfer of hedges to the market until the last moment, and many are wisely taking opportunities to do this gradually. The use of New York by some of the larger spinners will relieve the potential weight of hedge selling in Liverpool, and as this becomes more widely realised it should help to bring the market into closer parity with New York.

Ryders Discount Introduction

AN interesting event in the discount market this week has been the introduction to the Stock Exchange of the shares of Ryders Discount Company Ltd., a bill market house dating from 1903 ; dealings began on Thursday in the company's £1 ordinary shares (£1 million in issue), which opened at 31s. 7½d., and in its 5 per cent cumulative preference shares (£885,000), which opened at 20s. 9d. In 1946-47, when the discount market substantially expanded its capital resources to meet the postwar need for flexibility in the short bond market, most of the discount houses that were still private companies were converted into public companies and secured stock exchange quotations for their shares. But Ryders, although ranking fifth or sixth in size among the twelve houses, was one of the three that retained private status ; its capital expansion then was provided for by an increase in the financial participation that had been taken in it in 1943 by the United Dominions Trust. This week's introduction, and the recent reorganisation of its capital, partly by a scrip bonus distribution on conversion of the business into a public company, are part of the process of sale by the United Dominions Trust of the greater part of its shareholdings in the company—885,000 of preference shares and 450,000 ordinary shares have been sold to (and through) Morgan Grenfell & Company Ltd., leaving the UDT with a residual holding of 200,000 ordinary shares.

Thanks to the information published for the purposes of the introduction, detailed figures of discount market portfolios and profits are now available for ten of the twelve discount houses. At May 31st last, Ryders is shown to have had a bond portfolio of just over £22 million and a bill portfolio of nearly £52 million. This combined holding of £74 million is equivalent to about 7 per cent of the aggregate portfolio shown by the latest accounts (at varying dates) of the ten houses. Ryders this year has been fortunate in the incidence of its accounting date, as the accounts were made up roughly a fortnight after the recent reduction in Bank rate and also benefited, of course, from last September's reduction. This partly explains the exceptional steepness of the rise in its profits. To meet the requirements of the Stock Exchange, these are shown before deduction of tax, and therefore cannot be compared with the published figures of other market houses ; in the twelve months to end-May they totalled £445,000, compared with £163,000 in the previous year and only £87,000 in 1949-50 (a period that embraced both increases in Bank rate).

Second-Hand Car Prices

The table below shows the average discount—or premium—that could have been obtained on a two-year-old car during the past 2½ years, based on its original cost, including purchase tax. The final column shows the list prices of current models.

	1952				1953				1954		List Price
	M.	J.	S.	D.	M.	J.	S.	D.	M.	J.	
	%	%	%	%	%	%	%	%	%	%	£
Austin A.30	...	...	...	...	...	...	..	77	75	80	476
A.40	203	176	147	116	86	92	87	75	76	83	658
Bentley M.VI 4½ litre	127	106	89	87	72	74	72	59	50	52	4,393
Ford Popular (previously Anglia)	217	195	160	122	95	92	88	71	69	78	391*
Anglia (new)	...	...	...	...	...	...	...	...	...	...	511*
Prefect (old)	121	181	156	118	91	90	88	74	75	81	...
Prefect (new)	...	...	...	...	...	...	...	...	...	...	561*
Consul	...	...	...	...	114	121	115	97	79	83	667
Zephyr	...	...	...	...	112	115	112	93	74	77	755
Hillman Minx	185	156	143	111	83	88	84	72	74	78	667
Jaguar M.VII	...	...	...	...	111	116	105	88	65	63	1,616
Morris Minor	228	193	174	128	95	102	97	84	81	88	530
Oxford	201	168	145	103	86	87	82	71	68	73	745
Rover 75	166	133	130	90	74	73	71	59	63	66	1,269
Standard Vanguard	167	139	119	85	63	68	64	57	59	63	787
8	...	...	...	...	...	...	...	...	89†	95†	481
10	...	...	...	...	...	...	...	...	...	...	581
Triumph Mayflower	205	168	144	114	85	82	79	68	69	75	...
Vauxhall Wyvern	194	163	141	121	87	93	91*	76	76	80	702
Velox	175	144	134	105	78	82	86*	73	74	78	759

* Model change. † One-year-old car.

There has been a distinct hardening in second-hand prices this summer, especially those of the smaller popular cars. Eighteen months after the lifting of steel restrictions for the car industry, several cars command, after two years' service, 80 per cent of their cost when new. The gap between the second-hand price of such a car and the current list price for the equivalent model is even narrower. The owner of a 1952 Austin A40 would have paid £736 for it new. The average market price for that car today is a little over £600, while the current list price of the same model is only £665. The drop in prices of new cars is largely due to the cut in purchase tax rates, from 66⅔ to 50 per cent, made in the 1953 budget. The growing importance attached to the second-hand market is shown by the fact that both Vauxhall and British Motor Corporation are introducing schemes under which they will guarantee (for short periods of 3 to 4 months after purchase) used cars that have been reconditioned by approved dealers.

Exports Hold Steady

BRITISH overseas trade showed little change in May. Exports rose by £4 million to £228.9 million f.o.b. and imports fell by £3.9 million to £280.4 million cif. As May had 26 working days, two more than April, the rise in exports might seem disappointing, but comparison between the two months cannot be pressed too far owing to the effect of holidays. Taking exports in April and May together, the monthly average of £226.9 million was one per cent higher than in the first quarter of this year, and eight per cent above that of the second quarter of last year. The average monthly value of imports in the first five months of the year was £277.0 million, two per cent less than that of the first half of 1953. With a rise of £1 million to £9 million in re-exports in May, the gross visible trade deficit fell by £8.7 million to £42.6 million, which was also the monthly average deficit in the first five months —one-third less than that of the first half of 1953.

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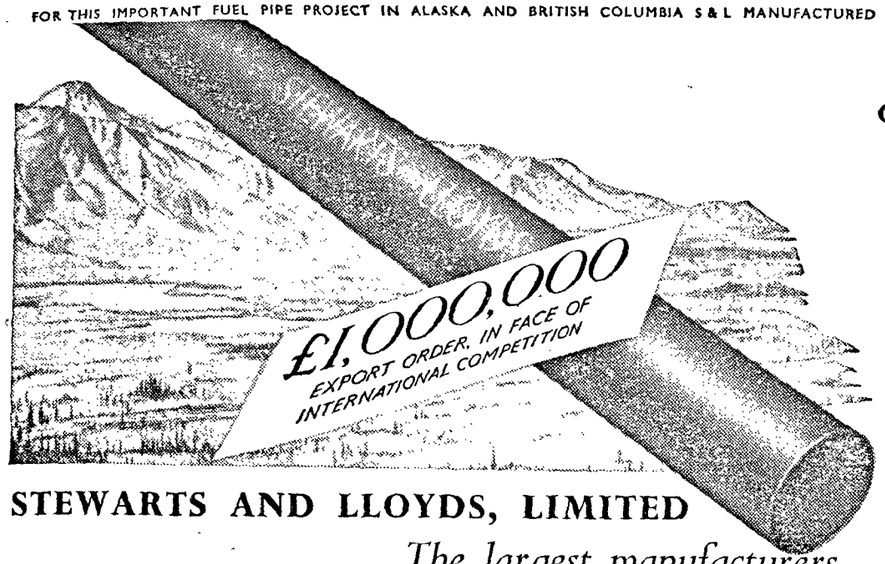

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In Every Ship of the Royal Navy

Exports to North America in May rose by £400,000 to £25.5 million; shipments to Canada were unchanged at £12.9 million, but shipments to the United States rose by £300,000 to £12.5 million. For the two months April and May the average of exports to North America was 14 per cent below that of the peak second quarter of last year; shipments to the United States were 11 per cent less and to Canada 18 per cent less.

UNITED KINGDOM TRADE

£ million—monthly averages

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Trade deficit
1953 1st quarter	272·4	208·5	10·0	53·9
2nd "	291·7	210·0	8·0	73·7
3rd "	274·8	211·6	8·5	54·8
4th "	276·1	230·6	8·7	36·8
1954 1st quarter	273·7	224·4	9·3	40·0
April	284·3	224·9	8·0	51·3
May*	280·4	228·9	9·0	42·6

EXPORTS TO NORTH AMERICA

	U.S.A.	Canada	Total N.A.
1953 1st quarter	12·7	11·3	24·1
2nd "	13·9	15·7	29·5
3rd "	13·9	12·8	26·7
4th "	12·4	12·5	24·9
1954 1st quarter	11·9	10·5	22·4
April	12·2	12·9	25·1
May*	12·5	12·9	25·5

* Provisional

Dunlop and Synthetics

THE Dunlop Rubber Company is in a delicate position. It is beginning to launch out into the synthetic rubber field; it is also deeply committed in the natural rubber growing business, and in any event, must look to the natural rubber producers for the bulk of its raw material. This calls for diplomacy a quality with which the chairman, Lord Baillieu, is richly endowed. It is a pity that in his speech to the shareholders on Monday he felt inhibited from making a closer examination of the pros and cons in the argument on natural versus synthetic. He meets half way the supporters of both. Dunlop, he reports, is spending large sums of money in replanting its Malayan estates and has recently acquired Brynmawr Rubber. The new synthetic factory at Fort Dunlop has not been designed for large commercial production but to produce a wide range of new rubbers for development. At the same time he considers it important for Britain to have full access to adequate supplies of synthetics for both commercial and strategic reasons. Therefore Dunlop must be able to take part in synthetic production and develop the technical skills.

What are these commercial reasons? They may provide the key to the whole synthetic versus natural rubber question. Is it that as a manufacturer Dunlop would find it useful to be able to rely in part on a raw material the price of which fluctuated seldom because it was fixed by a few manufacturers instead of by a volatile market? To put such a point bluntly and at the same time to support the principle of free markets is not easy; but it is possible to like both free markets and price stability. If Dunlop were manufacturing wholly against firm orders for its finished products it should be possible to use the mechanism of the London Rubber Market as a full hedge. But the group must hold a stock of unsold goods and it may feel that there would be an element of speculation in hedging by forward sales the rubber content of its unsold wares. Now prosperous and thinking of embarking on a policy of interim dividends, the board is naturally influenced by the disagreeable experience of writing down inventories as prices fell during the last two years.

Helicopters Over London

THE Ministry of Transport has now decided to follow the example of the Belgian and French civil authorities and permit experimental helicopter landings in the centre of London. Provided that they give one day's notice, and that they follow a prescribed route up the Thames, helicopters will be allowed to land freely on the South Bank site. On Thursday, coveys of helicopters converged on Waterloo, but it may be a long time before helicopter passenger services are put on a normal commercial footing. All previous British European Airways helicopter services have been operated at a loss, and so have those of Sabena in Europe. Mr Profumo told the House of Commons on Wednesday that the government pays 88 per cent of the annual cost of BEA's helicopter unit.

The link between London Airport and the South Bank terminal that BEA plans to operate (with Sikorsky S55 helicopters carrying about six passengers with luggage at a time) is not expected to pay its way either, but it will give BEA and the Ministry experience of operating helicopters in and out of a city. A handful of air passengers will also benefit through being able to cut the tedium of the hour's journey to the airport by nearly 40 minutes; they may find the helicopter draughtier, but otherwise no more uncomfortable than coaches. American operating experience of military helicopters suggests, however, that it would be optimistic to suppose that services will automatically become economic when the big load carrying helicopters now under development are ready for service. American army spokesmen have recently had hard things to say about excessively high and complicated maintenance needed to keep a helicopter flying. But the imminence or otherwise of economic passenger services at this stage is much less important than the fact that the Ministry and the LCC have at last taken a step towards making such services possible. Permission to land in the centre of cities is the determining factor in the success of helicopter services, and hitherto the British authorities have been conspicuously slow to acknowledge the fact.

The Revival of Private Savings

AN interesting analysis of the National Income statistics so as to show the striking revival of private savings that has occurred in recent years provides the appropriate theme for the first of forty-eight articles in a special review of British industry published this week by the *Financial Times*. This analysis is contributed by Professor F. W. Paish, who points out that since 1951 the growth of private savings has more than made good the progressive decline in savings of the public sector of the economy in consequence

of the steep rise in defence outlays and the continued expansion of social expenditures. Hence, in spite of the decline in the investible resources provided through the public sector from £730 million in 1951 to about £460 million in 1953, the total investible resources available in the United Kingdom rose over these two years from £2,130 million to about £2,700 million.

In addition to this striking change in the relationship between the public and private sectors, there has been an even more significant change in the composition of private savings. In the early postwar years, new personal savings by some individuals were almost certainly less than the drafts made by other individuals on past savings, so that personal saving as a whole was negative. Official estimates —which at this point are particularly liable to error—show that even by 1951 the total investible resources accumulating in the hands of persons still contributed less than 7 per cent of total private savings. But in these past two years the growth in the total private supply of investible funds has been very largely due to the personal sector. According to Professor Paish's estimates, net saving companies and public corporations (including provision for depreciation) did indeed rise from £776 million to nearly £1,400 million, but the greater part of this improvement reflected a decline in reserves for taxation and for dividends and in capital transfers, so that the net growth was only £130 million. By contrast, net personal saving (also including depreciation) is estimated to have risen from £158 million to over £900 million; after allowing for changes in tax reserves, capital transfers and for taxes on capital, the investible funds becoming available through persons are estimated to have risen from £88 million to £750 million. All these estimates, it should be noted, are on the basis of current market prices.

Shell Pointers

SIR FREDERICK GODBER had three main pointers to set before the shareholders of "Shell" Transport and Trading at the annual general meeting last Wednesday. He disclosed, first, that the publication of interim figures for the Royal Dutch-Shell group, which had been in mind for some time, would be started this year with "a figure of income on a half-yearly basis." Secondly, he added a note of cautious optimism to the growing hope of success in the Iranian oil discussions, to which the spokesmen for the eight-company consortium would shortly be returning after their consultations in London. And thirdly, he was unsparing in his criticism of the Onassis-Saudi Arabia agreement—"a virtual, and possibly a complete, monopoly for the transportation by sea of the crude oil produced in that country . . . a flagrant instance of flag discrimination and a most serious breach of accepted international maritime practice." These are strong words, but by no means unduly severe.

Company Notes

BRITISH CELANESE. The preliminary figures of British Celanese were issued hard on the heels of those of Courtaulds. They were equally cheering. But there was one difference. The Courtaulds statement raised the price of the £1 ordinary shares by 1s. 1½d. to 31s., offering a yield of 5.1 per cent. The dividend from British Celanese, although it had been raised effectively from 16 to 18 per cent over a full year, was followed by a fall of 9d. in the 10s. ordinary shares to 30s. 3d., offering a yield of 5.9 per cent. The fall mirrored the general decline in equities rather than any particular disappointment with the results; on the same day Courtaulds shares also fell 9d.

There was no reason for any disappointment. Celanese profits before tax in the 53 weeks to April 3rd were £4,069,209, compared with £1,841,346 earned in the 9 months to March 28, 1953. The major producer of acetate in this country has clearly enjoyed a recovery in trade comparable with that of the major producer of viscose rayon, Courtaulds. An ordinary dividend for the full year of 18 per cent has been declared, compared with 12 per cent paid for the previous nine months. Moreover, the directors have recommended a 100 per cent free scrip issue. Shareholders could hardly ask for more, particularly as the latest year has seen the virtual end of the company's funding certificates—an extinction which benefits the equity.

BRITISH NYLON SPINNERS. Owned half by Courtaulds, and half by ICI the results of British Nylon Spinners are of interest chiefly as a guide to the progress of a vigorous young competitor in the field of textile raw materials. The 20 per cent dividend which the parent companies again take out on the £8 million of capital is not going to make or break either of them. British Nylon Spinners enjoyed an excellent year in 1953. Trading profits rose from £5.9 million to £6.6 million. The tax charge also rose from £4.4 million to £4.7 million. The parents could nevertheless have withdrawn a higher dividend had they insisted for the net profit is up from £1.6 million to £2.1 million and the general reserve receives £1 million, compared with £600,000. To have done so would clearly have been unwise when Nylon Spinners is on the edge of a big increase in production at Pontypool and in the throes of a heavy capital programme at Doncaster.

The future seems to be bound up in the solution of a triangle of forces. First from 1954 onwards the group will be free from EPL, which last year cost no less than £1.1 million. Secondly, the company must this year feel the effect of the sharp price reduction (ranging from 12 per cent to 15 per cent), which was granted this spring. The cost will depend upon the denier of yarn sold, but between £1½ million to £2 million a year is a reasonable guess. Thirdly, at these lower prices production is about to be rapidly increased from the present 10 million lb a year to a rate of 25 million lb by the end of the year. The profit margin on this new production will naturally feel the effect of the price reduction, as compared with last year's output, but it seems a reasonable hope that the earnings for 1954 should at least not show a decline.

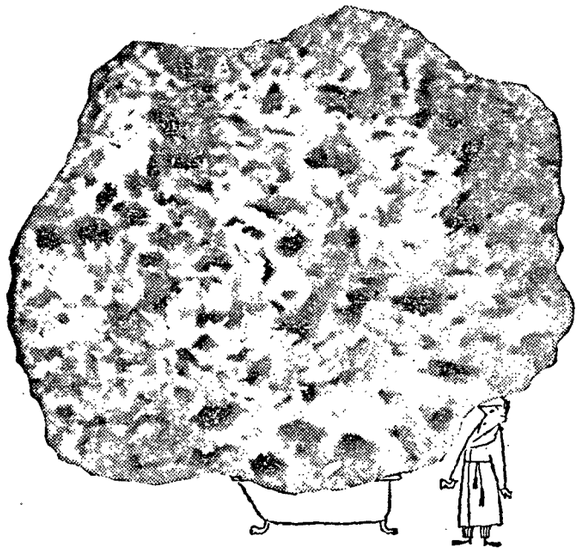
★

BOOTS PURE DRUG. In the year to March 31st last the shops owned by Boots Pure Drug Company served over 324 million customers and gross receipts brought in over £55 million. These are record figures. The average rate of profit on sales is about 6 per cent and in 1953-54 the group's profits, before tax but after depreciation, advanced from £2,940,492 to £3,294,567—another record figure. The only fly in the ointment was that in common with other manu-

	Years to Mar. 31, 1953 £	1954 £
Consolidated earnings:—		
Trading profit	3,636,337	4,032,995
Depreciation	695,845	738,428
Taxation	1,587,569	1,781,826
Net profit	*1,292,224*	*1,347,819*
Ordinary dividends	550,400	633,600
Ordinary dividends (per cent.)	20	22½
Retained by subsidiaries	380,769	273,767
General Reserve	...	80,000
Stock reserve	150,000	...
Added to carry forward	*Dr.* 6,198	9,837
Cons. balance sheet:—		
Fixed assets, *less* depreciation	12,863,329	13,160,779
Net current assets	9,916,904	10,079,665
Stocks	12,844,529	12,624,762
Cash	764,710	1,505,829
Revenue Reserves	7,521,705	7,746,046
Capital reserves	3,854,104	3,888,740
Ordinary capital	5,120,000	5,120,000

5s. ordinary share at 25s. yields £4 10s. per cent.

We suggest that you throw out the sponge



We suggest that the linings of many furnaces are, in effect, sponges — heat sponges: they soak up heat that should go into the charge. On batch-type furnaces this is not only a waste of fuel but a waste of time and quite unnecessary. It can pay very handsomely to get rid of this heat sponge. And it can be done very simply — by using M.I. bricks for the lining instead of ordinary refractories: they require only a fraction of the heat (and fuel) to bring them up to the same working temperature.

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If electricity were more widely used by homes, factories, farms, shops, offices and for street lighting—this would keep the generating plant more fully loaded. The demands on the power stations coming from these different classes of consumers would be diversified. That is to say the loads would not occur simultaneously but, in the main, at different times of the day—and continuous full output from the generating plant would reduce the cost of electricity.

BRITISH ELECTRICITY

ELECTRICITY *PROSPERITY*

facturing chemists Boots experienced a decline in sales abroad. At home 34.6 million prescriptions were dispensed, compared with 35.2 million in the previous year, but though the number of prescriptions declined the proportion of all prescriptions issued that came to Boots continued to increase.

The new chairman, Mr J. P. Savage, comments that the group is now reaping the benefit of the capital development programme that was started just after the end of the war. Excessive caution in the matter of equity dividends should therefore be a thing of the past. Since 1947 the ordinary dividend remained effectively unchanged until this year, when it was raised from 20 to 22½ per cent. The 5s. ordinary shares of Boots are not one of the "wonder drug" equities; they are solid—perhaps a little stolid—"blue chips." On a long-term view, the shares may not be over-valued at the current price of 25s. and a yield of 4½ per cent.

★

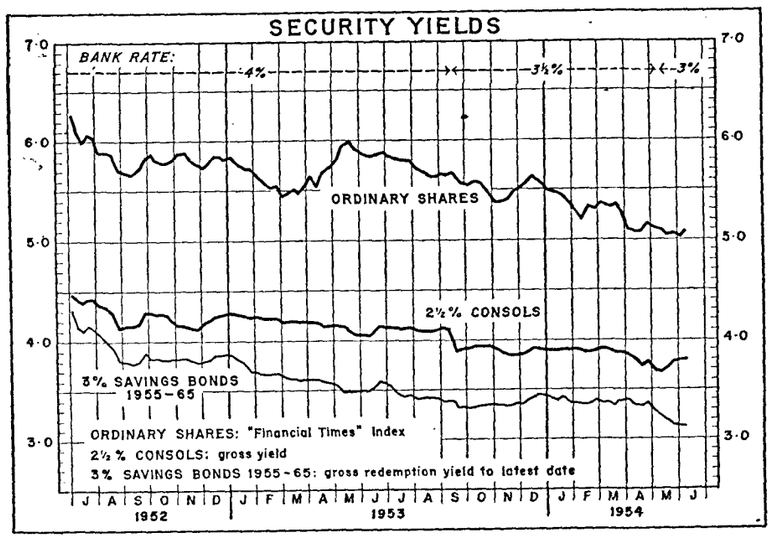
ASSOCIATED PORTLAND CEMENT. The Blue Circle group of companies is responsible for about two-thirds of cement production in this country. Last year's paradox of demand outrunning capacity but profits falling, was discussed in these columns on May 8th. Associated Portland had to meet demand by importing cement and the foreign cement was sold at a loss at home trade prices. In his statement with the full accounts Sir George Earle reveals that these sales failed to meet their costs by over £800,000—a loss that more than accounts for the fall of about £600,000 in trading profits. As the floods temporarily closed four of the group's largest works, only 95,000 tons more clinker were produced last year than in 1952, and the group's "total income from sales of its own products and investments" declined slightly, from £42,147,000 to £41,686,000.

The directors seem confident that the setback is only short-lived. They showed no hesitation in increasing the ordinary dividend effectively from 15 to 17½ per cent and in keeping the development programme running in top gear. The group spent about £5 million on capital account last year; capital works under construction are valued in the accounts at £3,101,640

	Years to Dec. 31, 1952	1953
Consolidated earnings :—	£	£
Trading profit.....	11,096,318	10,453,344
Total income	11,295,992	10,678,751
Depreciation	1,742,092	2,001,515
Replacement reserves	1,120,000	1,510,936
Taxation	6,116,413	4,040,183
Net profit	*1,748,484*	*2,562,263*
Ordinary dividends	652,000	770,000
Ordinary dividends (per cent.)	30	17½
Revenue reserves ...	790,500	1,326,371
Capital reserves	186,444	143,032
Added to group carry forward	2,266	36,266
Cons. bal. sheet :—		
Fixed assets, *less* depreciation*	18,918,953	21,599,922
Net current assets .	13,526,983	13,598,635
Stocks	7,788,627	7,899,530
Cash	2,747,553	2,205,937
Revenue reserves ...	6,342,041	7,116,765
Capital reserves	8,302,227	6,610,646
Ordinary capital ...	4,000,000	8,000,000

£1 ordinary share at 78s. 9d. yields £4 9s. per cent.
* Including capital works in progress (1952: £3,956,275; 1953: £3,101,640).

and outstanding commitments are estimated at £1,930,723. This programme has so far been carried out without an appeal to the capital market and without making any serious inroad into liquid resources. The cost of building new works is largely provided by heavy reserve appropriations, particularly to replacement reserves which the directors treat as a charge against profits rather than an appropriation from them. The capital extensions have already begun to earn their keep, for production so far this year is 215,000 tons higher than in the same period in 1953. While he warns shareholders that "boom conditions cannot last for ever," Sir George predicts that: "there seems but little doubt that we shall have to produce all the cement we can this year."



LONDON STOCK EXCHANGE

Next Account begins: June 23rd.
Next Contango Day: June 23rd.
Next Settlement Day: June 29th.

EQUITIES were on a see-saw in the markets this week. Following the collapse in prices on Monday, when the market was unsettled by the news from Geneva, prices began to swing up again in response to more favourable reports from Geneva and to an improvement on Wall Street. Gilt-edged stocks throughout this period remained reasonably firm, but price changes were small and most of the gains were reported in the medium dated issues. Not until Thursday did any appreciable demand for the irredeemable stocks appear. In the foreign market both Japanese and German loans recovered from their setback on Monday; Greek issues continued to go ahead and in early dealings on Thursday there was some activity in Chinese stocks.

Almost without exception, all sectors of the industrial market were dull on Monday, with textile shares suffering some of the worst losses. Then the upswing in prices took most equities with it; buying, however, was concentrated on the higher grade issues and such stocks as Unilever and Woolworth made very handsome recoveries. Motor shares, with Rolls-Royce in the van, and building material and paper shares, made a particularly good showing. United Steel gained 6d. to 24s. 6d. in response to the increased interim dividend, and Lancashire Steel strengthened in sympathy. The equity market remained firm in early dealings on Thursday and Fisons put on 4s. 9d. to 51s. following the higher interim dividend. Movements in the leading oil shares mirrored the rest of the market, Anglo-Iranian making a sturdy advance. By the close on Wednesday they were quoted at 12$\frac{13}{16}$. Rubber and tea shares were no more than steady. Kaffirs, having made some slight losses on Monday, began to improve later in the week; the biggest gains were reported in the OFS and uranium issues. Copper shares were beginning to rally before the Nchanga dividend was announced and after that event shot ahead, Nchanga rising to 8⅝ and Rhokana to 23.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
June 9...	151·5	114·88	3·79	5·04
„ 10...	150·1	114·71	3·79	5·09
„ 11...	149·0	114·67	3·80	5·19
„ 14...	147·1	114·56	3·81	5·25
„ 15...	147·8	114·57	3·81	5·23
„ 16...	149·6	114·58	3·81	5·17
			Total bargains	
1954, High.	152·6 (June 4)	115·07 (May 21)	1954 June 9	10,899
„ Low..	131·1 (Jan. 1)	111·78 (Jan. 5)	„ 10	10,544
			„ 11	9,536
1953, High.	131·5 (Nov. 4)	112·55 (Nov. 27)	„ 14	12,485
			„ 15	9,937
„ Low..	113·9 (May 20)	105·68 (Jan. 5)	„ 16	9,611

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to June 16 High	Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 9, 1954	Price, June 16, 1954	Net Yield, June 16, 1954 § £ s. d.	Gross Yield, June 16, 1954 £ s. d.
100 11/32	99 7/32	Exchequer 2½% 1955	100 1/32	100 1/32	0 6 11	1 17 4
105 1/32	101 1/32	Exchequer 3% 1960	105 3/32	105 3/32	0 16 1	2 3 10
103 5/16	99 13/32	Exchequer 3% '62-63	103 3/16*	103 5/16	1 5 3	2 11 9
100 1/16	99 3/8	Serial Funding 1½% 1954	100	100 1/32	0 13 10	1 13 1
101 1/32	99 27/32	Serial Funding 2½% 1957	101 3/32	101 1/32	0 18 0	1 18 8
101 3/32	100 1/8	Serial Funding 3% 1955	101 3/32	101 3/32	0 8 9	1 17 3
101 3/32	100	War Bonds 2½% '54-56	100 31/32	100 31/32	0 16 8	2 2 8
101 1/16	100 1/16	Funding 2¾% '52-57	100 15/16	100 15/16	1 7 10	2 12 7
101 1/16	100 1/16	Nat. Def. 3% '54-58	100 15/16	100 15/16	0 12 8	1 10 1
99 1/8	99 1/8	N. Def. (Ass.) 3% '54-58	99 29/32	99 29/32	1 4 0	2 1 8
102 1/32	101 1/32	War Loan 3% '55-59	101 1/32	101 1/32	1 6 10	2 14 6
100 1/32	95 1/16	Savings Bonds 3% '55-65	99 13/16	99 13/16	1 14 6	3 2 7
100 1/16	97 1/8	Funding 2½% '56-61	100 1/16	100 1/16	1 5 7	2 8 7
95 1/16	92 1/16	Funding 3% '59-69	95 1/16	95 3/16	2 0 1	3 8 3
97 1/16	93 1/16	Funding 3% '66-68	97 1/16	97 1/16	1 18 6	3 6 11
103 3/32	100 1/16	Funding 4% '60-90	103 1/32	103 3/32	1 13 1	3 9 4
94 1/8	90 3/8	Savings Bonds 3% '60-70	94 1/16	94 1/16	2 1 8	3 10 3
94	90 3/8	Savings Bonds 2½% '64-67	93 15/16	93 15/16	1 18 7	3 2 3
103 13/16	101 3/16	Victory 4% '20-76	103 1/16	103 1/16	1 18 0	3 14 4
92 3/8	87 1/2	Savings Bonds 3% '65-75	91 15/16	91 15/16	2 3 6	3 12 9
97 3/16	93 1/32	Consols 4% aft. Feb. '57	97	96 15/16	2 5 11	4 4 1
89 13/16	84 3/8	Conv. 3½% aft. April '61	87 15/16	87 15/16	2 4 3	4 0 9
101 1/16	99 1/16	Conv. 3½% 1969	101 1/16	101 1/32	1 17 5	3 9 7
99 31/32	99 1/16	Conv. 2% 1958-59	99 1/16	99 1/16	1 3 3	2 1 5
68 3/4	63 3/8	Treas. 2½% aft. April '75	66 3/8	65 3/4	2 2 0	3 16 8
79 3/32	74 1/16	Treas. 3% aft. April '66	77 1/32	77 1/32	2 2 11	3 18 3
96 3/32	92 11/16	Treas. 3½% '77-80	96 1/32*	96 1/32	2 2 3	3 14 7
97 3/16	92 7/16	Treas. 3½% '79-81	97 3/16	97 1/32	2 1 10	3 14 8
88	83	Redemption 3% '86-96	87 3/4	87 1/4	2 2 3	3 12 2
89 5/16	84 5/16	War L'n 3½% aft. Dec. '52	86 5/8	86 5/8	2 4 8	4 1 3
69 1/16	63 7/16	Consols 2½%	66*	65 3/4*	2 1 10	3 16 1
92 7/16	88 7/16	Br. Elec. 3% '68-73	92 13/16	92 3/4	2 2 10	3 11 7
91 3/4	87 15/16	Br. Elec. 3% '74-77	91 15/16	91 15/16	2 2 10	3 11 10
106 3/4	103 5/16	Br. Elec. 4½% '74-79	106 1/16	106 1/16	1 19 9	3 17 4
97 1/4	93 15/16	Br. Elec. 3½% '76-79	97	97	2 1 9	3 14 1
88 7/8	83 7/16	Br. Trans. 3% '78-88	86 13/16*	86 15/16*	2 4 0	3 13 6
92 7/8	88 15/16	Br. Trans. 3% '68-73	92 3/4	92 11/16	2 2 11	3 11 8
103 3/8	100 1/4	Br. Trans. 4% '72-77	102 1/4*	102 7/16*	2 0 10	3 16 3
88 3/4	84 1/4	Br. Gas 3% '90-95	87 13/16	87 15/16	2 2 1	3 11 9
100	96 3/8	Br. Gas 3½% '69-71	99 1/8	99 1/16	1 19 4	3 11 7
104 1/2	99 3/4	Br. Gas 4% '69-72	104 1/2	104 1/16	1 18 11	3 15 0

(e) To earliest date. (f) Flat yield. (l) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Low	Prices, 1954 Jan. 1-June 16 High	Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, June 9, 1954	Price, June 16, 1954	Yield, June 16, 1954 £ s. d.
92	84 1/2	94 1/2	90 3/8	Aust. 3½% '65-69	94 1/2	94 1/2	3 14 9
...	...	97 1/2	97 1/16	Ceylon 4% '73-75	97 1/2	97	4 4 5
98 11/16	98 3/16	102 1/2	98 1/2	N. Zealand 4% '76-78	101	101	3 18 3
73 1/2	66 1/2	77 3/4	71 1/2	L.C.C. 3% aft. 1920	76	76	3 18 11
95 1/2	90 3/4	97 1/2	95	Liverpool 3% '54-64	97	97	3 7 2
81 3/8	73 1/2	84 1/2	80 1/2	M.Wtr.'B'3% '34/2003	83 1/2	83 1/2	3 14 9
104 1/2	101 1/2	104 1/2	101 1/2	Agric. Mort. 5% '59-89	102 1/2	102 1/2	4 4 10
74 1/2	49 1/2	95 3/8	71 1/8	German 7%	84 1/2	82 1/2	...
102 1/2	65	142	102	German 5½% 1907	126	122	...
139 1/2	119	159 1/2	132 1/2	Japan 5% 1907	155	150 1/2	...
176	136	186 1/2	168 1/2	Japan 5½% Conv. 1930	182	178 1/2	...

Prices, 1954 Jan. 1 to June 16 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, June 9, 1954	Price, June 16, 1954	Yield, June 16, 1954 £ s. d.
		%	%	BANKS & DISCOUNT			
46/3	42/3	7 a	9 b	Barclays £1	46/-	45/-	4 8 11 m
63/9	58/9	6 a	8 b	Lloyds 'A' £5, £1 pd.	62/-	61/-	4 11 10
81/6	74/9	8 a	8 b	Midland £1, fully pd.	78/-	78/-	4 2 1
81/-	72/7½	8½ a	8½ b	N. Prov. 'B' £5, £1 pd.	78/6	78/6	4 6 7
90/-	79/6	9 a	9 b	Westminster £4, £1 pd.	86/6	84/6	4 5 3
109/4½	92/-	7½ a	17½ b	Alexanders £2, £1 pd.	105/6	107/6	4 13 0
49/3	40/10½	5 a	5 b	Nat. Disc. 'B' £1	49/-	48/-	3 2 6 v
51/6	44/6	5 a	5 b	Union Disc. £1	50/-	49/-	4 1 8
41/-	37/6	4 a	4 a	Barc. (D.C.&O.) 'A' £1	39/-*	39/-*	4 2 1
45/7½	40/3	7 a	7 b	Chart. Bk. of India £1	43/-	42/6	6 11 9
				INSURANCE			
13½	9⅛	50 a	85 b	Leg. & Gen. £1, 5/- pd.	12½*	11½*	2 18 8
22½	20½	20† a	40† b	Pearl £1, fully pd.	20½	20½	5 4 7
41½	35 13/16	105† c	112½† c	Prudential 'A' £1	40½	39½	5 3 7
				BREWERIES, ETC.			
131/3	126/-	33 b	10 a	Bass £1	128/1½	126/10½	6 15 7
21/3½	17/4½	15 b	7½ a	Distillers 4/-	21/-	20/3	4 8 11
34/6	31/-	11 b	8 a	Guinness 10/-	33/6*	33/6*	5 13 5
84/3	60/-	8 a	15½ b	Whitbread 'A' Ord. £1	82/6	82/6	5 1 10 d

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield basis 21%. (e) To earliest date. (f) Flat yield. (h) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (i) Yield basis 13¼% after capital bonus. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 8%. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 14%. (o) Yield basis 9%. (p) Also 5% net capital distribution. (q) Yield basis 21·97% gross. (t) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (v) Yield basis 7½%. (w) Yield basis 20%. (x) Yield basis 18·18% gross. (y) Yield basis 11%, after capital bonus. (z) Yield basis 11¼%.

Prices, 1954 Jan. 1 to June 16 High	Low	Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, June 9, 1954	Price, June 16, 1954	Yield, June 16, 1954 £ s. d.
		%	%	STEEL & ENGINEERING			
12½ c	10½ c	15 c	10 b	B.S.A. £1	56/3	56/3	5 6 8
10 a	4 a	10 b	4 a	Cammell Laird 5/-	14/-	14/9	7 11 0½
5 a	4 a	10 b	7½ b	Guest Keen N'fold £1	58/3	57/6	5 4 4
12½ b	7½ a	12½ b	4 a	United Steel £1	24/6	24/3	7 8 5 o
2½ a	2½ a	12½ b	4 a	Vickers £1	65/-	64/6	4 13 0
				TEXTILES			
4 a	4 a	11 b	11 b	Bradford Dyers £1	39/-	38/-	7 17 11
6 a	6 a	12 b	12 b	Brit. Celanese 10/-	31/6	30/9	5 17 1
5 a	5 a	10 b	10 b	Coats (J. & P.) £1	56/6*	56/6*	5 6 2
6½ a	4½ a	5 a	4½ b	Courtaulds £1	30/-	30/6	5 4 11½
5 a	4 a	10 b	10 b	Lancs. Cotton £1	58/6	56/-	5 7 2 j
20 c	5 a	5 a	5 a	Patons & Baldwins £1	74/3	74/6	5 7 5
				ELECTRICAL			
7½ a	7½ a	7½ b	7½ b	Assoc. Elect. £1	51/3	50/-	4 10 0 z
2½ a t	2½ a	7½ b	7½ b	B.I.C.C. £1	41/6	41/-	4 17 7
5 a	6 a	6 b	6 b	English Elect. £1	45/7½	43/9	4 11 5 m
3½ a	3½ a	7½ b	7½ b	General Elect. £1	44/4½	42/6	5 5 11
				MOTOR & AIRCRAFT			
3½ a	6½ a	6½ b	6½ b	Bristol Aero 10/-	20/4½	20/-	5 0 0
4 a	4 a	6½ b	6½ b	British Motor 5/-	9/-	8/9	6 0 0
7½ c	7½ c	12 c	12 c	De Havilland £1	25/7½	24/10½	6 0 7
7½ c	7½ c	12 c	12 c	Ford Motor £1	60/-	58/9	4 1 9
6 a	9 b	9 b	9 b	Hawker Siddeley £1	63/-	61/9	4 17 2
25 c	25 c	45 b	45 b	Leyland Motors £1	96/3	92/6	5 8 1
12½ b	12 c	12 c	12 c	Rolls Royce £1	91/3*	92/6*	3 15 8
12 c	12 c	12 c	12 c	Standard Motor 5/-	7/4½	7/3	8 5 6
				SHOPS & STORES			
10 a	12½ b	12½ b	12½ b	Boots Pure Drug 5/-	25/-	25/-	4 10 0
15 b	7½ a	7½ a	7½ a	Debenhams 10/-	36/3	34/9	5 15 1 w
15 a	37½ b	37½ b	37½ b	Gt. Universal 5/-	78/-	77/-	3 8 2
5 a	17½ b	17½ b	17½ b	Lyons (J.) 'A' £1	102/6*	100/-*	4 10 0
20 a	45 b	45 b	45 b	Marks & Spen. 'A' 5/-	94/-	93/-	3 9 11
20 a	40 b	40 b	40 b	Woolworth 5/-	75/9	74/-	4 1 1
				OIL			
5 a	37½ b	37½ b	37½ b	Anglo-Iranian £1	12 3/16*	12 7/16*	3 8 4
4 a	12 b	12 b	12 b	Royal Dutch 100 fl.	£47	£47	3 3 11
5†a	10† b	10† b	10† b	Shell Reg. £1	118/9	118/9	4 11 10
15†b	5†a	5†a	5†a	Trinidad L'holds 5/-	25/-	23/6	3 17 4 x
...	...	...	...	Ultramar 10/-	33/6	32/6	Nil
				SHIPPING			
16 c	2½ a	2½ a	2½ a	Cunard £1	40/-	39/-	8 4 1
12½ c	12 c	12 c	12 c	Furness Withy £1	35/-	34/6	6 19 2
6 a	16 b	16 b	16 b	P. & O. Def. £1	40/-	38/6	5 14 3 y
(p) 10 c	10 c	10 c	10 c	Royal Mail £1	26/6	26/6	7 10 11
				MISCELLANEOUS			
5 a	12½ b	12½ b	12½ b	Assoc. Port. Cem. £1	81/3	78/9	4 8 10
15 c	16 c	16 c	16 c	Bowater Paper £1	62/6	60/-	5 6 8
4 a	6 b	6 b	6 b	Brit. Aluminium £1	35/-	34/-	5 17 8
12½† c	4½† a	4½† a	4½† a	Brit. Amer. Tob. 10/-	39/-	38/-	5 19 7
3 b	3 a	3 a	3 a	Canadian Pacific $25	$48½	$47	5 13 2
35 c	5 a	5 a	5 a	Decca Record 5/-	38/3	37/-	4 14 7
11⅛ c	14 c	14 c	14 c	Dunlop Rubber 10/-	24/6	24/6	5 14 3
6 a	9 b	9 b	9 b	Imp. Chemical £1	65/-	64/6	4 13 0
8¼ a	11½ b	11½ b	11½ b	Imp. Tobacco £1	51/-	50/-	8 0 0
$2·60 c	$2·35 c	$2·35 c	$2·35 c	Inter. Nickel n.p.v.	$77	$74	5 13 5
7¼ a	9 b	9 b	9 b	London Brick £1	57/6	57/6	4 17 5 n
12½ b	3¼ a	3¼ a	3¼ a	Tate & Lyle £1	69/6*	67/-*	4 15 6
7½ b	7½ a	7½ a	7½ a	Tube Investments £1	68/9	67/6	4 8 11
17½ c	5 a	5 a	5 a	Turner & Newall £1	80/-*	79/-*	4 8 7
9⅜ b	9⅜ b	9⅜ b	9⅜ b	Unilever £1	77/-	74/3	4 4 10
7½† b	4½ a	7½† b	7½† b	United Molasses 10/-	32/3	32/-	6 17 4 q
				TEA & RUBBER			
Nil c	10† c	10† c	10† c	Cons. Tea & Lands £1	32/9	33/3	10 18 9
10 c	10 c	10 c	10 c	London Asiatic Rbr. 2/-	1/10½	1/10½*	10 13 4
5 a	15 b	15 b	15 b	United Sua Betong £1	48/1½	31/6	8 9 4 i
				MINES			
20 a	40 b	40 b	40 b	Anglo-Amer. 10/-	6⅝	6½	4 12 4
80 a	120 b	120 b	120 b	De Beers 5/- Bearer	93/6	91/10½	10 17 8
...	...	...	...	Free State Geduld 5/-	83/6	80/7½	Nil
8½ c	10 c	10 c	10 c	Randfontein £1	60/6	61/3	3 5 4
22 c	24 c	24 c	24 c	London Tin 4/-	5/9	5/6	17 9 1
175 b	50 a	50 a	50 a	Rhokana £1	22⅜	22⅛	9 18 11

* Ex dividend.

New York Closing Prices

	June 9	June 16		June 9	June 16		June 9	June 16
	$	$		$	$		$	$
Balt. & Ohio	22	23	Am. Smelting	35½	36½	Inter. Paper	66	68¾
Can. Pac.	26½	26⅞	Am. Viscose	33½	36	Nat. Distill.	17½	17⅞
N.Y. Cent.	22⅜	23½	Cel. of Amer.	18⅞	20	Sears Roebuck	63½	64½
Pennsyl.	16½	16⅜	Chrysler	59⅜	61½	Shell	47⅜	48
Amer. Tel.	168½	166½	Gen. Elec.	115⅜	42⅜†	Std. Oil of N.J.	86	89½
Stand. Gas	12⅜	12⅜	Gen. Motor	68½	71⅜	U.S. Steel	46	48⅞
United Corp.	5⅜	5⅜	Goodyear	61½	64½	Westinghouse	66⅜	69⅜
W. Union Tel.	39	40½	Inter. Nickel	41⅜	42½	Woolworth	42½	42⅜

† New stock.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	June 5th	Western Europe: Production and Trade	June 5th
Production and Consumption	June 12th	British Commonwealth	June 12th
Manpower	This week	Western Europe:	
External Trade	May 29th	Prices and Money Supply	This week
Financial Statistics	This week	United States	May 29th
Industrial Profits	April 24th	World Trade	April 24th

Manpower in Great Britain

	Unit	Monthly averages 1951	1952	1953	1953 Mar.	April	May	1954 Feb.	Mar.	April	May
TOTAL MANPOWER (1)											
Working population:											
Total	'000s	23,228	23,294	23,373	23,295	23,353	23,373	23,464	23,432	23,473	...
Men	"	15,791	15,864	15,883	15,869	15,887	15,888	15,931	15,901	15,917	...
Women	"	7,437	7,430	7,490	7,426	7,466	7,485	7,533	7,531	7,556	...
Armed Forces	"	827	872	865	871	866	867	844	846	842	...
Civil employment:											
Total	"	22,214	22,119	22,238	22,068	22,154	22,215	22,274	22,274	22,337	...
Agriculture, forestry and fishing	"	1,139	1,112	1,087	1,054	1,068	1,082	1,034	1,034	1,049	...
Mining and quarrying	"	856	875	877	876	878	878	870	870	872	...
Building and contracting	"	1,449	1,435	1,437	1,417	1,427	1,437	1,396	1,404	1,411	...
Distributive trades	"	2,600	2,616	2,664	2,637	2,653	2,662	2,679	2,676	2,686	...
Public administration	"	1,350	1,336	1,320	1,325	1,324	1,321	1,311	1,310	1,309	...
Manufacturing industries	"	8,736	8,626	8,746	8,704	8,735	8,746	8,959	8,954	8,970	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950:											
Employees in engineering (2)	"	+ 103	+ 212	+ 213	+ 215	+ 218	+ 219	+ 313	+ 314	...	...
" " consumer goods industries (3)	"	+ 74	− 126	− 8	− 52	− 26	− 13	+ 56	+ 49	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	"	252·9	414·2	342·0	397·0	375·8	340·3	387·3	342·8	316·6	289·4
" " —men	"	161·5	227·8	218·2	251·1	239·4	214·3	261·7	224·1	203·3	184·7
" " —women	"	91·4	186·4	123·8	145·9	136·4	126·0	125·6	118·7	113·3	104·7
Temporary or under 2 weeks—men	"	49·8	87·8	68·8	80·3	74·2	66·9	83·0	63·2	59·8	55·3
" " —women	"	37·7	94·7	44·0	48·4	46·8	43·0	40·5	38·0	37·7	36·3
Over 8 weeks—men	"	73·2	85·9	96·7	114·1	111·5	102·2	103·9	106·9	101·0	91·8
" " —women	"	27·9	50·2	46·3	59·0	55·8	50·7	48·2	49·4	47·6	42·9
By industry (4):											
Textiles	%	0·8	3·6	1·4	1·8	1·5	1·4	1·0	1·0	0·9	1·0
Clothing	"	1·7	2·9	1·3	1·2	1·1	1·2	1·4	1·3	1·2	1·2
Vehicles	"	0·5	0·7	0·8	1·6	0·9	0·8	0·7	0·6	0·6	0·5
Engineering, etc.	"	1·0	1·4	1·4	1·6	1·5	1·5	1·4	1·4	1·3	1·2
Coal-mining	"	0·2	0·2	0·2	0·2	0·3	0·2	0·2	0·2	0·2	0·2
Distributive trades	"	1·1	1·5	1·5	1·8	1·6	1·5	1·7	1·6	1·4	1·3
By regions (4):											
Great Britain	"	1·2	2·0	1·6	1·9	1·8	1·6	1·8	1·6	1·5	1·4
London and South Eastern	"	0·9	1·3	1·2	1·4	1·3	1·2	1·5	1·2	1·1	1·0
Eastern	"	0·9	1·3	1·3	1·6	1·5	1·3	1·9	1·6	1·4	1·2
Southern	"	1·1	1·4	1·4	1·6	1·4	1·4	1·8	1·4	1·3	1·1
South Western	"	1·2	1·5	1·6	1·9	1·8	1·6	2·0	1·9	1·6	1·5
Midland	"	0·4	0·9	1·1	1·6	1·3	1·2	0·8	0·7	0·7	0·6
North Midland	"	0·5	1·0	0·7	0·7	0·7	0·7	0·9	0·7	0·6	0·6
East and West Ridings	"	0·9	1·9	1·2	1·3	1·3	1·2	1·3	1·1	1·0	1·0
North Western	"	1·2	3·6	2·1	2·4	2·3	2·1	1·9	1·7	1·6	1·5
Northern	"	2·2	2·6	2·4	2·5	2·5	2·3	2·8	2·7	2·5	2·3
Wales	"	2·7	2·9	3·0	3·4	3·5	3·1	3·2	2·8	2·8	2·5
Scotland	"	2·5	3·3	3·1	3·4	3·3	3·0	3·5	3·3	3·1	2·9
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	313	230	270	263	279	281	258	288	326	...
Men	"	208	131	147	144	151	154	136	154	176	...
Women	"	105	99	123	119	128	127	122	134	150	...
DISPUTES (5)											
Workers involved	"	32	35	112	28	18	17	36	42	27	...
Working days lost:											
Total	"	141	149	181	249	74	32	130	175	73	...
Mining and quarrying	"	29	65	33	36	34	14	42	91	38	...
Engineering, etc.	"	43	66	126	203	32	7	14	23	14	...
Other industries and services	"	69	28	22	10	8	11	74	61	21	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom.

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
1952	253	114	143	163	165	149	129	97	140	152	148	104
1953	239	107	134	155	160	173	129	96	134	152	139	107
1953, December	239	106	131	155	159	190	128	97	134	152	138	111
1954, January	244	106	133	155	159	192	127	97	135	152	138	115
„ February	240	106	134	155	159	192	126	98	136	153	138	119
„ March	241	105	133	153	158	192	...	98	...	154	138	117
„ April	242	105	134	154	...	...	...	...	...	154	139	...
COST OF LIVING [1] (1948 = 100)												
1938	31	27	60	6	64	0·4	55	2	49	63	61	29
1952	211	106	123	145	110	146	119	114	130	133	129	109
1953	210	106	123	144	108	160	126	117	130	136	130	113
1953, December	211	106	...	142	107	175	...	117	130	137	130	115
1954, January	212	107	123	143	107	178	...	117	134	137	130	120
„ February	213	108	...	144	108	178	125	118	135	138	130	122
„ March	211	107	...	144	108	181	...	...	135	139	131	120
„ April	212	107	124	142	...	...	...	...	...	...	132	...
IMPORT PRICES [2] (1948 = 100)												
1938	...	27	40	7	39	...	39	2	24	32	45	21
1952	250	116	131	182	121	...	129	109	131	132	152	91
1953	269	110	118	164	106	...	121	102	116	125	140	89
1953, November	276	107	115[s]	161[s]	102	...	127	97	113	120	136[s]	80
„ December	280	105			102	...	125	99	109	130		88
1954, January	274	103	...	...	101	...	...	...	105	121	...	101
„ February	272	106	...	...	100	...	...	...	114	123	...	97
„ March	270	...	...	...	100	...	...	...	...	124	...	...
EXPORT PRICES [2] (1948 = 100)												
1938	...	25	40	6	51	...	37	2	25	32	42	24
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953	239	101	108	148	123	...	127	107	104	119	135	110
1953, November	243	96	109[s]	143[s]	121	...	131	104	97	116	134[s]	115
„ December	239	96			122	...	120	108	98	120		110
1954, January	236	92	...	...	120	...	...	...	98	117	...	111
„ February	224	93	...	...	121	...	...	...	101	117	...	111
„ March	233	...	...	...	119	...	...	...	...	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. kronor	mn. £T.
1938	...	23·6	425	112	...	...	18·2	19	1,048	455	1,040	213
1952	8·79	102·1	1,879	2,124	10·22	2,476	69·9	1,343	3,171	2,787	4,620	1,280
1953	10·25	105·9	2,032	2,310	11·98	3,503	74·3	1,424	3,394	2,998	4,890	1,461
1953, December	10·25	105·9	2,032	2,310	11·98	3,503	74·3	1,424	3,394	2,998	4,890	1,461
1954, January	10·01	104·6	1,914	2,290	11·67	3,325	71·5	1,352	3,315	2,847	4,680	1,460
„ February	10·15	103·6	2,050	2,301	11·87	3,176	70·7	1,314	3,365	2,848	4,670	1,493
„ March	10·13	...	1,888	...	...	3,151	71·4	1,308	3,365	2,853	4,520	1,458
„ April	...	...	...	...	...	...	72·1	...	...	...	...	1,479
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
1952	...	1,077	142·1	988	1,165	9·9	219	918	929	148·3	379	191
1953	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	213
1953, December	...	1,090	166·8	956	1,984	10·5	234	952	1,161	138·4	425	213
1954, January	...	1,093	160·2	998	2,073	10·6	227	962	1,178	136·1	421	217
„ February	...	1,095	166·0	1,038	2,137	10·6	229	...	1,167	128·1	400	211
„ March	...	1,093	177·1	...	2,214	10·6	231	...	1,171	132·6	386	212
„ April	...	1,082	177·5	...	...	10·6	233	...	1,172	...	394	215

[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 average value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. [3] Notes only for France and Austria. [4] Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. [5] Average for fourth quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 12th, there was an "above-line" deficit (after allowing for Sinking Funds) of £35,162,000 compared with a deficit of £32,642,000 in the previous week and a deficit of £33,123,000 in the corresponding period of last year. This raised the cumulative deficit to £105,766,000 (£117,975,000 in 1953-54). There was a net receipt "below-line" of £2,038,000, bringing the total cumulative deficit to £147,895,000 (£179,965,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to June 13, 1953	April 1, 1954 to June 12, 1954	Week ended June 13, 1953	Week ended June 12, 1954
Ord. Revenue					
Income Tax	1800,000	204,633	183,026	9,861	7,173
Sur-tax	132;000	18,300	18,300	1,400	1,100
Death Duties	164,375	37,900	35,200	3,200	3,110
Stamps	55,000	11,500	13,100	1,000	1,000
Profits Tax & EPT	172,000	33,000	24,700	1,800	2,000
Excess Profits Levy	60,000	8,850	12,400	1,300	900
Special Contribution and other Inland Revenue	1,000	280	350	60	50
Total Inland Rev.	2384,375	314,463	287,076	18,621	15,323
Customs	1062,500	212,132	224,305	20,310	18,278
Excise	719,000	146,260	150,340	3,845	3,640
Total Customs and Excise	1781,500	358,392	374,645	24,155	21,918
Motor Duties	77,000	7,346	8,067	105	324
PO (Net Receipt)	...	4,500	4,300	*Dr.200*	50
Broadcast Licences	21,000	2,200	2,500	...	...
Sundry Loans	24,000	2,315	2,023	73	...
Miscellaneous	245,000	15,751	32,336	4	...
Total	4532,875	704,668	710,947	42,758	37,615
Ord. Expenditure					
Debt Interest	570,000	144,209	140,647	6,170	5,607
Payments to N. Ireland Exchequer	51,000	7,346	8,737	...	...
Other Cons. Fund	10,000	790	632	...	...
Supply Services	3855,399	664,635	660,713	68,900	66,300
Total	4486,399	816,980	810,728	75,070	71,907
Sinking Funds	36,000	5,662	5,985	810	870
"Above-line" Surplus or Deficit		117,975	105,766	33,123	35,182 Cr.
"Below-line" Net Expenditure		61,990	42,129	5,702	2,038
Total Surplus or Deficit		179,965	147,895	38,825	33,124
Net Receipts from:					
Tax Reserve Certificates		45,400	92,070	1,734	2,076
Savings Certificates		8,000	2,900	200	200
Defence Bonds		−18,041	−7,186	−1,279	−667

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Total Floating Debt
1953					
June 13	3,160·0	1,483·0	239·0	...	4,882·0
1954					
Mar. 13	3,080·0	1,345·5	301·7	0·3	4,727·4
„ 20	3,100·0	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,867·4
„ 8	3,240·0	1,272·2	266·9	...	5,134·2
„ 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	270·6	...	5,170·4
„ 12	3,320·0	1,302·8	274·6	...	4,927·3

THE MONEY MARKET

The Treasury bill rate fell by a further ⅛ per cent at last Friday's tender, when the market raised its bid by 2d. to £99 11s. 11d. per cent. Rates on bank bills were later reduced correspondingly. As had been anticipated by the market, the offer at the tender of £260 million was again under-allotted, by £10 million. Applications rose by £4 million to £418.3 million, and the market's allotment declined slightly, from 58 to 57 per cent. The average rate of discount fell by a further 8d. to £1 12s 3.51d. per cent—making a fall in the rate of nearly 2s. per cent in two weeks. The offer at yesterday's tender was at £260 million.

The short loan market had a quieter week than of late. Credit has been distinctly usable, but on the whole market supplies have been adequate for demands. In the week covered by the Bank return official help was necessary only on Thursday and Tuesday, and then only on a limited scale. The banks' buying rates for August maturities ranged from 1⅛ per cent (before the Treasury bill tender) to 1⅛ per cent, with considerable business taking place at 1⅛ per cent.

The gold market has again been active. Strong demand raised the price at the fixing on Thursday of last week to 249s. a fine ounce; thereafter it eased only fractionally.

The Bank return shows an outflow of notes of £3.5 million, but Government securities rose and public accounts fell, so that bankers' deposits were up by nearly £8 million to £287.2 million.

LONDON MONEY RATES

	%
Bank rate (from 3¼%, 13/5/54)	3
Deposit rates (max)	
Banks	1½
Discount houses	1½
Money—Day-to-day	1½–1¾
Short periods	1½–1⅝
Treas. bills 2 months	1⅝
3 months	1⅝
Discount rates	%
Bank bills: 60 days	1⅝
3 months	1⅝
4 months	1⅝
6 months	1⅝–1½
Fine trade bills:	
3 months	2¼–3
4 months	2¼–3½
6 months	3 –4

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	June 17	June 9	June 16
Issue Department:*			
Notes in circulation	1,539·1	1,637·2	1,640·7
Notes in banking dept.	61·3	38·2	34·6
Govt. debt and securities*	1,596·8	1,671·3	1,671·3
Other securities	0·7	0·7	0·7
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	16·4	15·2	10·8
Treasury special account	44·5	4·6	4·6
Bankers	268·3	279·3	287·2
Others	73·5	67·4	66·2
Total	402·7	366·5	368·8
Securities:			
Government	336·8	321·4	326·8
Discounts and advances	6·9	8·8	9·4
Other	13·9	13·8	13·8
Total	357·6	344·0	350·0
Banking department reserve	63·2	40·5	36·9
"Proportion"	% 15·6	% 11·0	% 10·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,625 million to £1,675 million on June 2, 1954.

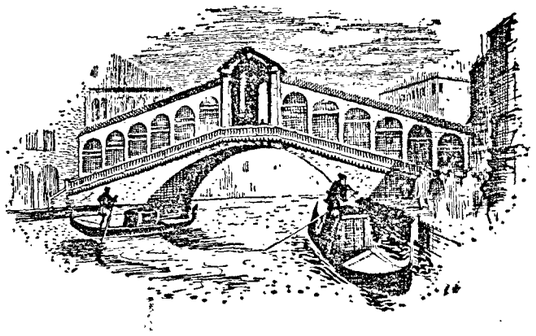
TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Max. Rate %
1953					
June 12	270·0	353·1	270·0	47 4·26	69
1954					
Mar. 12	270·0	414·6	270·0	42 2·61	45
„ 19	260·0	365·6	260·0	42 3·64	60
„ 26	270·0	405·2	270·0	42 3·62	52
April 2	270·0	399·0	270·0	42 4·01	58
„ 9	270·0	392·2	270·0	42 4·05	59
„ 15	230·0	417·2	230·0	41 7·41	44
„ 23	230·0	415·4	230·0	41 7·34	38
„ 30	230·0	437·5	230·0	40 11·36	38½
May 7	240·0	406·6	240·0	40 10·84	42
„ 14	260·0	391·7	260·0	34 1·75	50
„ 21	270·0	400·7	270·0	34 3·24	54
„ 28	270·0	426·8	270·0	34 3·33	49
June 4	270·0	414·3	250·0	32 11·61	58
„ 11	260·0	418·3	250·0	32 3·56	57

* On June 11th tenders for 91 day bills at £99 11s. 11d. secured about 57 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates: June 16	Market Rates: Spot: June 10	June 11	June 12	June 14	June 15	June 16
United States $	2·78–2·82	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞	2·81⅞–2·81⅞
Canadian $	...	2·76⅞–2·76⅞	2·76⅞–2·76⅞	3·76⅞–2·76⅞	2·76⅞–2·76⅞	2·76⅞–2·76⅞	2·76⅞–2·76⅞
French Fr.	972·65–987·35	985⅝–985⅞	985⅝–984	985⅝–984⅛	984⅛–984⅜	984⅛–984⅜	984⅛–984⅜
Swiss Fr.	12·15⅜–12·35⅜	12·22½–12·23	12·22½–12·23	12·22½–12·22½	12·22½–12·22½	12·22½–12·22½	12·22½–12·22⅝
Belgian Fr.	138·95–141·05	140·40–140·50	140·45–140·55	140·45–140·55	140·50–140·55	140·50–140·55	140·50–140·55
Dutch Gld.	10·56–10·72	10·62½–10·63	10·63–10·63½	10·62½–10·63	10·62½–10·63½	10·62½–10·63½	10·62½–10·63
W. Ger. D-Mk.	11·67⅜–11·84⅛	11·74–11·74½	11·74–11·74½	11·74–11·74½	11·73½–11·74½	11·74–11·74½	11·74–11·74½
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·59⅜	14·50–14·50½	14·50–14·50½	14·50–14·50½	14·49⅜–14·49⅝	14·49⅜–14·49⅝	14·49⅜–14·49⅝
Danish Kr.	19·19½–19·48⅜	19·44–19·44½	19·44–19·44½	19·43½–19·44½	19·43½–19·44	19·43½–19·44	19·43½–19·44⅛
Norwegian Kr.	19·85–20·15	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½	20·01–20·01½
One Month Forward Rates							
United States $		½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par
Canadian $		½–½c. dis	½–½c. dis	½–½c. dis	½–½c. dis	½–½c. dis	½–½c. dis
French Fr.		1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis
Swiss Fr.		1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm	1¼–1c. pm
Belgian Fr.		Par–½ dis	Par–½ dis	Par–½ dis	Par–½ dis	Par–½ dis	Par–½ dis
Dutch Gld.		1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm
W. Ger. D-Mk.		1pf pm–par	1pf pm–1pf dis	1pf pm–1pf dis	1pf pm–1pf dis	1pf pm–1pf dis	1pf pm–1pf dis
Swedish Kr.		10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par
Danish Kr.		Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis
Norwegian Kr.		Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/–	248/11	...	248/11½	248/11½	248/11



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LIMITED

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HEAD OFFICE : 4, Water Street, Liverpool, 2.

Total Assets (as at 31st. December 1953) £359,885,065

SAFETY-FIRST INVESTMENT

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Income Tax paid by the Society

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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 £181,183,000

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COMPANY MEETINGS

MARKS AND SPENCER, LIMITED

RECORD TURNOVER

NINETY-NINE PER CENT BRITISH GOODS

INCREASING POPULARITY OF ST. MICHAEL TRADE MARK

REHABILITATION AND MODERNISATION OF STORES CONTINUED

The twenty-eighth annual general meeting of Marks and Spencer, Limited, was held on June 10th at 82 Baker Street, London, W.

Sir Simon Marks, DSc (chairman and joint managing director), who presided, said, Ladies and Gentlemen: May I take it that in accordance with our usual practice the directors' report and accounts may be taken as read ? (Agreed.)

CHANGES IN THE BOARD

We regret to report the retirement of Mr A. E. Lees on account of ill-health. Mr Lees joined the company in 1931 and was appointed to the board in 1940. You will desire me on your behalf and on behalf of my colleagues and myself to express our gratitude to him for his many years of devoted and valuable service to our company, and our hope that release from the labours and anxieties of office will enable him to enjoy his well-earned leisure for many years to come.

We have elected to the board three new members, Dr Eric Kann, PhD, FRIC, Dr Alec Lerner, MD (Man), MCPS, and Mr Marcus Sieff, OBE, BA, and appointed as alternate directors Mr J. A. Lewando and Mr Michael Sacher, MA. All these gentlemen are, and have been for years, active in the business in responsible posts. I am sure you will agree that the normal method of recruitment to the board should be from within the organisation of men bred in its traditions, tested by its problems, and educated in its philosophy.

PROFIT AND LOSS ACCOUNT

Our profit, after tax, amounts to £3,017,000—an increase of £551,000 on last year. Taxation has required £4,850,000 (last year £4,275,000), and includes the provision of £550,000 for the excess profits levy. With the amount of £4,051,000 brought forward, the sum of £7,068,000 is available for distribution.

Your board recommends a final dividend on the ordinary and "A" ordinary shares of 45 per cent which, together with the interim dividend of 20 per cent makes a total of 65 per cent for the year (last year 50 per cent).

After the transfer of £2,705,000 to the general reserve and payment of the dividends and appropriations set out in the directors' report, the balance to be carried forward is £2,561,000.

SCRIP ISSUE

We propose to capitalise the sum of £4,523,491 10s., being a part of our reserves of £11,424,000 to enable a scrip issue to be made on the basis of 1 "A" ordinary share, for each ordinary or "A" ordinary share held on May 15, 1954, the date on which our registers were closed. As a result, our capital structure will be brought more into line with the capital employed in the business. Our ordinary capital will amount to £9,047,000 and our reserves to £6,901,000.

Since the incorporation of the company in 1926 we have ploughed back the sum of £14 million, which has provided the major part of the finance required for our general expansion. The fruits of this policy can be seen in the profits we show today.

PROPERTIES

Our freehold properties appear in our balance sheet at £6,558,000—an increase of £935,000. We have enfranchised a number of our leasehold stores and acquired additional sites for development.

Our leasehold properties stand at £3,351,000. They consist for the most part of sites leased on terms of 99 years or longer on which we have erected our own buildings. Over three-quarters of these sites have still 75 years or more to run.

Our properties were acquired almost wholly before the war. Their value today is much in excess of the amount which appears in our balance sheet.

Stock.—Large stocks are necessary to cope with our trade. They amounted to £7,793,000, compared with £5,831,000 last year.

SUBSIDIARY COMPANIES

Our subsidiary companies have earned £32,000, after tax. This sum is not included in the profits of the parent company, but is added to their reserves, which now stand at £145,000.

They supply our garment manufacturers with materials and their stocks of cloth—in the grey and finished—amount to £1,648,000 (last year £1,148,000).

GENERAL TRADING CONDITIONS

I am pleased to be able to report a further substantial increase in our volume of sales during the year. The turnover, nearly £94 million, is more than 10 per cent higher than last year and 26 per cent higher than in 1952, when our sales amounted to £73 million.

The general conditions in which the business operates have changed markedly in the last two years. The most notable factors have been the removal of government controls and the increasing availability of raw materials. With more abundant supplies at our disposal, and the lifting of restrictions which for so many years hampered our freedom of action, we have been able to take steps systematically to improve our values over a wide range of our goods. The expansion of our sales is evidence that the public responds to our efforts.

RISING PURCHASING POWER OF THE COMMUNITY

A most encouraging feature of these two years has been the rising purchasing power of the community, a sign of the growing strength of the British economy. There has been a remarkable industrial recovery in this country, matched by a no less striking revival of agriculture. The causes go back a number of years. They can be traced above all to the powerful impetus which the war gave to scientific research. The leaders of industry learned much from that experience. They realised that in order to deal effectively with Britain's peacetime problems they must continue that partnership of minds with the scientists which had proved so fruitful during the war. As a result, both industry and agriculture have made great strides forward. New industries have been founded and are being rapidly developed. Older traditional industries have benefited and have expanded considerably.

In textiles, science has opened up new avenues for development by providing the trade with interesting materials. Man-made fibres have been growing steadily in importance and now represent about a fifth of the world output of textiles. The developments in rayon and the introduction of nylon and Terylene, with their unique properties, will have far-reaching effects. Nylon, which is now in supply, has already exerted a considerable beneficial effect on the hosiery and allied trades.

MULTIPLYING DEMANDS FOR BETTER GOODS

The demand for British goods throughout the world has ensured the continuance of full employment, with rising wages. With greater earnings have come multiplying demands and requirements. Goods and services for the consumer are more freely available and there is no doubt that the standard of life of the people has been steadily improving. They are insisting upon better housing, better furniture, more amenities such as television, better and more attractive clothing. And they have the means to satisfy their wants at the right price.

When some thirty years ago we entered the field of textiles, quality and beauty of garments were reserved for those of ample means. For the mass of the people the clothing available was drab and of poor quality. The rise of the multiple shops distributing boots and shoes, and all kinds of clothing, produced by mass-production methods, brought about great social changes. Men, women and children changed over to more practical and attractive garments, cheaper in price and better in quality. It is not without satisfaction that we can say that

Marks and Spencer took a prominent part in those social changes.

MERCHANDISE DEVELOPMENT WORK EXPANDED

One of the main elements in our success before the war was our policy of offering to the public a wide range of well-made garments of good value. In order to further this policy we set up in 1936 a merchandise development department which carried out most interesting and valuable work halted only by the outbreak of war. The exigencies of war compelled the Government to introduce the Utility scheme, designed to eke out supplies which were becoming increasingly short, and to save labour. It was not surprising, therefore, that the scheme, in which standards and specifications were laid down, narrowed the variety and lowered the quality of materials and goods.

It was not until 1952, some eleven years later, that the rigid Utility scheme was superseded by the more flexible D scheme. The period of austerity in Britain's economy was at last coming to an end, and with its passing came new opportunities for initiative. We increased our technical staffs and expanded our merchandise development work to cover our most important departments. Whilst they do not undertake any basic research in textiles, our technicians keep abreast of progress in new techniques and new fibres. They follow with great care and attention advances in machinery, processes, finishes, dye-stuffs and so on.

We are successfully pioneering new cloths and collaborate closely with our spinners, weavers and knitters in working out new standards of quality, always bearing in mind the end product and its selling price to the public. Our knowledge of consumer demand gives us a vital and creative part to play in this work.

EXCLUSIVE GOODS AT INEXPENSIVE PRICES

We are therefore concerned with the production of our garments throughout all the stages, beginning with the raw material. We provide our garment manufacturers with the finished fabrics and the models of garments we desire them to produce in bulk. The designs of the prints are selected mainly from leading Paris studios, and the garment models are styled by our own specialists. This considerable but rewarding work enables our suppliers to produce original garments which can be termed exclusive in every sense of the word. Under the brand name of St. Michael they can only be bought in our stores. There is no doubt that our goods are making a considerable appeal to the widening section of the community we now count as customers.

This business lives and flourishes by the principle of giving the public the best possible values in the fields it has chosen. Our trade mark, St. Michael, guarantees the quality and value of our goods, which our customers buy with confidence. By following our tradition of service to the public we shall continue to earn their goodwill, an asset which we prize most highly.

We aim in our food division to develop a selected range of high quality foodstuffs at reasonable prices. Today, with raw materials in free supply, we can specify the best ingredients for each product. I am pleased to say that during the year under review it has been possible, while up-grading quality, to reduce the price of a number of our more important items.

High standards of cleanliness and hygiene are a social responsibility for all concerned in the food business. We strive to set an example in our own stores. I am glad to say that our suppliers are equally aware of the importance of hygiene in the manufacture of foodstuffs. We have pioneered and developed the clean and simple packaging of foodstuffs in transparent film. This is much appreciated by our customers who can see what they are buying while being sure that the goods are not exposed to indiscriminate handling.

TRIBUTE TO MANUFACTURERS

It gives me considerable satisfaction to be able to say that 99 per cent of the goods we sell are British made.

The production of the great quantities of goods we require, and their phasing to conform to the seasonal pattern of our trade, is a task which demands the closest collaboration between our manufacturers and ourselves. Continuity of production is as necessary to them as a constant flow of supplies is essential to us. In pursuing our aim of up-grading the quality of our goods we have built up a relationship with our suppliers which is unique. They value this relationship just as much as we do. It has encouraged them to invest considerable sums of money in new machinery and equipment, and in many cases, in new buildings. They have introduced modern production techniques which have gone far to improve their efficiency. I am happy to record the fact that they appreciate the importance of maintaining high standards of workmanship and finish, to which our customers attach so much importance.

We thank our friends for their co-operation in the past years, and look forward to strengthening our ties with them during the coming period.

REHABILITATION AND MODERNISATION OF STORES

We have been concerned since the end of the war with the vital tasks of rehabilitating our properties, modernising our stores, and rebuilding those that were bombed. Apart from the 16 which were destroyed completely and the many others which were damaged by enemy action, all our properties suffered enforced neglect during the war. The conditions of our buildings, and of their fixtures and equipment, deteriorated sadly.

I am glad to report that 12 of our destroyed stores have been rebuilt and are now operating. Phoenix-like they have risen from the ashes to play their part in our expansion. It is with particular pleasure that I can report that Coventry—which was the first to be destroyed—has now been rebuilt.

We have continued our policy of modernisation. While this is a process which we can never regard as being complete, we have already carried out major schemes of improvement at a considerable number of our stores. As I told you in my last address, modernising a store means a radical conversion in order to give it a new look and a new character in keeping with the specialised goods we are now selling.

Much of the work carried out since the war has been subject to licence, and we have therefore not been able to proceed as far or as fast as we should have liked. Nevertheless, £13,500,000 has been spent during these eight years. A considerable proportion of this sum has been invested in re-equipment which we regard as an essential part of the process of modernisation. As you will see from the balance sheet, fixtures, fittings and equipment now stand at £3,464,000 (after depreciation).

Now that building licences, after 15 years, are more freely available, we can contemplate a new and more systematic programme of development. With the widening of our range of goods, space has become a most important factor in the stores. It is essential to provide more room for our goods so that they can be adequately and attractively displayed, and above all more room for our customers to shop in comfort. We plan to extend and develop many of our present stores which, as you know, are situated in the best positions in the major towns throughout the country. This is a long-term programme, which will require a further large investment of funds and take some years to carry out.

TRIBUTE TO STAFF

Once again it is my pleasure to thank all members of our staff, both at head office and in the stores, for their devoted efforts during the past year. There are now 28,000 men and women in our employ. Whatever their sphere of activity, they make their contribution to the success of the business.

All have the interests of the company at heart. Their zeal, enthusiasm and loyalty are worthy of the highest praise, and we take pride in the knowledge that the amenities and services we offer provide conditions under which so many find pleasure and interest, as well as reward, in their work.

We congratulate the welfare department on reaching this year the 21st anniversary of its formation. Members of the department can look back with satisfaction on the part it has played in the prosperity of the business. It has pioneered a tradition of welfare which has brought added prestige to the company.

The report and accounts were unanimously adopted; the formal business was duly transacted; the proposed capitalisation of reserves and increase of capital were approved and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

THRELFALL'S BREWERY

IMPROVED TRADING FIGURES

The sixty-seventh annual general meeting of Threlfall's Brewery Company, Limited, was held on June 10th, in London.

Mr F. Cornwall (chairman and managing director), in the course of his speech, said: Your board are in the happy position today of submitting trading figures showing an improvement over last year. The gross profit on trading is higher, also the net profit, so that your directors are able to recommend an increased dividend. You will no doubt agree that the result for the year is very satisfactory.

A substantial portion of this increase is accounted for by the reduced price of malt used, but, in the main, our higher profits are due to the steady level of our trade coupled with improved business in certain instances. The demand for bottled beer still continues to increase. For some time also we have had a period of full employment in most areas wherein we trade.

Dealing with the directors' capital proposals, he said: Briefly these comprise the increasing of the authorised capital to £2,750,000; the capitalisation of certain reserves and part of the sum standing to the credit of the profit and loss account amounting to a total of £687,500 and the distribution of that sum amongst the holders of ordinary stock in the proportion of one fully paid ordinary share for every £2 of ordinary stock held by them on May 5th last.

The profit from trading is £816,902, an increase on last year of £81,881, the net profit is £281,582 and the directors recommend a dividend of 25 per cent on the ordinary stock for the year.

The report was adopted and the capitalisation of reserves was approved.

SPILLERS LIMITED

IMPROVED RESULTS

INCREASED PROFIT AND DIVIDEND

CAPITALISATION OF RESERVES APPROVED

The sixty-seventh annual general meeting of Spillers Limited was held on June 11th at the Abercorn Rooms, Great Eastern Hotel, Liverpool Street, London, E.C., Mr Wilfred D. Vernon, chairman of the company, presiding.

The secretary (Mr Cyril Harvey, FCIS) read the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended January 31, 1954, and was taken as read:

In accordance with usual practice, the more detailed comments on the accounts are contained in the directors' report.

My colleagues and I are gratified that this year we are able to report results more commensurate with the amount of capital employed in the business and the scale of our operations. The profit after providing for depreciation and obsolescence is £3,096,000 as compared with £2,256,000 for the previous year. Taxation at £2,180,000 (including £391,000 for excess profit levy) absorbs some 70 per cent of the profit, leaving available for appropriation a net amount of £916,000 as against the previous year's £736,000.

Last year I pointed out that the steady development of the business had been carried out by the ploughing back of profits over a long period, and that we recognised that the level of distribution to the equity stockholders did not adequately reflect such expansion. I am glad, therefore, that the improvement in this year's results and our ability to assess more accurately the conditions following decontrol enable the directors to recommend that the final dividend on the ordinary stock be increased to 10 per cent, making 12½ per cent for the year as against the former 10 per cent.

CAPITALISATION OF RESERVES

The directors are also recommending that in order to bring the issued capital of the company more nearly into line with that employed in the business a further £2,916,872 of the reserves be capitalised by the issue of one fully paid ordinary share to the holders of every £2 of ordinary stock. The new shares will thereupon be converted into stock. If this is approved by the Capital Issues Committee and the stockholders, the issued capital will then amount to £10,130,825, and the reserves (including that for future taxation) will be £4,153,000 in the parent company's balance sheet and £7,589,000 in the consolidated balance sheet.

So far as the interim dividend on the ordinary stock for the year ending January 31, 1955, is concerned, it will be our intention, provided the circumstances warrant it at the date of declaration, to maintain this at the rate of 2½ per cent. I give this information now because I wish to emphasise that such a step should not be taken as implying that the total rate of dividend for the year on the increased capital will be greater than that required to effect the same distribution in money as for the year ended January 31, 1954.

FINANCIAL POSITION

I now refer to the general financial position of the company. Stocks, debtors and creditors as shown in the consolidated balance sheet represent, so far as we can judge, average amounts in relation to the current scale of operations and price levels. The liquid balances together with the normal proportion of earnings which would be retained in the business during the current year are regarded as adequate to meet any known capital and other commitments during the year and to provide a sufficient working balance. Our existing resources, therefore, are sufficient for our present requirements, and unless there is some wholly exceptional change in circumstances, such as a major expansion, I can see no need for the raising of additional capital from external sources. It is, I think, interesting in this connection to recall that since January 31, 1939, we have expended some £13 million on buildings, plant and equipment, the acquisition of other businesses and increased working capital, and that this has been financed wholly from our own resources without recourse either to the capital market or bank borrowing. As I have said, it is satisfactory that the stockholders are now receiving some return from all this development financed from earnings.

DECONTROL OF THE INDUSTRY

The most noteworthy feature of the past year was the decontrol of cereals and feeding stuffs which, following the White Paper announcing the Government's policy and the satisfactory conclusion of negotiations with the trading interests concerned, became effective on August 29, 1953. In my statement last year I gave an outline of the decontrol proposals, and it will therefore suffice to say that the milling industry is now being conducted on a normal commercial and competitive basis subject only to the regulations governing the nutritional standards to be observed in the manufacture of flour.

These regulations permit the sale of both long extraction (national) and short extraction (white) flour. The basis is that certain elements are presumed to be present in certain quantities in the national flour, but have to be made up to a prescribed level in white flour by admixture. The bread subsidy, however, is only given to bakers in respect of bread manufactured wholly from national flour. Since the subsidy at the present time is approximately twopence on a 1½ lb. national loaf selling at sevenpence halfpenny, it is not surprising that the demand for white flour has been very low. It seems to me that it would be helpful to the public and the trading interests concerned if there were a clear statement of the evidence upon which this policy is based.

There can be no doubt that decontrol has been beneficial both to the country and the industry. Efficiency and enterprise have been stimulated by the restoration of commercial freedom and incentives. The price of national flour has been reduced by stages from £44 2s. a ton on August 29, 1953, to £39 4s. at the present time. This reduction has not been reflected in the price of bread to the public because of the bread subsidy arrangements. It has, however, operated to reduce the burden of that subsidy on the Exchequer. The main factor in this reduction in price has been the fall in the cost of wheat which in turn has been influenced by the return to commercial buying and the Government's decision that this country should not be a party to the renewal of the International Wheat Agreement.

I cannot leave the subject of decontrol without a reference to the outstanding services rendered to the industry by Sir Archibald Forbes who has played the leading part at every stage of the decontrol negotiations, and it is only appropriate that I should here place upon record an acknowledgment of the immeasurable debt which every member of the industry owes to him.

WHEAT MARKETS

Before commenting upon the world wheat position, it is important that I should remind stockholders of my reference last year to the wide disparity existing between world prices in 1939 and those of the present day. As an illustration, the price of No. 2 Manitoba wheat in 1939 was approximately £6 5s. a ton, which compares with £29 a ton for the same wheat today.

The harvest in 1953 resulted in bumper crops in most wheat-growing countries, notably the USA, Canada, and Australia. In North America, in particular, this has greatly added to the accumulated surplus from former years. Under free market conditions this pressure of supply would normally lead to a greater fall in prices than has already occurred. That this has not happened is due to the arrangements in the principal wheat exporting countries whereby there is a single selling agency—usually a government or government sponsored body. The handling of wheat by a single seller and the support price arrangements in certain countries make it even more difficult than formerly to predict the course of prices. I can only suggest that the extent of the surplus is such as to indicate that some readjustment of policy is inevitable to avoid serious embarrassment regarding storage and eventual disposal.

MAINTENANCE OF SUPPLIES

This lends point to what I said last year about the risk involved in carrying stocks under these conditions. In prewar days we were able to minimise this risk either by forward sales of flour or by hedging operations on the futures market. Under existing conditions there are virtually no forward sales of flour, and although the wheat futures market in Liverpool has been reopened—and I warmly welcome the Government's decision to make this possible—it is as yet operating on too narrow a base to give effective cover for more than small quantities. Stockholders will appreciate, therefore, that at today's price levels, some risk is inseparable from the maintenance of sufficient supplies of wheat to keep the company's mills in operation. The decontrol arrangements have, however, afforded us some limited measure of protection for a short period and this has so far enabled us quite quickly to pass on to customers the benefit of the fall in wheat prices.

There have been and are special problems regarding home-grown wheat. The milling industry accepts firstly that a certain quantity of wheat should be grown in this country, secondly that this should find a ready market, and thirdly that the grower should receive a price sufficient to provide him with an adequate return. And the milling industry is very willing to use its best endeavours to assist the Government and the growers to these ends.

PROVISIONS OF WHEAT ACT

From 1932 until 1939 the problem was met by the provisions of the Wheat Act. Broadly

speaking, they were to the effect that each grower sold his wheat in the open market in the ordinary way and received the amount (if any) by which the average realised price fell short of a standard price, the latter being determined by the Government at the average level necessary to recoup the costs of production and show a reasonable margin. In this way a premium was set on the quality of the individual grower's wheat and his marketing ability. The conditions arising on the outbreak of war brought this arrangement to an end, and from that date until now each individual grower has received the same guaranteed price for his wheat irrespective of quality provided it came within the category of "millable."

Up till the date of decontrol of cereals in the summer of last year, marketing presented no difficulty because under control conditions each miller had to use a prescribed proportion of homegrown wheat in his grist. The return to competitive conditions following decontrol rendered this impracticable and special arrangements were made to deal with the 1953 homegrown crop pending the institution of more permanent measures. Under these arrangements the milling industry undertook to use its best endeavours to clear 1¼ million tons being the then estimated proportion of the crop which would be available for milling. This estimate, however, proved too low by reason of a record yield resulting from the 1953 harvest, and the milling industry consequently increased its undertaking to 1½ million tons. The arrangements made have worked well and there is every prospect that this exceptional quantity will be cleared. So far as the 1954 crop is concerned, the Government's proposal is that this shall be dealt with not on the basis of a uniform guaranteed price to the grower, but by a system of deficiency payments akin to those payable under the former Wheat Act with the variation that the standard price will be graded seasonally.

We, as millers, welcome this proposal which we are sure is in the best interests alike of the country, consumers and growers. The milling industry is again prepared to give an assurance that it will continue to use its best endeavours to dispose of the whole of the 1954 crop available for milling on the understanding that the wheat will be sold in a completely free market, for it must be remembered that we must always be in a position to compete with imported flour on the basis of the world price of wheat. We hope that when considering permanent arrangements for the 1955 and subsequent crops the Government will revert to the well-tried principles of the Wheat Act, modified as may be necessary in the light of circumstances then prevailing.

FLOUR MILLING OPERATIONS

On the flour milling side of the business the year under review has naturally been a transitional one because of the change from control conditions to those of commercial freedom and competition. On the whole the arrangements for decontrol have worked smoothly, but it was inevitable that such a major change after a period of 14 years of rigid control should give rise to certain difficulties and readjustments. There has been, as indicated in the directors' report, a significant drop in our flour sales as compared with the previous year. This has derived from two main factors. First there has been a falling off in the overall consumption of flour in the country. This was to be expected with the greater availability of alternative foodstuffs. In the second place the resumption of the direct sale of imported flour to customers has had its effect. Despite these adverse factors, the financial results of the flour milling side of the business showed an improvement over the previous year. Having regard to the up-to-date condition of our mills and their location, and granted the ability to purchase wheat in a free market, I have no doubt that we shall be able, under fair trading conditions, to secure our due proportion of available trade in the face of any competition, whether from home or abroad.

I might add in this connection that Mr C. P. Rishworth, one of the directors, and Dr Green, the company's chief chemist, recently paid a visit to Canada and the USA in order at first hand to study the latest technical developments in all aspects of business in which the group is engaged.

EXPORT TRADE

Following the removal of the virtual prohibition on exports of flour which has subsisted over the past 14 years we have made a close study of the markets in which we formerly had an established trade. I regret to say, however, that the length of time during which we have been excluded from these markets and the various developments there during that period have led us to the conclusion that for the time being the revival of our export trade to any substantial degree is unlikely.

NON FLOUR MILLING ACTIVITIES

Turning to the non-milling side of the business which now represents an important part of our activities, I have to report improved results in virtually all departments and particularly in animal foods. There we are reaping the benefit of many years of pioneering work in the study of consumers' requirements and the manufacture of high quality products to meet them. The volume of sales shows a satisfactory increase with a corresponding effect on the financial results. I might say that we have decided to supplement our research work in animal foods by carrying out practical experiments on a farm of our own. With this object we have recently acquired a farm at Middle Aston, Oxfordshire, and the animal foods side of our research laboratories will be transferred there.

NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS

I referred last year to the nomination by the Council of the National Association of British and Irish Millers of Mr Humphrey B. Vernon, one of the joint managing directors, as next president of the association. Mr Vernon completes his year of office this month and in warmly congratulating him upon the outstanding success he has achieved during such an exacting year, you may be assured that I am speaking with the wholehearted support, not only of my colleagues, but of all those engaged in the flour milling industry to whom he has rendered such invaluable service.

STAFF AND WORKPEOPLE

In conclusion I would like to express to the managements, staff and employees generally throughout all the companies in the group the appreciation of myself and my colleagues for all the hard work which they have done in the past year which has contributed to the satisfactory results which we are able to lay before the stockholders today.

The report and accounts were adopted, and the dividend as recommended was approved.

The retiring directors, Mr Wilfred D. Vernon and Mr Laurence Hosegood, were re-elected, and the directors were authorised to fix the remuneration of the joint auditors, Messrs Impey, Cudworth and Company and Messrs Deloitte, Plender, Griffiths and Company.

Resolutions were also passed approving the capitalisation of reserves.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

UNION INSURANCE SOCIETY OF CANTON

ASSETS EXCEED £16,900,000

The annual meeting of the Union Insurance Society of Canton Limited was held on May 27th in Hong Kong, the Hon C. Blaker, MC, the chairman, presiding.

The following are extracts from the report and accounts and his circulated statement:

Marine.—The net premiums for the year amounted to £3,492,101. After releasing £160,000 to profit and loss account and increasing the underwriting balance by £20,000 transferred from the profit and loss account of a subsidiary company, the marine fund stands at £5,187,978.

Fire.—The net premiums for the year amounted to £3,524,102. £271,454 has been transferred to profit and loss account. The additional reserve has been increased by £25,000 by a transfer from the profit and loss account of a subsidiary company. The fire fund stands at £1,948,394.

Accident and General.—The net premiums for the year amounted to £2,628,468. £151,927 has been transferred to profit and loss account. The additional reserve has been increased by £25,000 by the transfer of £15,000 from the Society's profit and loss appropriation account and £10,000 from the profit and loss account of a subsidiary company. The accident and general fund now stands at £1,201,387.

Profit and Loss Account.—Interest and dividends amounted to £406,829 and transfers from underwriting accounts to £583,381. After charging outgoings not brought into account elsewhere, making provision for taxation, and allowing for the minority interests of the outside shareholders of the subsidiary companies, the profit for the year appertaining to the Society is £643,429.

Consolidated Balance Sheet.—Total assets amount to £16,967,243.

CHAIRMAN'S STATEMENT

In the marine field our premiums decreased from £3,802,075 to £3,492,101.

Worldwide competitive pressure for lower cargo rates and wider terms of cover, resulting largely from the impact of an expanded marine market on the reduced volume of business available under present trade conditions, must inevitably have its effect on both premium income and claims ratio.

All signs point to a lean period ahead for marine business, but our marine fund now amounts to over 148 per cent of the year's premium which, having regard to the heavier reserve required because of the increased proportion of hull business included in the account, is considered to be at a level adequate to cover all liabilities.

The fire department with increased production in many fields continues to expand most satisfactorily, and has experienced another excellent year.

The fire fund has been strengthened and should adequately meet the requirements of all companies' portfolios in the group.

Our accident and general business has again made substantial progress, showing an increase in income of £491,862, or 23 per cent, over 1952. This increase, I would record, is general throughout the Society's worldwide organisation, with particularly good progress being made in Canada, Australasia and the United Kingdom. Claims are somewhat heavier, largely due to the adverse motor experience in certain territories and higher losses under burglary and all risks policies.

The report and accounts were adopted.

DUNLOP RUBBER COMPANY, LIMITED

YEAR OF SOLID ACHIEVEMENT

LORD BAILLIEU'S REVIEW

The fifty-fifth annual general meeting of the Dunlop Rubber Company, Limited, was held on June 14th, in London.

The Rt Hon Lord Baillieu, KBE, CMG, the chairman, in the course of his speech said: Our results for the year 1952 reflected two adverse factors, the first being the change that had taken place to a buyers' market in this country and abroad, and the second the inventory adjustments that had been necessary by reason of a very steep fall during the year in the prices of our principal raw materials, and in particular rubber. In the year 1953 trading generally was on a steadier basis with demand at a much more normal level. In consequence the volume of goods sold by the group was higher than in the previous year, but selling price reductions had the effect of reducing slightly the turnover value of goods sold from £250 million to £243 million.

During 1953 our raw material prices again fell, the price of rubber falling from 27d. per lb at the end of 1952 to a low price of 16d. per lb, finishing at the end of the year at 17d. per lb. Thus over the 12 months there was a net reduction of 10d. per lb. This was a good deal less than the fall in the previous year, but it nevertheless again created problems with inventory adjustments.

MODEST PROFIT PERCENTAGE

I would emphasise that, throughout the group, selling prices are constantly under review so that adjustments are made wherever costs and production volume permit. You will have noticed the reference in the directors' report to our modest profit percentages in relation to turnover, the percentage, after tax, for the year 1953, representing only 5½d. in every £1 of sales.

You will note in comparing our profit rate in 1953 with that in 1951 that although the rate before tax is lower, the profit rate after tax at 2.3 per cent is slightly higher than the 1951 rate of 2.2 per cent. During the two years tax reductions have occurred and these are directly reflected in the comparative rates before and after tax for the two years. This illustrates very clearly what I have said on previous occasions in relation to the very heavy burden of taxation which industry is continually asked to bear. A sound progressive business must provide, from its trading balances of the year, full depreciation in order to maintain, renew and expand its plant and equipment, and full taxation requirements to meet the exigent needs of the Treasury. Then and only then can directors consider what they can and should do to provide for reserves and dividends.

OVERSEAS ACTIVITIES

Our overseas activities have again contributed over 50 per cent of the total group profit. In 1952 markets became over-stocked as a result of heavy shipments in the early part of the year and there was a considerable drop in the export rate of the industry as a whole. We have a different tale to tell this year. Although in the early months of 1953 exports were not very favourable, the position began to improve towards the middle of the year. The heavy stocks acquired in 1952 were gradually absorbed and replacement began. This resulted in a much more normal and healthy level of demand. Consequently, our exports in the second half of 1953 showed a welcome improvement despite increased foreign competition.

The finances of the group have considerably strengthened during the past year. The reduction of working capital invested in inventories has correspondingly reduced the amount of our borrowing by bills and bank overdrafts. Even after this reduction the total temporary borrowing was still over £9 million.

For the second year in succession over £7 million has been added to fixed assets, against which our total depreciation provision was about £5 million. Our programme of capital expenditure, involving the replacement of existing plant and the provision for new developments, will inevitably continue in the highly competitive industry in which we are engaged.

The reserve position is particularly strong. Although the effect of the capital changes which took place in 1954 is not shown in our 1953 balance sheet, you will have noted that taking these changes into account our total group reserves amount to £28¼ million, against the issued ordinary capital of the parent company of £19¼ million. You will, I am sure, agree that this is a very healthy state of affairs.

RESEARCH

As one of the world's largest producers of natural rubber, we are continuing intensive research on natural rubber at our research centre on the Dunlop estates in Malaya. Extensive research is being conducted on synthetic rubber in both Europe and North America.

I have mentioned on previous occasions the intensive research and development work which we are continually undertaking. Some examples of the progress made in 1953 are our tubeless car tyres, "Extron" conveyor belting, "Fortiflex" industrial containers (first marketed early in 1954), "Rubbaseal" protective coating for motor-cars and "Polimul" emulsion for use in the textile, paper, paint and cement industries.

The demand for tyres considerably improved in 1953, compared with the previous year. The high quality of the Gold Seal car tyre, introduced in 1952, has fully justified our hopes.

LEGAL PROCEEDINGS IN USA

There is a matter which has been raised in a letter to me from a shareholder and to which you may have seen reference in the press during the past two weeks. I refer to the announcement made by the Department of Justice in Washington concerning the Consent Judgment to which we have recently agreed in the proceedings brought in the United States against the Dunlop Rubber Company and other companies. The Department of Justice stated that the charges made against these companies included price fixing and cross-licensing agreements, the pooling of foreign patents and licensing on restrictive terms. One of the transactions on which the allegations were based was the formation of joint companies by the United States Rubber Company and Dunlop for the development of elastic yarn, particularly that sold under the trade mark "Lastex."

Your company has never admitted that any of these charges were well founded and in fact this is acknowledged in the Consent Judgment itself. When it had been explained to the Department of Justice that many of the agreements objected to had for various reasons been inoperative for very many years before the proceedings were commenced the matter was settled by the Consent Judgment, the terms of which, in the opinion of the board, do not materially affect your company's interests.

Far from having in any way set out to restrict the supply of latex or the development of its uses, our research and efforts both on our plantations in Malaya and in the factories at home, have always had as their aim to extend its uses and promote the sale of articles made from latex. One outstanding example of this is our invention over twenty-five years ago of latex foam which has led to the building up of an industry in this product which has been of world-wide benefit. The annual consumption of latex throughout the world has increased from 8,000 tons in 1932 to 180,000 tons in 1953.

We are naturally concerned and astonished that a statement issued by the Department of Justice in Washington should have been accompanied by a comment of the senior official in charge of the Anti-Trust Division which implies that these agreements impeded the free flow of raw materials and the manifold products in the manufacture of which rubber is essential; this is not justified by the facts nor by your group's record as outlined above.

Incidentally, it has just come to my notice that the United States Rubber Company have made a short statement in New York concerning the Consent Judgment and, as you may not yet have seen this in the Press, I would like to read it to you:

"In New York, US Rubber Company stated it still does not consider it has violated the anti-trust laws in this case. However, the company said it has joined in the consent decree, since it would be less costly to revise its methods of conducting its foreign elastic thread business in a manner to satisfy the Government than to contest the case in a court trial."

This statement seems to put, very fairly, the view which we ourselves have taken in regard to this matter.

CURRENT YEAR'S OUTLOOK

The year 1953 has been one of very solid achievement. We have increased the physical volume of business, we have completed the adjustment of inventories necessary during the last two years of falling prices, we have strengthened our finances and we have made considerable progress in the development of new products and new methods of manufacture. So far this year trading has continued on a satisfactory basis.

We live, however, in a world of tension and challenge, and I am not prepared to make any prophecy for the future. Let us trust that those who bear the responsibility for guiding the fate of nations may succeed in resolving present conflicts and avoiding the supreme catastrophe of another world war. The Geneva Conference may well be a turning point in human history. For the first time since the war, East and West have met to discuss the issues which divide them. We must await the event to know if this process will exacerbate or relieve the conflicts which have afflicted the world in recent years.

The report and accounts were adopted.

BRITISH CELANESE LIMITED

The Report and Accounts for the year ended 3rd April, 1954, contain the Directors' recommendation for the payment on 31st July, 1954, of the following dividends to Stockholders registered at the close of business on 16th June, 1954:—

A final Participation dividend of 0.7309% actual (less Income Tax) on 7½% Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1954, making with the interim Participation dividend of 1.7691% and fixed dividends already paid a total of 10% on this Stock for the year (*10% for the year ended 30th April, 1953*), and

A final dividend of 12% actual (less Income Tax) on Ordinary Stock in respect of the year ended 3rd April, 1954, making with the interim dividend of 6% already paid a total of 18% on this Stock for the year (*12% for the 9 months ended 28th March, 1953*).

The following details are extracted from the Report of the Directors and audited Accounts for the year ended 3rd April, 1954, which will be posted to Stockholders on or about 22nd June, 1954.

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 3rd APRIL, 1954 (53 WEEKS)

Nine Months Ended 28th March, 1953			TWELVE MONTHS	
£	£		£	£
	1,841,346	Consolidated Net Profit for the year before Taxation		4,069,209
		Deduct:		
		United Kingdom Taxation thereon—		
228,118		Profits Tax	369,815	
815,076		Income Tax	1,750,313	
1,043,194			2,120,128	
53,300		Transfer to Taxation Equalisation Account	171,845	
	1,096,494			2,291,973
	744,852	Consolidated Net Profit for the year after Taxation		1,777,236
		Deduct:		
	511	Balance retained in the Accounts of Subsidiary Companies		526
	744,341	Net Profit for the year dealt with in the Accounts of British Celanese Limited		1,776,710
		Balance brought forward at 28th March, 1953—		
723,357		British Celanese Limited	708,670	
592,748		*Add: Adjustments relating to previous years*	—	
1,316,105		*Deduct:*		
34,730		*Purchase of Funding Certificates in addition to obligatory requirements*	—	
	1,281,375			708,670
	2,025,716			2,485,380
		Deduct:		
		Fixed Dividends on Preference Stocks and Interest on Funding Certificates (less Income Tax) in		
235,212		respect of the year ended 3rd April, 1954	316,749	
75,285		*Amount to be applied in the purchase or redemption of Funding Certificates*	—	
		Participation and Ordinary Dividends paid—		
—		Interim Participation Dividend (less Income Tax) on Second Preference Stock	41,352	
—		Interim Dividend (less Income Tax) on Ordinary Stock	124,056	
		Participation and Ordinary Dividends recommended—		
58,437		Final Participation Dividend (less Income Tax) on Second Preference Stock	17,085	
248,112		Final Dividend (less Income Tax) on Ordinary Stock	248,112	
	617,046			747,354
	1,408,670			1,738,026
		Deduct:		
		Transfer to—		
300,000		Reserve towards increased cost of replacement of Property and Plant	400,000	
400,000		General Reserve	600,000	
	700,000			1,000,000
		Balances carried forward at 3rd April, 1954—		
	708,670	British Celanese Limited		738,026
		Subsidiary Companies (including £14,472 (*£49,842 in 1953*) in respect of sums set aside for Taxation in previous years and no longer required owing to the change of accounting date		
	58,122	at 28th March, 1953)		73,120
	£766,792	Balance carried forward at 3rd April, 1954, in Consolidated Balance Sheet		£811,146

INCREASE OF CAPITAL AND CAPITALISATION OF RESERVES

The Directors recommend the capitalisation of certain Reserves to the amount of £3,759,267 by the issue to the Ordinary Stockholders on the Register at the close of business on the 8th July, 1954, of 10/- of further Ordinary capital credited as fully paid up in respect of each 10/- Ordinary stock unit already held. The stock will then be transferable in units of £1. The issue will not increase the number of votes exercisable by the Ordinary Stockholders. The object of this proposal is more closely to relate the Share Capital to the Capital now employed in the undertaking.

It is also proposed to increase the Authorised Ordinary Capital of the Company by £6,000,000 to provide for the above mentioned issue and to leave a substantial amount of unissued Ordinary Capital for future requirements.

The necessary Resolutions are contained in the formal Notice convening the Annual General Meeting.

LONDON, W.1. *11th June, 1954.*

MILK MARKETING BOARD

THE NEW ARRANGEMENTS

MR THOMAS PEACOCK'S SPEECH

The annual general meeting of the Milk Marketing Board was held on June 11th in London.

Mr Thomas Peacock, CBE, JP, the chairman, in the course of his speech, said:

I am particularly conscious of the importance of today's occasion, the first time for fifteen years that the Board have been able to report to milk producers as a marketing board in fact as well as in name. It is an occasion to which my predecessors, Sir Thomas Baxter and Mr Ben Hinds, constantly looked forward and for which they worked so diligently. More than three years have gone by since the Board first made an approach to the Government for their reinstatement as the marketing authority for milk. In the event, reinstatement has come upon us suddenly, for it was not until last November that the Government finally announced their policy in regard to the marketing of agricultural produce.

PRICE GUARANTEES

The most important feature of this policy is the Government's endorsement of the principles of the Agricultural Marketing Acts along with the acceptance of their obligation under the Agriculture Act of 1947 to continue to provide guaranteed prices and assured markets for the main products. This is particularly satisfactory to the Board, for we have constantly maintained that the policy of the Agriculture Act and the growth and development of producer marketing boards are complementary.

The work of the Board should be made easier by the maintenance of price guarantees, while the Government's responsibilities are greatly facilitated by the pursuit of efficient marketing by a producers' organisation. The Board have never had any doubt that they can bring real benefits to industry and consumers alike in the exercise of their marketing powers; I can assure you that we undertake our new tasks with a full sense of responsibility, not merely to the producers we represent and to the dairy industry, but to the consumer and the nation as a whole.

THE 1949 ACT

We must not imagine, however, that the clock has been put back to 1939. The milk market of 1954 may bear a certain resemblance to the conditions of 1939, but in many respects there are important differences that we must not forget; in fact, they must be constantly in our mind. The Agricultural Marketing Act of 1949, for example, gives the Government important new powers which can greatly limit the authority of the Board. Your Board have always taken the view that the provisions of this Act were amply sufficient to provide consumers with safeguards against any possible act of marketing boards that might be contrary to the public interest.

Nevertheless, under the new marketing arrangements for milk decided this year, even when there is no longer any element of consumer subsidy, the Board will be required to give the Minister of Agriculture an opportunity of considering the prices of liquid milk they propose to prescribe before they come into operation. This is an extension to the provisions of the 1949 Act, which limits even further the Board's powers of price fixing.

During the negotiations of recent months the buyers of milk made strong representations for formal recognition of their interests in the marketing of milk. The Board believe that the understanding which has now been reached with the buyers will prove to be satisfactory to all parties. They have given the buyers an undertaking that they will set up a committee consisting of members of the Board and of representatives of the Central Milk Distributive Committee. This joint committee will be consulted by the Board on the policy and methods of marketing milk as they affect the distributors and manufacturers.

GUARANTEED PRICE

The Agriculture Act of 1947, which provides for a guaranteed price and an assured market for the main farm products, has brought about a fundamental change in the method of arriving at producers' prices. The prewar pooling arrangement, whereby milk producers received an average of market realisations without Government support, has gone. Now it is the Government, as a result of the February price review, that are mainly responsible for the level of producers' prices. The Government have, however, taken the opportunity of modifying the form of the guarantee. The new price arrangements are necessarily more complicated than the system with which we have been familiar during the past several years. I would advise producers, however, not to be unduly concerned with the mechanism; it is the principles of the new arrangements which must concern us and with which I wish to deal briefly today.

The price of milk will continue to be negotiated on the producers' behalf by the national farmers' unions at the annual review of farm prices. The guarantee will, however, in future relate to a certain quantity of milk, which will reflect the Government's views in regard to the amount of milk which is required from our farms. The guarantee will also relate indirectly to market realisations, because milk which is in excess of the standard quantity fixed by the Government will earn, not the price fixed at the annual review, but only the price realised in the market for milk used for manufacturing purposes.

PUBLICITY FUND

The Board have already taken steps to tackle the problem of improving liquid consumption by their decision to allocate ¼d. per gallon of milk sold in the months May and December to a publicity fund which will be handled by the National Milk Publicity Council. The distributors are contributing an equivalent amount. Here again is another joint body representing both producers and distributors who, of course, have an identical interest in maintaining a high level of consumption of milk. The Board are certain that a publicity campaign is not merely important but essential if liquid consumption is to be sustained.

We want, however, to utter a warning that it is not sufficient in our opinion for either producers or distributors merely to contribute towards the publicity fund without making some conscious effort on their own part. For producers it is of the utmost importance that the milk supply shall be constantly of the highest quality and that it shall be produced as cheaply and efficiently as possible. For the distributors, it would be a tragedy if the immense value of the personal link between distributor and customer that arises from our system of household delivery were not to be fully used in this campaign to raise consumption.

SEASONAL PRICE VARIATION

I mentioned in my report last year that the Board viewed with some misgiving the Government's policy of reintroducing a seasonal variation of the retail price of milk. Experience has shown that the effect on milk consumption of such variations in monthly retail prices last year was very small. They certainly did not achieve what the Government had hoped, which was to bring the demand for milk in line with the seasonal trend of output. Nevertheless, the Government have once more decided to vary prices seasonally and they have recently announced monthly prices until March, 1955.

The Board have viewed the new scale of prices with much apprehension and concern. Last year the amount of any change between one month and another did not exceed ½d. per pint. This year, on August 1st, the retail price of milk will be raised by 1d. per pint and the Board cannot think that so large an increase in price can fail to have repercussions on the demand for milk. This is scarcely encouraging at a time when every effort is being made to increase consumption. Let me make the same plea to the Government again, not to repeat this on another occasion; it does no one any good.

OUTPUT AT RECORD LEVEL

I have referred to the importance also of improving the realisation of milk used for manufacture. The Board took over at a most unfavourable time for selling milk to manufacturers. The expansion of milk output, which is now at a record level, has meant that increasing quantities of milk are becoming available for manufacture at a time when stocks have been accumulating and world prices are falling. The changeover has taken place so quickly that it has not been possible to make all the preparations we would like for handling heavy quantities of milk in the manufacturing market.

We have thought it advisable, therefore, to contract with manufacturers initially for a period of six months only. In September we shall negotiate another contract, this time for the full year.

We hope to improve the cheese market. Milk producers may remember that before the war this market was one of the most difficult of the Board's problems. We believe, however, that it is possible to increase very considerably consumers' appreciation of home-produced cheese. We can produce in this country cheeses which are as palatable and as attractive as any of the so-called fancy cheeses now being imported into this country. We can also compete with these cheeses in price as long as the cheese is manufactured in months when costs are low.

We have continued during the year to operate with success the services which we perform for producers. These services extend from the farm right through to the point of sale and they have a common purpose. They are designed to help the producer to concentrate on the task of producing milk and to help him to produce it efficiently and cheaply.

The report was adopted.

GENERAL MINING AND FINANCE CORPORATION

(Incorporated in the Union of South Africa)

A YEAR OF MARKED PROGRESS

SIR GEORGE ALBU'S SPEECH

The fifty-fourth annual general meeting of the General Mining and Finance Corporation Limited was held on June 8th in Johannesburg.

The chairman, Sir George W. Albu, Bart, in the course of his speech said that the year 1953 had been one of marked progress and had included the absorption of the undertakings of Consolidated Rand Investment and Trust Company, Limited, and Transvaal Mining and Finance Company, Limited. These transactions, which involved both the allotment of shares and a net cash consideration, together with the redemption at par of 1,836 6 per cent cumulative convertible redeemable "A" preference shares, explained the allotment during the year of 250,000 6 per cent cumulative "B" preference shares and 274,848 ordinary shares, all of £1 each, resulting in the creation of a share premium account of £960,803.

The Corporation had also expended considerable sums during the year on the purchase of additional shareholdings in other companies, mainly with interests in the Orange Free State. In consequence over the year the surplus of cash assets over liabilities and provisions had been reduced by £500,175.

PROFIT AND DIVIDEND

The main source of revenue, being income from dividends, which showed a satisfactory increase for the year, was derived mainly from the investments acquired under the absorption scheme and from increased distributions by West Rand Consolidated Mines Limited. The net profit for the year had increased from £582,217 in 1952 to £837,657 in 1953, after taking into account profits on share transactions amounting to £170,504. After having made the usual provisions for depreciation of land, buildings and investments, and for the service of the preference shares, £75,000 had been set aside to revenue reserves, whilst the distribution on the increased ordinary share capital had been maintained at 5s. per share.

At the end of the year revenue reserves had totalled £3,332,487, and the preference share redemption reserve, established to provide for the redemption of any 6 per cent cumulative convertible redeemable "A" preference shares not converted, stood at £55,556.

The Stock Exchange value of quoted investments at £9,577,027 was considerably higher than their book value, and the directors considered that the value of investments not quoted substantially exceeded the figure reflected in the balance sheet.

Investments from which no dividend income had been received during 1953 amounted to about 45 per cent of the total investments, and comprised mainly companies interested in mining in the Orange Free State.

The Corporation continued to hold a substantial interest in General Exploration Orange Free State Limited, on whose properties in the Van den Heeversrust area very encouraging indications had been obtained in zones lying above the Basal Reef horizon. Developments on neighbouring properties were being followed with close interest.

THE GOLD MINING INDUSTRY

The gold mining industry as a whole had experienced a sharp rise in profits after devaluation of the South African pound in 1949, accompanied, unfortunately, by an inflationary tendency which had greatly increased working costs over the period 1950 to 1953. The supply of native labour had declined steadily over the same period, but had been offset to some extent by more efficient use of the labour available, through extended use of mechanisation. An improvement in the numbers of non-Europeans coming forward for employment had been noticed towards the end of 1953 and had continued into 1954. The mines of the Orange Free State were, however, absorbing a growing allocation of the available labour.

In spite of a decline in the tonnage milled during 1953, there had been an increase in the number of ounces of gold produced, due to an improvement in the average recovery under the increasing influence of the mines of the Far West Rand, the Klerksdorp area, and the Orange Free State.

The commencement in 1952 of uranium production had been of great significance, and its importance to the profit-earning capacity of the industry would materially increase as further plants came into operation.

WEST RAND CONSOLIDATED MINES

In 1953 for the first time in its long history West Rand Consolidated Mines Limited paid dividends in excess of one million pounds. A reduction in tonnage mined from the Kimberley reef and also increased mining of the lower gold content Bird Reef series for uranium had resulted in a decline in the profit from gold, which, however, was more than offset by the profits derived from uranium production. Capital expenditure was also at a much lower level than in the two previous years.

The corporation had for some time been in charge of the administration of South Roodepoort Main Reef Areas Limited, and in 1953 had acquired a shareholding in that company. Uranium was present in the Contact Reef mined by the company, but was in quite unpayable quantities. Over recent years South Roodepoort had maintained a uniform rate of tonnage milled and gold recovery, and the future outlook was satisfactory.

Steps were being taken to improve the benefits under the staff pension funds to bring these into line with modern practice.

The report and accounts were adopted.

Owing to the necessary quorum not being present, the meeting was unable to consider the item appearing under the heading of "Special business" and was accordingly adjourned to Tuesday, June 15, 1954, at the same time and place for consideration of this part of the business.

A full copy of the report of proceedings may be obtained on application to the London office on and after June 25, 1954.

UNITED DRAPERY STORES

YEAR OF SUBSTANTIAL EXPANSION

The twenty-seventh annual general meeting of United Drapery Stores, Limited, was held on June 10 in London, **Sir Brian E. S. Mountain, Bart.** (the chairman), presiding.

The following is an extract from his circulated statement:

Heelas Limited. Members were advised in May last year that we had accepted an offer of £825,000 for the shares which we held in Heelas Limited and which resulted in a substantial capital profit of £450,000 from the sale of an investment made only three-and-a-half years previously. This profit has been added to Capital Reserve.

Prices Trust Company Limited. In July of last year an offer was made for the Ordinary Share Capital of Prices Trust Company Limited and was accepted by over 90 per cent. of the members. At January 30 we had acquired 97.9 per cent. of these shares at a cost of £4,686,851. Subsequently, we have acquired the whole of the remaining Ordinary Shares. No profits of Prices Trust are included in the Consolidated Profit and Loss Account.

Trade Investment. This was an investment which we made in a manufacturing business in 1947 and it has served a most useful and profitable purpose to our Group by ensuring supplies of commodities which would not otherwise have been obtainable. With the freeing of controls and the easing of the supply position, we sold our interest in this Company at a Capital Profit which also has been added to Capital Reserve.

The Year's Results

With the foregoing transactions in mind, you will see that the Group Trading Profit, excluding any return from our investment in Prices Trust Company, and excluding also any profit from the business of Heelas Limited (which was a subsidiary last year), amounted to £2,781,541, an increase of £422,491 on the corresponding figure of last year.

If the seven months' trading figures of Prices Trust covering the period from the date of its acquisition up to the date of our consolidated account are brought in, the Group Trading Profit is increased to £3,113,006, an increase of £753,956 on the corresponding figure of last year.

I think you will agree with me that these results are very satisfactory, and show the development which has taken place during the year in the U.D.S. Group.

The Group Profit, excluding Prices, before taxation is £2,601,584, and from this we have to provide for taxation amounting to no less than £1,674,270. The total represents over 64 per cent. of our Group Profit. This is indeed a heavy burden, but it includes £309,000 for Excess Profits Levy. The net profit attributable to the Holding Company is £850,039. We recommend the payment of a final dividend on the Ordinary Share Capital of 32½ per cent., less tax, making 50 per cent. for the year, compared with 40 per cent. paid last year.

We are retaining in the Group, in the form of reserves and increases in undistributed balances of profits, a total sum of £440,419 out of the profit of the year, as compared with £409,620 distributed by way of Dividend on the two classes of capital. This is in general line with our distribution policy of the past five years.

Share Bonus

Capital Reserves have now increased by over £1,500,000 and Revenue Reserves and Surplus have increased by more than £500,000. Our total Reserves have, therefore, increased by over £2,000,000 to the total figure of £5,079,107.

Your Board consider that a portion of these Reserves should be capitalised, and the Issued Ordinary Share Capital of the Company thereby brought into some more reasonable relation with the actual capital employed in the business. The Capital Issues Committee has given permission to capitalise £1,473,027 from these Reserves, and to apply this in paying up an equivalent amount of Ordinary Stock to be distributed amongst the Ordinary Stockholders.

With regard to the future, turnover since the beginning of February again shows an increase over the corresponding period last year. Provided economic conditions do not change materially for the worse, your Board have no reason to believe that the progress of your Company will not be continued.

The report was adopted and the capitalisation and bonus issue proposals sanctioned.

IMPERIAL CHEMICAL INDUSTRIES

HIGHEST SALES IN COMPANY'S HISTORY

DR ALEXANDER FLECK ON PROPOSED PROFIT SHARING SCHEME

The twenty-seventh annual general meeting of Imperial Chemical Industries Limited was held on June 17th in London.

Dr Alexander Fleck, the chairman, presided and, in the course of his speech, said:

The sales in 1953 were the highest in our history, and with new plants coming into operation we can confidently look forward to further increases in the years to come.

The net income of the company for 1953 before appropriations for dividends and reserves was more than £17½ million. The true profits for 1953 available for appropriation are really better than those of either 1951 or 1952.

The board's intentions, announced two years ago, of bringing the ordinary share capital more into line with the true capital employed in the business by the capitalisation of reserves can now be carried out.

PHARMACEUTICAL INDUSTRY

In the annual report reference is made to the attitude of the Ministry of Health towards the cost of pharmaceuticals required by the National Health Service. Any effort by a Government department to cut down waste and extravagance is commendable. In this instance, however, there is the serious danger that a rather unintelligent application of quite inappropriate costing methods may damage or even destroy the most vital parts of the pharmaceuticals industry in this country. The danger is that pharmaceutical research may be rendered so unattractive in this country and so unprofitable that this important field of research may be abandoned by one company after another, and this country may be forced to rely upon the scientific achievements of other countries. Research for new drugs is, and must remain, highly speculative; only a small part of the research effort can ever be directly fruitful, but when success is achieved the cost of all the work which has proved fruitless for its original purpose must be taken into account. The profit on the successful discovery must cover the cost of the unsuccessful research if any concern is to be encouraged to carry on this speculative but valuable work. Even the successful product may hold the field for a short time only and be replaced by some other product discovered either in this country or overseas. Costing principles permitting a very limited percentage of profit on the manufacturing cost of a commodity may no doubt be appropriate and proper in some cases, but I suggest that in the case of drugs which it is decided to produce and which the National Health Service wants, the rigid and unimaginative application of such principles will lead to results that are unfair to the industry.

NATIONALISATION

The board remain as firmly as ever opposed to every form of nationalisation of the company. They keep this subject of the danger of nationalisation under constant consideration and will continue to do so even though the danger may from time to time appear to recede.

PROFIT SHARING SCHEME

The references in the report and in the Press to the proposed profit sharing scheme for employees will not have escaped your notice. This matter has been under consideration for a long time, and the scheme which the board now propose to introduce is the result of prolonged and earnest thought on the subject.

Any scheme which gave employees a cash sum regularly each year would suffer from the disadvantage that the receipt of the sum would become a normal expectation and would lose the character of profit-sharing. If for any reason the amount had to be reduced or withheld altogether, there would be widespread comments among employees probably suggesting hardship. At the same time, any scheme which distributed each year very large numbers of exceedingly small holdings in the company would be unsatisfactory and difficult to administer. The board believe that the scheme proposed, which puts the net bonus to the credit of the employee in the accounts of trustees appointed for the purpose, and provides for the issue of a stock certificate to the employee himself only when the account reaches a reasonable figure, is more likely to induce employees to retain their holdings of stock than one in which the shares were issued each year direct to the employees.

The board do not believe that the existence of the scheme will have a direct effect upon the amount of work done or the productivity of individual workers; that is not its purpose. There are other means of encouraging hard work and good work, including the scientific application of work study (including method study), a field in which this company plays a leading part. We believe that the scheme which we propose to introduce will play a useful part in bringing management, factory payroll and stockholders together and in spreading a better understanding of our mutual interests.

The scheme provides for an increase in the bonus if dividends are increased. Stockholders and employees will thus both share in any increased prosperity which it may be our good fortune to enjoy in future years. They will also have some share in any adversity which we may suffer.

Bonuses under the scheme are in no way part of the terms and conditions of employment and are not intended to be a substitute for fair wages and conditions.

THE OUTLOOK

So far this year the company has enjoyed, in common with other industries in this country, a period of expansion, and the prospects are, in general, good. In overseas markets competition is strong, but we believe that we can hold our own and in some directions gain further ground. Neither at home nor overseas can there be any easing-up, but with competent, loyal and energetic personnel throughout the whole organisation, we have every reason to believe that difficulties will be overcome and further progress made both this year and in years to come, when much of the present capital expenditure will be completed and will give us additional productive capacity.

The report and accounts were adopted.

The proposals for capitalisation of reserves and scrip issues were duly approved at the extraordinary and class meetings subsequently held.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

INVESTMENT ALLOWANCE WELCOMED

The annual general meeting of The "Shell" Transport and Trading Company, Limited, was held on June 16th in London.

Sir Frederick Godber, the chairman, said:

Since my statement went to press, an "investment allowance" has been proposed in the United Kingdom 1954 Finance Bill. This is a welcome innovation. It may not at once provide any great additional incentive to capital investment, in that its effect will be spread over a rather long period; it will, however, be of some assistance to concerns which are committed to a substantial and continuing programme of expansion. In the course of time it should make a valuable contribution to the competitive strength of British industry in world trade. It is to be hoped that the new tax allowance will be adopted and allowed to remain as a permanent feature of the United Kingdom tax system. Frequent changes, such as have occurred, for example, in the system of "initial allowances" can only tend to lessen the beneficial effects which it is the purpose of such allowances to promote.

A suggestion was put forward at our meeting last year that a diagram of expenditures on wages, dividends, etc., should be included with my statement and I would like to say that although we have not included such a presentation this year, we are bearing it well in mind. It is a fact, however, that the complexity of our group's world-wide business with the many and varied phases of its operations does not readily lend itself to simplification in diagrammatic form.

IRANIAN OIL DISCUSSIONS

You will, perhaps, be expecting me to tell you something about the progress of the negotiations now proceeding with the object of enabling the flow of Iranian oil into world markets to be resumed. The oil companies' representatives have already had exploratory talks in Tehran and have recently met their principals in London for consultation. They will be returning to Iran very shortly. I cannot at this stage of the proceedings give you any particulars of the discussions, nor would it be proper that I do so. There are many problems on each side which are not readily reconcilable, but if these are examined patiently in a spirit of mutual understanding I am not without hope that a solution may be found.

I have referred in my statement to the general situation prevailing in the tanker market. I would now like to mention one particular agreement which is reported to have been closed recently between an individual tanker owner and a Middle East Government. The agreement has not been made public, but, in spite of denials, it appears that a virtual, and possibly a complete, monopoly has been created for the transportation by sea of the crude oil produced in this Middle East country. Details have not yet been officially released, but there seems no doubt that we are faced with a flagrant instance of "flag" discrimination and a most serious breach of accepted international maritime practice. An arrangement of this nature, if it becomes effective, is bound to create serious problems in connection with sea transport. Not unnaturally the affair has evoked a storm of indignant protest which we most vigorously endorse.

The report was adopted and the capitalisation proposals were approved.

J. LYONS AND COMPANY

SIXTY YEARS OF PROGRESS

DEVELOPMENT OF NEW PRODUCTS

MR M. GLUCKSTEIN ON ELECTRONIC DEVELOPMENT

The annual general meeting of J. Lyons and Company, Limited, will be held on July 5, 1954, at the Trocadero Restaurant, Piccadilly Circus, W.1.

The following is the statement by the chairman, Mr M. Gluckstein, which has been circulated with the report and accounts for the year ended March 31, 1954: The company has just completed its sixtieth year, and we were gratified that, in March last, HRH the Duchess of Kent honoured us with a visit to our Greenford factories. We were proud of the privilege of showing her some of our activities there, particularly our tea department which shortly will complete its fiftieth year.

THE YEAR'S RESULTS

From the report and statement of accounts for the year ended March 31, 1954, which accompanies this statement, you will see that the net profit for the year is £686,914, as compared with £689,451 for the previous year. We feel that this result is not unsatisfactory taking all the circumstances into account. We propose the payment of final dividends at the same rates as last year on the ordinary and proportional profit capital and on the "A" ordinary capital already issued at the beginning of the year. On the new "A" ordinary capital we propose a dividend of 1s. 6d. per £1 unit. The balance of net profit, £76,652, is carried forward in the profit and loss account.

The balance sheet shows that the authorised capital now stands at £12,925,000, having been increased by two million pounds by the resolution passed at the extraordinary general meeting held last October. 629,069 "A" ordinary shares were issued immediately afterwards, and they have now been converted into stock, the units of which rank, in accordance with the terms of the issue, for the dividend mentioned above.

We feel we had reason to be well satisfied with the success of the issue which was made at £4 2s. 6d. per share. Excess applications totalled 1,634,495 shares, and for these, after dealing with acceptances of rights and special allotments to members of the company's staff, only 22,740 shares were available. Applications for one share up to nine shares received allotments in full; the balance was disposed of by ballot, each allotment being for ten shares.

NEW DEVELOPMENTS

The business continues to progress. We have now been able to resume full activity in the whole of the bakeries which were operating at Cadby Hall before the war. Extensions have been made to several of our factories and others are projected. Whilst, for manufacture, there are, generally speaking, economic advantages in concentration, we find some break-up of distribution into local centres, an advantage, both to relieve pressure in Cadby Hall and to give an improved service locally. We are now completing one of these local centres in Chessington, Surrey, where we have also built a bread bakery. We continue to develop new products for our wholesale distribution and new ideas and types of service in our catering establishments. Now that oranges and sugar are free from control, O. R. Groves, Limited, one of our subsidiary companies, has been developing the sale of two new orange drinks, "Sunkap" and "Sunfresh." They are made from fresh oranges by a special process; "Sunkap" is sold ready to drink and is delivered to the home by the dairyman; "Sunfresh" is an orange concentrate. I am glad also to be able to report further progress in our export sales, including those which earn all-important dollars.

ELECTRONIC PROJECT

Developments of a different kind have been proceeding in the Lyons electronic office or, as we have named it, "LEO." Large-scale electronic computors have been built on both sides of the Atlantic, but they are designed for calculations of a purely mathematical and scientific character. We felt that it should be possible to design one primarily for commercial needs and utilise the very high speed at which these instruments work to avoid the arithmetical drudgery of much clerical work. Thus LEO has been built. It has already reached the stage where it has taken over some sections of our clerical work. It is also capable of all types of mathematical and scientific calculation and is doing, and will continue to be available for, much work of a varied character for other organisations.

The more liberal policy now being adopted in the issue of licences for building and for acquiring the necessary materials has made it possible for our programme of improvements at a number of our teashops to be speeded up, and further work of this character will be carried out in the coming year.

STIMULUS OF TRADING FREEDOM

We welcome the end of food rationing and the easing of controls generally. It is a stimulus to everyone and affords the opportunity for new effort; we can now devote to constructive work the time which previously had to be spent in completing forms and questionnaires and in persuading the various authorities that we ought to be allowed to build this or buy that.

The abolition of development charges cleared a major blunder of postwar legislation; and there seemed hope that this was a foretaste of greater freedom in this respect and a recognition that the whole machinery of planning control was too complex and too costly. There is now before Parliament, however, still another Town and Country Planning Bill and two more major Bills affecting property. Had these Bills and their postwar predecessors been enacted 30 years earlier there would have been no Coventry Street Corner House and no Cumberland Hotel.

NEED FOR MORE LIBERAL TAXATION ALLOWANCES

For some years past, chairmen of companies have been drawing attention, with increasing emphasis, to the need, if industry is to be maintained, for more liberal taxation allowances on capital expended in the purchase of plant and equipment either for replacement or for extension. This year the Chancellor is taking the first step to meet a situation which has been a growing threat

to the future of industry, and we are all thankful for this. The prosperity of all classes in the country is dependent on increased output, and whatever may be the contributions of labour and management to that increase, it cannot be secured if the equipment is not maintained at a high pitch of efficiency. We can only hope that further relief will be given in subsequent budgets; there is great need of it.

TRIBUTE TO STAFF ENTERPRISE AND LOYALTY

At the close of the company's sixtieth year it is natural to look back a little as well as forward. The business began in 1887 and became a public company in 1894. In October of the latter year, the first teashop was opened at 213 Piccadilly; it is there today—modernised but still preserving the familiar white and gold shop front which has become so distinctive a feature all over London and in many provincial towns. Down the years, the company has shown steady growth and progress to its present position, and it has been greatly indebted to the skill, loyalty and enterprise of its staff, without which success would have been impossible. We feel that we have countered the risk that in so large a staff the individual may be a mere cog in the machine. Our employees have always had the right of direct access to "those at the top," and I believe this has done much to strengthen the good relations that have existed for so long. There are now some 3,000 employees with over 25 years' service, and they have set a very high standard of loyalty and efficiency which those who, comparatively, are newcomers can and do emulate. I am sure you will wish to join me in expressing to all of them appreciation of their efforts, their loyalty and their enterprise.

HALL TELEPHONE ACCESSORIES

EXPANDING ORDER BOOK

The twenty-sixth annual general meeting of Hall Telephone Accessories Limited was held on June 11th in London, Major the Hon Oscar M. Guest, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year 1953:

The accounts show a net profit of £51,353, which compares with £63,261 for the previous year. Your directors recommend the payment of a dividend for 1953 of the same amount as we have paid for many years past, namely, 10 per cent (less tax).

During the first half of the year we experienced a considerable slackening of trade, and a number of our customers were forced to reduce their demands upon us, which has accounted for some reduction in profit. During the second half of the year orders from customers increased, and our order book continues to show expansion.

For the British post office we continue to manufacture telephone coin collectors and postage stamp machines. These are also supplied to overseas administrations.

We have recently completed a considerable order for platform ticket machines for British Railways, who are adopting our type of machine. We have recently developed two new types of coin-operated commodity-vending machines, which we have reason to hope will be successful. The first is for the sale of packets of chocolate and other commodities. The second is for the sale of refrigerated soft drinks in bottles.

The report was adopted.

ALLEN WEST AND COMPANY

CREDITABLE RESULTS

MR M. W. H. LANCASTER ON HEAVY TAXATION

The forty-fifth annual general meeting of Allen West and Company, Limited, was held on June 15th at Brighton, Mr M. W. H. Lancaster, MC, FCA (the chairman), presiding.

The following is his circulated address: Ladies and gentlemen, I now have pleasure in putting before you the accounts for the year ended January 31, 1954.

The trading profit is less than last year by £66,000, but as I then said, last year was a record in every way and we cannot expect to break records each year. The reason for this fall in profits is a slight reduction in sales, the probability of which I forecast last year. I am pleased to be able to say that this reduction does not appear to be progressive.

Dividends on investments are down by £6,000, this is largely due to our associated French company reducing its dividend. Taxation is up by £19,000, due entirely to the method of assessment. The net profit, after providing for taxation and all charges, is down by £90,000, to a figure of £338,000.

The South African and Canadian companies have never had their capital structure altered since their formation, and we decided that this should be carried out in order to make their respective balance sheets look more reasonable. This reconstruction involved the South African company making a bonus issue of £80,000. To suit local conditions, the South African company have transferred this year from their general reserve to their appropriation account £40,000 to provide the necessary funds. The bonus issue will then be met through the appropriation account, and not by a straight transfer from the general reserve to the issued capital account. The parent company owns all the capital of the South African company.

BENEFIT OF "PLOUGH BACK" POLICY

We propose to deal with the profits of £338,000 by transferring £200,000 to general reserve, paying a dividend of 15 per cent, less income tax, which will cost £96,000 as well as a bonus of 2½ per cent, less income tax, which will cost £16,000.

The policy of "plough back" followed by your directors, together with the present liquid position, enables us to pay this bonus, even though the profit has fallen. At the same time it must be remembered that whereas employees have been awarded several wage increases, stockholders have had no increase for some time.

The unappropriated surplus that we carry forward this year is £218,000, which is £66,000 greater than last year, but it includes the transfer from the South African general reserve of £40,000 already mentioned.

PLANT IN EXCELLENT CONDITION

We have expended during the year £71,000 on new plant and have written off by way of depreciation £74,000. Our plant is in excellent condition and is really modern. The freehold land and buildings have been increased by £125,000, of which £100,000 has been expended on our new factory in South Africa, which is now complete and will make trading conditions for the South African Company better in every possible way. The £25,000 was required to complete the Moulsecoomb No. 3 factory, which I mentioned last year.

I am pleased to say that we have managed to get the stock reduced because this item had increased very considerably over the recent years. It may, however, be that we cannot keep it down to this figure of £1,260,000.

TAXATION

You will see that our liability to future taxation is the gigantic figure of £439,000, and whilst I am talking of taxation I think I ought to tell you that we paid hard cash to the Inland Revenue during the year amounting to £436,000 and we collected, free of charge to the Revenue, but at considerable expense to us, £96,000 from our employees.

During the year approximately 27,000 incidents and cases of illness were treated by the doctors and nurses of our welfare department, without charge, nearly half of these not being attributable to their occupation.

During the year we co-opted to the board Mr John Hall, who has been with us about thirty years, and has travelled abroad extensively on the company's business. This follows our policy of arranging for continuity of directors as well as departmental heads, by promotion from existing personnel where suitable.

Our relations with our employees remain excellent, and to conclude I would like to thank all those of our staff and workpeople who have assisted in producing the very creditable results shown by the accounts now before you.

The report and accounts were unanimously adopted.

F. FRANCIS AND SONS

The fifty-third annual ordinary general meeting of F. Francis and Sons Limited was held on June 14th in London, Mr John Ismay (the chairman) presiding.

The following is an extract from his circulated statement:

The balance of profit for the year, including dividends from subsidiary companies, amounts to £185,305. Taxation provision requires £61,500, leaving an available sum of £123,805. Your directors have again transferred £50,000 to general reserve and now recommend a final dividend of 17½ per cent on the ordinary share capital, making a total of 22½ per cent, an increase of 2½ per cent on the previous year.

The net profit of the group, after providing for taxation, amounts to £136,231, and this includes, for the first time, trading results of the subsidiaries acquired in November, 1952 (covering a period of approximately 13 months).

Your board has decided to increase the issued capital of the company by a further £300,000, by the creation of 1,200,000 5s. ordinary shares, and at the same time it is our intention to apply to the Capital Issues Committee for permission to make a one-for-two scrip issue which will require a total of 750,000 new ordinary shares. As we have only available at the moment 500,000 unissued ordinary shares the balance will have to come out of the new shares to be created.

It is not proposed to issue any of the balance at the present time.

Addressing the meeting, the chairman announced that the CIC consent had now been received and notices convening an extraordinary general meeting would be dispatched before the end of the month.

The report was adopted.

WILMOT-BREEDEN (HOLDINGS)

RECORD OUTPUT AND SALES TURNOVER

The fifth annual general meeting of Wilmot-Breeden (Holdings) Limited was held on June 14th in Birmingham, Mr D. L. Breeden (chairman and joint managing director) presiding.

The following is an extract from his circulated review:

Production for 1953 was a record, both in terms of physical output and of sales turnover. The demands for the company's products increased very rapidly during the year. As a result our manufacturing resources were extended to the full, in spite of capital expenditure on new plant which was greater than in any previous year.

At the same time, production of components for the aircraft industry continued to expand, and it is anticipated that during 1954 this group of products will again increase its contribution to the sales turnover of the company.

The efforts of our main customers in the motor industry to establish permanent markets overseas have been so succesful that they are clearly anticipating an even greater demand for British cars and laying plans to meet it. In order to keep in step with these developments, it will be necessary to maintain our present high rate of capital expenditure in new plant, particularly for the extension of automatic processes.

We are continuing to increase our facilities for development and research, directed partly to improving our existing products and the methods of manufacturing them, and partly to the development of new products and manufacturing techniques for the future.

The outlook for 1954 is favourable, and there is no sign of any slackening-off in the demand for the company's products. Mention should be made, however, of the continuing need for reductions in costs referred to in my last review. At the same time there are signs that with the recent increases in wages, corresponding rises in the price of raw materials are on the way.

FINANCIAL REVIEW

The consolidated profit and loss account shows a net income from all sources of £730,397 (against £575,378 for the previous year), after setting aside £164,951 (against £151,861 for the previous year) for depreciation and obsolescence, and £50,000 (against the same amount for the previous year) towards the increased cost of replacing fixed assets.

Taxation of £517,591 is made up of income tax £393,268, profits tax £65,000, and excess profits levy £80,000—less an overprovision in previous years of £20,677. After taxation, the amount available for distribution is £212,806.

The directors recommend a final dividend of 10.54 per cent (less income tax at 9s. in the £) on the ordinary shares as increased by the bonus issue made on March 19, 1954. This will absorb £48,695 and make a total distribution for the year to the ordinary shareholders of 16½ per cent on the increased capital. After payment of these dividends, the balance unappropriated in the consolidated profit and loss account is £695,822.

Current assets of £3,051,475 exceed current liabilities by £1,692,553, which is an improvement of £93,517 during the year.

The report was adopted.

NATIONAL BANK OF GREECE AND ATHENS

THE GENERAL MEETING OF SHAREHOLDERS

MR COSTI ELIASCO'S STATEMENT

The first ordinary general meeting of the National Bank of Greece and Athens was held on May 15, 1954. The Governor of the Bank, Mr Costi Eliasco, read the report on the activities of the bank during the period of ten months ending December 31, 1953, that it has been operating since its establishment on February 28, 1953, following the amalgamation of the National Bank of Greece and the Bank of Athens.

This period, said Mr Eliasco, was characterised by the effort to rehabilitate, revive and balance Greek economy through the policy prepared and, ever since, strictly followed by the Government of Marshal Papagos. "The successful currency reform of April 9," said the Governor, "which did away with the various difficulties and obstacles that confronted the economy of the country, the substantial curtailment of unnecessary expenses, as well as an exceptionally favourable agricultural production, have been the most important events, and may be considered as a turning point in the economic life of Greece. These developments have resulted in favourable conditions which have contributed to the establishment of economic equilibrium and stability, as well as to the more normal and smooth functioning of the whole machinery of the Greek economy."

The result of the policy applied by the Government, and the gradual return of confidence in the currency, as outlined in greater detail in Mr Eliasco's report, have greatly contributed towards a more regular functioning of the money market, which, in its turn, has helped much to promote a rational development of the country. The main contributory factor, however, was the increase in loans and advances made by banks, and especially the change in the source of the loan funds, which has resulted in a definite improvement of their quality. Mr Eliasco continued, "while loans and advances to trade and industry out of the bank's own funds increased by 330,500 million drachmae, those derived from the Bank of Greece amounted to 87,400 million. It is characteristic in this connection that while advances of the National Bank of Greece and Athens, and its predecessors, made from their own funds increased in 1953 by 264,700 million drachmae, those granted from funds of the Bank of Greece were reduced by 59,400 million drachmae. These changes were due to the fact that a much larger portion than formerly of private, or rather commercial savings, found their way to the banks in the form of deposits, which increased from 1,157 milliard drachmae on December 31, 1952, to 1,898 milliard on December 31, 1953, i.e., by 64 per cent."

Under these general economic and credit conditions, the efforts of the Administration of the National Bank of Greece and Athens turned, on the one hand, to the rehabilitation and reorganisation of the Institution; and, on the other, to the expansion of its participation in the economic development of the country. A careful investigation of the nature of the Bank's advances led to the conclusion that it was necessary to entrust to separate departments the granting and supervision of credits to commercial enterprises and to industries. The services and activities of the Bank in their new form, referred to by Mr Eliasco, find their clearest expression in the balance sheet of December 31, 1953, which shows that from a total of 3,364 milliard drachmae advanced to Greek economy, not including the accounts of the branches abroad (as against 2,780 milliard drachmae on February 27, 1953, representing total advances of the two predecessor banks before their amalgamation), an amount of 1,309 milliard drachmae was allocated to trade and 2,054 milliard drachmae to industry. These figures point to the importance and the extent of the financial assistance granted to these two branches of the economy, and particularly to industry, which makes the National Bank of Greece and Athens the real industrial bank in the country.

Gross earnings for 1953 amounted to 323,881 million drachmae, and net profits to 14,263 million drachmae, allowing the distribution of a dividend of 400,000 drachmae per share, or 12,146,400,000 drachmae in all.

After paying tribute to the loyal and efficient service rendered by the staff, Mr Eliasco, in conclusion, said: "Should the favourable prospects for the sectors mentioned above continue to prevail, all those who are concerned with the banking and economic programme will eventually realise that the decision of the Government under Marshal Papagos to establish the new Bank has contributed in a positive manner towards the progress and prosperity of Greece."

THE BAH LIAS RUBBER ESTATES, LIMITED

SIR ERIC MILLER'S SPEECH

The forty-third annual general meeting The Bah Lias Rubber Estates, Limited, was held on June 16th in London.

Sir Eric Miller, the chairman, in the course of his speech, said: The 1952-53 crop of our three estates in Sumatra was approximately 7½ per cent more than that for 1951-52 and the highest since the war.

The report of the last meeting of the Rubber Study Group, held in Colombo, stressed the need for replanting as a means of strengthening the competitive position of natural rubber vis-à-vis synthetics. In our own case, more than half the planted areas carry trees over 30 years old, but we cannot contemplate any large-scale replanting unless and until we are assured of adequate security and duration of tenure and are satisfied that conditions generally in Indonesia afford the prospect of obtaining in due course a fair return on the substantial outlay that would be involved.

The "balance from trading account," before taxation, is £92,873 (previous year £167,618), out of which we have to provide £14,748 for depreciation on buildings, machinery and plant. Then there is the swingeing new Indonesian Government levy of 66⅔ per cent on profit and similar remittances. Like a number of other postwar impositions in Indonesia, this is of retroactive effect, for it applies to all remittances made since March 2, 1954, including those in respect of financial periods ended before that date. It is indeed paradoxical that the Indonesian Government whilst seeking to attract new investment from oversea, should discriminate so unfair against existing foreign enterprises, especially as these are responsible for such a large proportion of Indonesia's foreign exchange earnings. We still await permission to effect remittance in respect of 1952-53 and can now only hope to receive about £24,000 after paying the equivalent of approximately £16,000 by way of levy and £37,500 of Indonesian company tax, in addition to export duties equivalent to £41,000 charged to trading account.

In these circumstances members will see the wisdom of our having taken an interest some 21 years ago in the growing of rubber in the Federation of Malaya. We have received a 30 per cent dividend from Kulai Rubber Estate Limited, the gross amount payable on our 76 per cent holding being £27,930, from which Malayan income tax of £8,379 had to be deducted.

The recommended dividend of 10 per cent, less income tax, is the same as for the two preceding years, and £25,000 has been transferred to general reserve.

RECOVERY IN PRICE

There has been a welcome recovery in the price of rubber from the low point of 16d. to which it had fallen in March. The statistical position is in better balance; USA manufacturers have to book their requirements of GRS ninety days ahead with the RFC, but there has been no large-scale forward business in natural rubber, with the result that there is a fairly steady day-to-day inquiry for near shipment. The GSA have revised their rotation policy and if this is strictly adhered to there should be less room for complaint. The recession in USA business activity has had some effect on their sales of automobiles, but the tyre-replacement business has taken a seasonal upturn resulting in a reduction of inventories. The use of latex foam upholstery is growing apace, on its merits, and the offtake of rubber in this form is a welcome addition to the traditional outlets for the commodity.

I hope you have all read Lord Baillieu's speech to the members of the Dunlop Rubber Company which appeared in yesterday's papers, for it contains much of interest and encouragement to the producing side of the industry.

The long-term trend clearly indicates an expanding use for rubber, and it would be a great relief to the board of this company if the Indonesian Government would adapt their policies to the obvious needs of the section of the industry operating in their territories.

The report and accounts were adopted.

THE UNIVERSITY OF SHEFFIELD

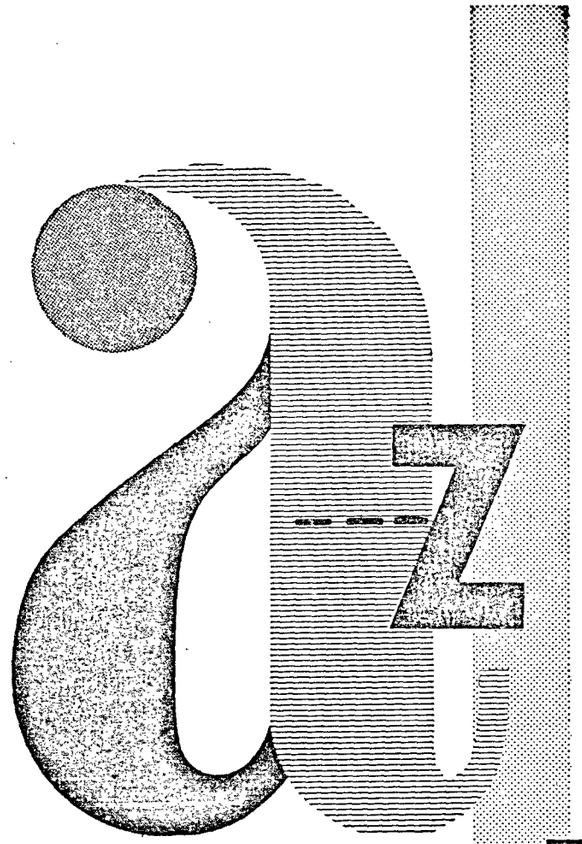
Applications are invited for a post of ASSISTANT LECTURER in ECONOMIC STATISTICS, to begin duties on October 1, 1954. Applications from persons about to graduate will be considered. Salary scale £450 x £25 — £500, with F.S.S.U. provision and family allowance. Initial salary according to qualifications. Further particulars should be obtained from the Registrar, to whom applications (3 copies) should be sent by July 31, 1954.

A WELL-ESTABLISHED INDUSTRIAL COMPANY requires a Chartered Accountant, with costing experience, age 30 to 35 years. The post calls for strong personality and drive. A salary of up to £1,500 per annum is offered, but the successful applicant is expected to reach £3,000 within five or six years.—Full particulars of qualifications and experience should be sent in confidence to Box 682.

THE EDINBURGH AND EAST OF SCOTLAND COLLEGE OF AGRICULTURE invite applications for post of Research Assistant in Department of Economics, in either Farm Management or Marketing and Co-operation. Candidates should hold degree in Agriculture or Economics or Agricultural Economics, preferably with some post-graduate experience.

The post is tenable for period of three years from September 1, 1954, and carries a fixed salary of £400 per annum, plus pay addition, £40. It is a condition of appointment that subject to University approval the candidate works towards a higher degree.

Further information and forms of application from Secretary, 13, George Square, Edinburgh, with whom applications should be lodged within two weeks of appearance of advertisement.



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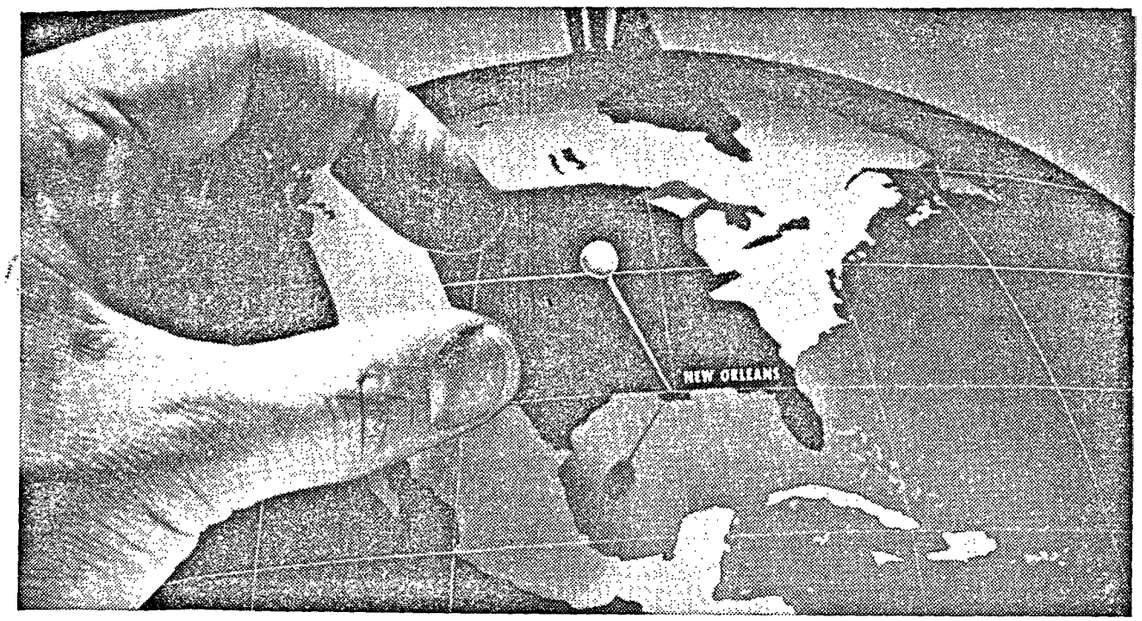

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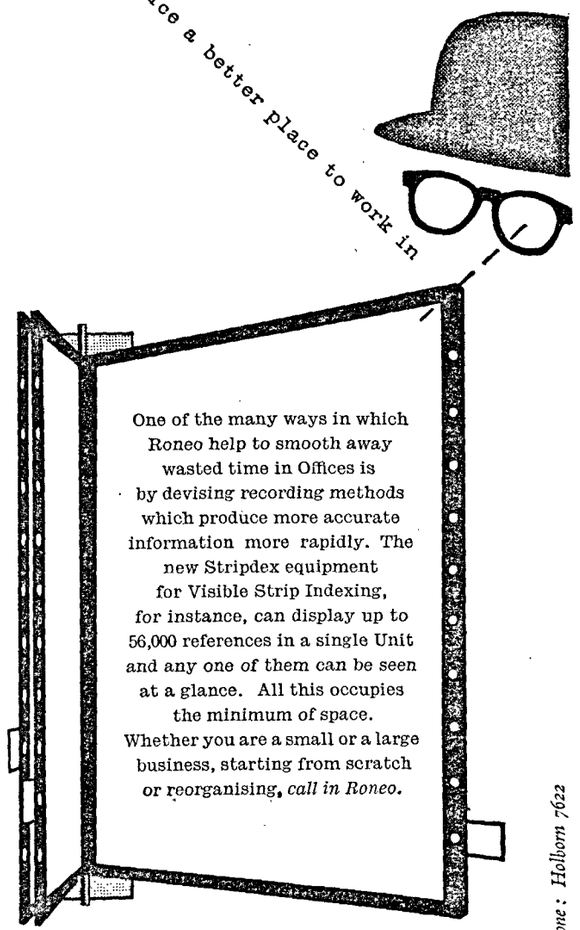

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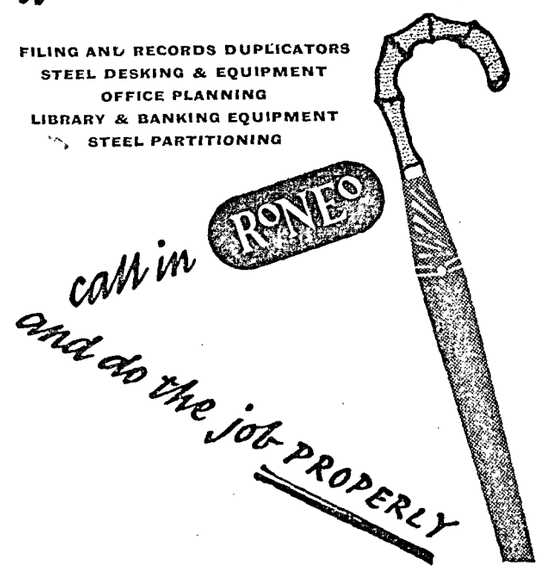

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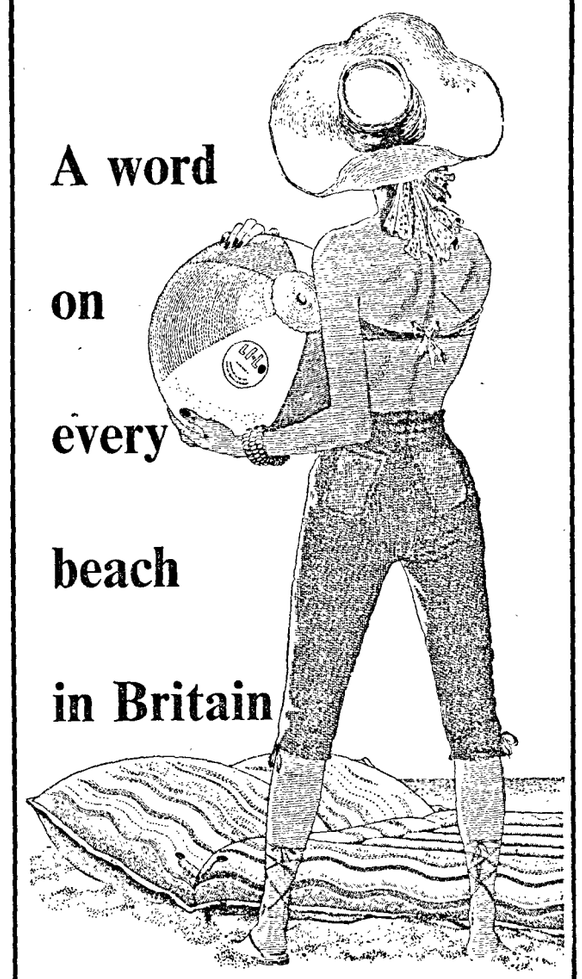

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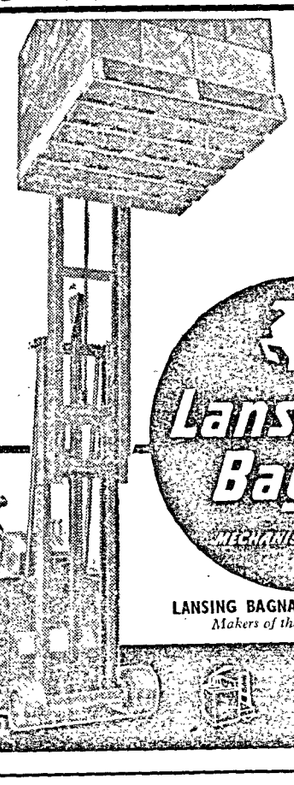

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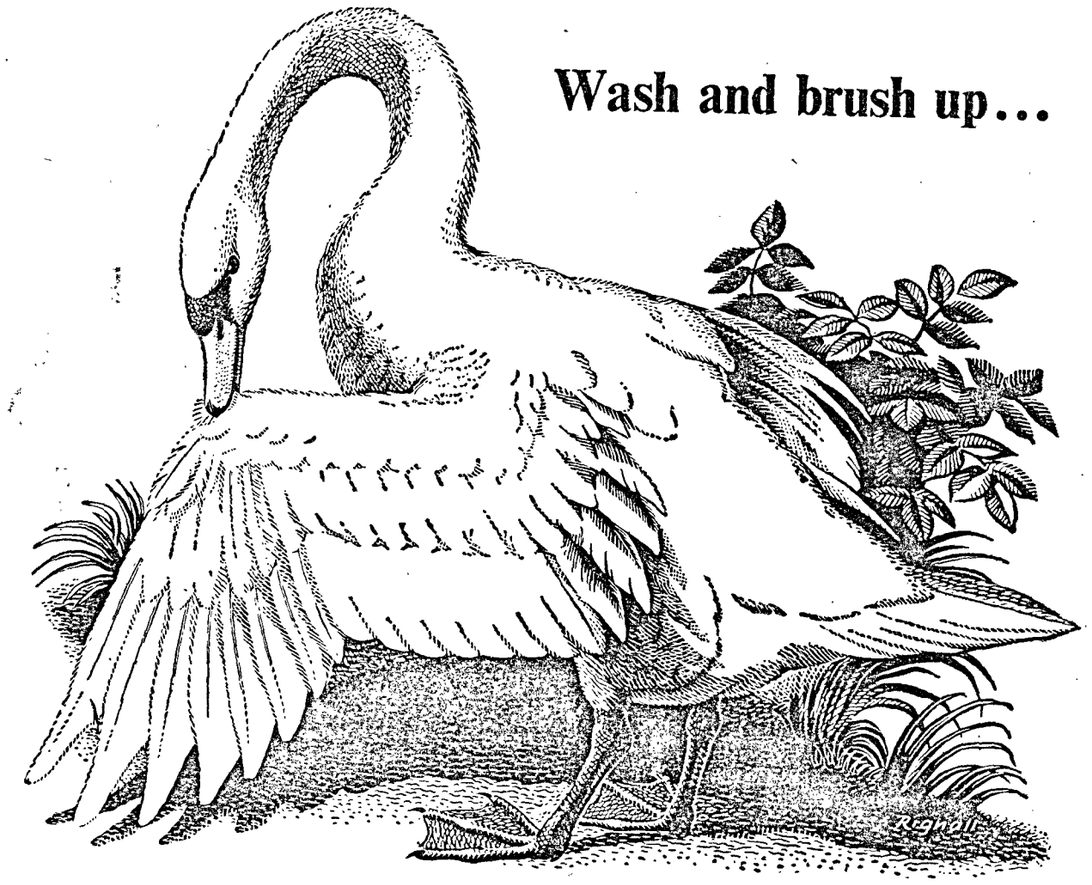

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ONE SHILLING

Time Limit for France 1031
Her Majesty's Oversea Service . . 1033
War Through the Looking Glass . 1034
Labour Lost by Love 1036

NOTES OF THE WEEK

Shadow over Summer ; Still Waters at Geneva ; Sir Thomas Dugdale's Hair Shirt ; Mr Attlee's Dark Horse ; TV Bill Through the Commons ; Four Thursdays to Go ; Leftist on the Right ; "At the Highest Level" ; Steamhammers and Nuts ; Moves Over Boundaries ; Communists in the ILO ; Turkey's Debts ; Vicious Circle in Prague ; Too Many Parks ? ; The Customs of the Customs ; German Money Worries ; Pakistan Looks Both Ways. 1038

LETTERS TO THE EDITOR . . . 1047
BOOKS AND PUBLICATIONS . . 1048

AMERICAN SURVEY

Doubts About Defence. 1053
Economic Concerns ; Farmers under Control ; More Effective Diplomats ; Cuts in Textile Wages ; Minority Hysterias ; Creeping Anti-Socialism ? ; Hard Competition for Soft Drinks ; Shorter Notes.

THE WORLD OVERSEAS

No Panic About Canadian Wheat . 1060
Premier for a Month ? ; General Templer's Achievement Jugoslavia in Transition ; Soldiers Around Mao ; Zhdanov's Ghost Rides Again ? ; Journal of Geneva—IX.

THE BUSINESS WORLD
On Doing it Yourself 1069

BUSINESS NOTES

The Bull Rampant ; Stewarts and Lloyds ; Cheaper Money in America ; Bill Rates Down Again ; As Basle Sees Us ; Coal Imports "As Usual" ; Arab and Greek ; Chemical Export Prospects ; Jet Transport for the Army ; British Celanese Looks Ahead ; Contrasting Trends in Advances ; Foolhardiness in Factories ; The Supply of Airline Pilots ; Dorman Long Looks Forward ; Role of Engineering Exports ; Parking in Cities ; A Wider Wheat Agreement ? ; Flammable Fabrics ; Shorter Notes. 1071

COMPANY NOTES AND SECURITY PRICES 1082
STATISTICS 1085

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Time Limit for France

BETWEEN them M. Mendès-France and Chou En-lai have made the prospects of the Geneva conference brighter than they were last week. It is most unusual for a conference between the free world and the Communists even to look like producing profitable negotiation. The Chinese Foreign Minister appears to have lowered his price for peace by admitting that Laos and Cambodia are entitled to treatment different from that planned for Communist-infiltrated Vietnam, and the new French Prime Minister has raised his bid for peace by saying that he will get a settlement in Indo-China by July 20th or resign. This is something gained, at any rate for the moment, even if a full truce and a political settlement are still beyond the horizon ; but the price to be paid will shock many when they realise what it may be.

It is foolish and cowardly to evade two facts that hopefulness may want to hide in the weeks ahead. The first is that Communist terms for a political settlement with France in Indo-China—as distinct from the military terms for a truce—are not yet known. They may, as Mr Eden knows, be no less stiff for the amenable Mendès-France than for the buoyant Bidault. Public opinion, in France and outside, must be prepared for the possible loss of Vietnam right down to the Gulf of Siam—not perhaps immediately but in a matter of months. The second fact to be faced is that the Chinese concessions over Laos and Cambodia, incomplete though they were, came only when Mr Eden was on the point of ordering his aircraft. The Prime Minister, it is true, has denied that the Chinese acted under pressure of the announcement that he and Mr Eden were going to Washington ; but the moral remains unadulterated. Negotiation with Communists will be futile unless there is readiness to be tough and take risks. They interpret as weakness attempts to "improve the atmosphere."

The fact that the British Prime Minister and Foreign Secretary will be talking this weekend with President Eisenhower and Mr Dulles should, therefore, have a salutary effect in Geneva. For it is unlikely —though, alas, not impossible—that the meeting will leave Anglo-American relations as it finds them, or worse. What must be hoped is that it will prove to the world the inexhaustible powers of recovery of the alliance and show once again that it is never stronger than after a period of fever and relapse. Mr Dulles has had his lonely fling—at times it has been a sword dance—and Mr Eden has had his quadrille with the Communists and Mr Nehru. Each statesman should now find it easier to pick up the other's step.

Their reconciliation and agreement cannot, of course, stop at Asian matters, pressing though they are. The whole Atlantic alliance is in a sorry state as a result of its failure to prevent France from being squeezed into appeasement by Chinese pressure in Asia and by Soviet pressure in Europe. It is especially at Europe that they must look, at the base on which all policy—political, economic and military—must hinge. And there they will see the danger, more imminent than is

be honoured? India, for instance, has increased taxation upon its payments to ex-Indian civil servants. Will the oversea servants be left to carry all the risk?

Again, some territories cannot even now afford in strict terms the salaries and pension rights of their colonial servants. This is particularly the case of the poorer West Indian communities. If self-governing territories regretfully conclude that sound administrators are a luxury they cannot afford, has the last word been said on the subject? Sound administration is the first need and not the last luxury of any community, and Britain has a special interest in maintaining the stability and efficiency of what is a vital trading area. It would be wiser to reconsider the financial burden of the new Oversea Service and to ask whether a measure of subsidy to the service or even direct employment by Britain of the civil servants concerned might not better meet the case. The White Paper makes it clear that Her Majesty's Government has kept an open mind on this point. It should certainly be explored further.

★

Another doubt left by the proposed reorganisation is whether the sensitive feelings of the new governments will be entirely soothed by the service's change of name. Their need for effective administrators may be as great as ever, but they have to swallow a pill of pride before they admit the lack of local talent to do the job. Is an Oversea Civil Service the best way to meet this difficulty? In its present form, it envisages the recruitment presumably of men and women from Britain. They will, it is true, become the servants of the overseas government provided the financial terms can be negotiated, and, moreover, they will no longer be appointed by the Secretary of State but will be invited to serve by the local government—a difference of procedure that covers an important point of prestige. The fact remains that they will be officials drawn from the metropolitan power, the ex-master, the former colonial overlord. It is to overcome this possible barrier of prejudice that some people have suggested that the new service should be recruited from the Commonwealth as a whole, from the new as well as the old dominions, and that it should represent not a transformation of an old service but an expression of the new family of nations working together for their mutual social and economic advance.

Admittedly both the extension of the service in this sense—and indeed any financial underpinning of it by Britain—go beyond the responsibility of the Secretary of State for the Colonies, and it is at least satisfactory to learn from the White Paper that the establishment of the Oversea Service does not exclude the evolution of this wider scheme should it be thought desirable and practicable. But time for protracted deliberations is the one thing that the British Government will not be allowed to have. If its stipulations are honestly and conscientiously carried out, the White Paper should effectively defend the interests of the members of the new service. It is much less certain whether this is enough. The Commonwealth will soon have to meet its hardest test: will the African states, having achieved complete independence willingly remain within the Commonwealth and be willingly and unconditionally accepted? No one act or gesture can bring this about. But a Commonwealth Service, imaginatively conceived, might well create a unifying force, perhaps less powerful but at least more tangible than the common symbol of the Crown.

War Through the Looking Glass

LAST week Guatemala held a small but well polished mirror up before the face of a surprised world, which saw in it a reflection faithful enough except for the fact that, quite naturally, all the words were the wrong way round. The Security Council, at the first Sunday emergency meeting it had held since the invasion of South Korea almost exactly four years ago, heard a Soviet demand for immediate United Nations action to halt "naked aggression" in Guatemala—a demand made by the same Soviet delegate who just forty-eight hours earlier, had vetoed the sending of UN "peace observers" to Siam. Mr Cabot Lodge's rejoinder, a suggestion that the Russians should keep out of the western hemisphere, recalled to many listeners the fact that for the past six months Mr Molotov and Mr Chou En-lai have been persistently trying to exclude the United States from the affairs of Europe and Asia. Some organs of the Communist press found themselves, in one column, citing Munich and demanding that Guatemala be protected not by the "American-dominated" Organisation of American States but by Uno, while, in another, they were denouncing all idea of "intervention" in South-East Asia as warmongering and branding Uno as too "American-dominated" to be entrusted with the reunification of Korea. Here was paradox in plenty, and irony by the ton.

But that is not to say that the Guatemalan conflict can be dismissed as a local eccentricity, a bizarre exception to prove all the normal rules of international politics. True, its scale is not impressive. Despite the ringing communiqués issued by both sides and the black headlines in the world's press, the first days of the campaign have proved an affair of mule trails and small, slow-moving columns, with a handful of aircraft providing little more than diversionary tactics. Of the three million Guatemalans, the greater number must be remote from and scarcely touched by the present conflict; of a country which on the map appears nearly as large as England, the greater part is forest and mountain, thinly peopled or quite empty, and half a dozen key points suffice to control the whole area. Nevertheless, this is not a war in a teacup. It is a war in a test-tube. Not only great interests, but also great principles, are involved; and if the Guatemalan situation is mishandled, the harmful consequences will extend far outside Central America.

But what exactly is this situation? The only glib answers come from people less concerned with the truth than with fitting Guatemala into their preconceived patterns. On the one hand, those who see the contemporary world solely in terms of a Communist camp of darkness and an anti-Communist camp of light have naturally welcomed Colonel Castillo, the leader of the Guatemalan rebels, as a new ally, and accepted at face value his statement that he seeks only to liberate his own oppressed people. On the other hand, not only the Communists, but also many other people whose guiding light is suspicion of the United States have already cast the Guatemalan government of President Arbenz in the role of an innocent victim of foreign aggression inspired by Wall Street. A third school is inclined to see the whole affair as merely a variant of the familiar game of ins and outs that plagues so many Latin American republics.

Yet, while information about the latest events in and around Guatemala is far from complete, quite enough is known to show that none of these three oversimplified theories will cover the case. Colonel Castillo may well have genuinely believed that the Guatemalan people would rise against the Arbenz government as soon as he raised his standard; but their failure to do so has discredited his claim to be fighting against a hated tyranny. In turn, President Arbenz's charges that the invaders are foreign mercenaries acting for the United States will not hold water. His regime has forced into hostility and exile enough Guatemalans, including trained airmen and senior army officers, to make up a sizeable rebel force. And it is incredible to suppose that the United States government, having with infinite labour coaxed the majority of Latin American republics to agree that the threat of Communism in the hemisphere must be curbed, should order a proxy war in Guatemala just a fortnight before the opening of talks in Montevideo on the translation of that agreement into joint action.

It is, however, equally impossible to treat the conflict as merely a military *putsch* of the traditional kind. It differs from that in two ways. First, both the United States and the Communist bloc are openly committed as regards Guatemala. The extent to which the Arbenz government is guided by Communist back-seat drivers may be disputed; there is a clear discrepancy between the modest scale of its internal reforms and the doctrinaire extremism of its propaganda. But it is a matter of record that Mr Dulles and other responsible figures in Washington have condemned that government, root and branch, as a menace to the hemisphere; and it is equally noteworthy that the Arbenz regime is never criticised, but invariably supported by the Moscow propagandists—an honour accorded to no other government outside the Communist bloc.

The United States alarm at the appearance of a potential Soviet base in Central America is understandable enough, even if there is sometimes a tendency to exaggerate the strategic importance of Guatemala. But it is now painfully clear in Washington that many Latin Americans, Asians and even Europeans regard the State Department as Colonel Castillo's sponsors, and that, whether he wins or loses, mistrust of the United States is likely to increase among smaller nations. The position could hardly be more embarrassing for the Administration, which has repeatedly assured the twenty Latin republics that it will respect their sovereignty, and has begged them to grasp the Guatemalan nettle themselves. Lack of any reliable evidence of bonds between the rebels and the United States will not prevent Latin Americans, and others, from linking violent acts in Guatemala to violent words previously uttered in Washington. Meanwhile the Soviet government can, for once, adopt an attitude of outraged innocence and sound the tocsin of collective security, relying on the shortness of human memories to spare it uncomfortable reminders of its own attitude to earlier conflicts in Greece, Persia and Korea.

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However, if the Guatemalan revolt were a purely internal affair there would be no more reason for outsiders to concern themselves with it than there was, for example, in the case of the Bolivian revolution two

Notes of the Week

Shadow over Summer

THE Foreign Secretary's interim report on the Geneva conference, delivered to the House of Commons before he left with the Prime Minister for Washington, contained elements of caution and warning; but these were almost swept away by the plaudits of an enthusiastic House. Mr Eden spoke of Britain's friends and responsibilities in South-East Asia, and of the visible risks of a wider conflagration; he pointed out that the fate of the present military talks must depend on a real desire for agreement, and that the kind of Asian Locarno that he envisaged was only a possibility, not a probability; and he concluded with a reminder to the Communists that if they stepped up the fighting in Indo-China they would endanger what he called "a chance—I do not put it higher than that" that the Geneva negotiations would produce an acceptable result. But this, it seemed, was not what the House, in its sunny mood, wanted to hear. Members on both sides reserved their applause for Mr Eden's more optimistic remarks; he was warmly supported when he proceeded to hand out bouquets, somewhat indiscriminately, to Mr Molotov, General Bedell Smith and M. Mendès-France; and his references to the value of British contacts with the Chinese were also well received. In glaring contrast, hardly a voice was raised to echo his warnings.

The debate thus reflected a most dangerous atmosphere of complacency. Without accepting the charge that current British policy can be likened to that pursued by Neville Chamberlain at Munich, or belittling the importance and the skill of Mr Eden's single-handed efforts at Geneva, it is reasonable, indeed essential, to reserve judgment on the question whether the conference will yet succeed in salvaging anything of lasting value from the wreck of French hopes in Indo-China. The Foreign Secretary himself has made it clear that he still harbours grave doubts; but with both the nation and its parliamentary representatives in a midsummer mood of mingled optimism and indifference, there is a harsh and urgent need for further recalls to reality—preferably from the highest level.

Still Waters at Geneva

THE captains and kings have now departed from Geneva, for the time being at all events. What do their lieutenants and viceroys remain to face? Three parallel sets of military discussions are now in train, for Vietnam, Laos and Cambodia. The first goal set for the Vietnam talks is the separation of the opposing forces into clearly defined zones; for the talks on Laos and Cambodia, it is the withdrawal of all foreign forces from these two states. The framework of the talks is thus a reasonable one; but as Mr Eden reminded the optimists in the House of Commons on Wednesday, what has been achieved so far is not an agreement but only an opportunity for the military commands to talk to each other and to seek an agreement. In these circumstances, the Foreign Secretary was fully justified in giving his warning that any intensification of the fighting while these delicate talks are going on would jeopardise all hope of a settlement. But will this warning be heeded by the Viet Minh, who have not in past weeks found any difficulty in reconciling talk of peace at Geneva with offensives in Tonking?

Meanwhile the negotiations on Korea, which were the original purpose of the meeting at Geneva, have reached their end with scarcely a whimper, let alone a bang. Nobody is surprised and very few can be disappointed. The Communist delegations had successively introduced a number of well worded formulae for a Korean settlement, but had never come near to acceptance either of the United Nations' authority in the matter or of adequate arrangements for free elections. Mr Eden has explained with admirable clarity that the allied offer to continue negotiations remains open on the understanding that there can be no compromise on these two principles. It is much to be regretted that Mr Attlee's main contribution to the debate on the subject was to declare that the real obstacle to a Korean settlement was the exclusion of China from the United Nations—a remarkable over-simplification, after his own admission that Korea had shown the world's resolve to stop aggression. Does Mr Attlee really believe that Mao Tse-tung's government, once seated in Uno, would open up North Korea to international supervision?

Sir Thomas Dugdale's Hair Shirt

THE Crichel Down report has stirred the Tory party to its primeval depths. Its pages crystallise years of Tory propaganda against bureaucracy, and the party finds it a bitter irony that so crushing an indictment of officialdom should be hung round the neck of one of its own ministers. But for this, Crichel Down would be assured of a high place in Tory mythology, perhaps even ranking with Ground Nuts. Constitutionally, however, the blame for the petty follies of Crichel Down can be laid only on the Minister Sir Thomas Dugdale, and it is to his credit that he has accepted the position with almost masochistic fervour, not only publicly in the House of Commons, but even when

brought to bay privately by the Tory Food and Agriculture Committee, to whom the hunting of Sir Thomas is becoming almost a quarterly rite.

The application of the rule of ministerial responsibility, though harsh, usually contains an element of justice. In the Crichel Down case the Tory backbenchers feel that Sir Thomas should have made his policy clearer to his officials and should have held a tighter rein on his department generally. But their basic charge against him is political rather than administrative; they feel that while no minister can be familiar with more than a small part of the detailed work of his department, a shrewder politician—a Morrison, say, or a Macmillan—would have smelt political trouble as soon as the first complaints dropped into his tray and the first questions were asked in the Commons.

The Tory MPs do not necessarily want Sir Thomas to resign, but they are remarkably united in demanding somebody's head; and Sir Thomas, to their embarrassment, insists that it must be his. By earlier political standards Sir Thomas would have been expected to resign already, but this practice is now right out of fashion and the Tories are not sure that they want to revive it. The farmers have been grumbling about Sir Thomas for some time, but the party as a whole seems to feel that his resignation at this moment might do more harm than good. The demand for civil service scalps will still be pressed; the party is only partly appeased by the setting up of an independent inquiry into the administration of the Ministry of Agriculture. Here again Sir Thomas has not been very astute politically. His decision to set up an inquiry was rather bold, and meant treading on some civil service corns. A cleverer politician would have played it up for all it was worth and would probably have thereby satisfied the Tory backbenchers of his anti-bureaucratic ardour. The guileless Sir Thomas seems, if anything, to have underplayed its value, so he can hardly complain if his party does the same.

Mr Attlee's Dark Horse

MR ATTLEE'S courage over German rearmament is being ill-rewarded by events. The Labour party's National Executive recently decided to launch a campaign to win support for the official party line of rearming the Germans through the European Defence Community; an explanatory pamphlet was to be issued and Mr Attlee and other prominent advocates of the policy were to address special regional meetings. The first move—the publication last weekend of the pamphlet—coincided with a fading of hopes of the ratification of EDC in France. The pamphlet, "In Defence of Europe," is ably and persuasively written, but from the day of publication much of it seems doomed to be academic.

It contains, however, at least one sentence of significance for the future—"If the (EDC) Treaty is not ratified, an alternative method of providing a West German defence contribution will have to be sought." Recent Labour declarations had laid so much emphasis on EDC that Mr Attlee had been suspected of trying to get out of his party difficulties in unscrupulous fashion. With so much opposition to German rearmament in his party, he was suspected of seeking to avoid backing a loser by putting his shirt on a non-starter. But nothing could be more explicit than the sentence in the pamphlet; he is committed to finding some horse to back, although with the reservation that if a German jockey is put up the horse must carry plenty of weight.

In so far as it explains the general need for rearming the Germans, "In Defence of Europe" has still a vital part to play in the argument within the Labour party. Unless in the meantime M. Mendès-France finds a palatable alternative to EDC, Mr Attlee now faces the prospect of having to ask the annual Labour party conference in October to give him a blank cheque to support German rearmament as a general principle. The party is likely to be even more reluctant to accept this than the specific plan for EDC. Seeing events moving slightly in its direction, the party Left wing has been the more annoyed about the BBC's programme on German rearmament. Mr Bevan claims that this was an intervention in Labour's private controversy, but the next few months may prove his attitude too parochial. If EDC becomes a dead letter the controversy over German rearmament is likely to spread far beyond, as well as across, party boundaries.

TV Bill Through the Commons

SPURRED by the guillotine, the Government's Television Bill received its third reading in the Commons on Tuesday by a majority of 26 and is now on its way to the Lords. Ministers must be very relieved to see it go, especially Mr Gammans and Sir David Maxwell Fyfe, who were in charge of it, for its passage has been arduous and difficult. The Bill is a product more of politics than of logic; it is the sort of measure, of which every government has a few, that is very easy to attack and much more difficult to defend. Ministers have been under very heavy fire, with relatively little support from behind. Moreover, they could not stick to their prepared positions; the Bill has been considerably altered in its passage through the House, and though some of the alterations were concessions to the critics, others involved a forward movement in the teeth of their hottest fire. Ministers are obviously getting frightened lest, with such an elaboration of safeguards against the wickedness of the advertiser, he should in the end refuse to provide enough revenue to keep the alternative programme going. Accordingly, some limit has to be set on the arbitrary powers of the Independent Television Authority.

Some of these last-minute amendments led the Opposition to accuse the Government of bringing sponsoring in by the back door; Sir David Maxwell Fyfe indignantly denied that the evil creature was being allowed even to put a paw over the lintel. This is a fair sample of the artificial sloganised atmosphere in which the subject has been debated. If the advertiser is going to provide the major part of the revenue, his wishes will inevitably have some influence on the programmes, even if it be an indirect one. The only way to avoid that would be to give the ITA a revenue from licence fees larger than its revenue from advertising. But why try to exclude all tincture of commercialism? As one member pointed out, it keeps creeping into the BBC itself. The essential thing is that it should

not be dominant, and that is quite compatible with a certain amount of advertising revenue. Imposed total abstinence is as ridiculous a policy in this field as in others.

It will be interesting to see what happens to the Bill now. Their Lordships will certainly bark, and some of them will want to bite. Some of them will be attracted by the argument that it will be a good thing for the Lords to show they can oppose a Conservative government as well as Labour—especially since the Government will have the last say when the Bill returns to the Commons. But most of them will have a vision of the struggle that poor Sir David Maxwell Fyfe would then have to put up against two fronts—and two fronts of outraged morality at that. They will want to spare him such a dreadful embarrassment.

Four Thursdays to Go

FRANCE'S best political commentators have hailed the parliamentary success of M. Mendès-France as something of a "miracle." It is not easy either to explain why a miracle happened or to speculate on how long it is likely to last. It had been generally expected that M. Mendès-France would be unable to muster a sufficient number of non-Communist votes to form a government, thus proving that without the Communists there is no alternative in the present assembly to a centre-right coalition. But the incalculable French deputies managed this time to baffle the students of form. The clouds that had gathered in Geneva and threatened doom to the Laniel cabinet suddenly lifted. By a stroke of parliamentary genius M. Mendès-France asked for just a month to take advantage of this brighter weather. With the country sick of the Indo-Chinese war, could the assembly refuse "four Thursdays" to a man promising to achieve a solution or resign?

Yet this is only half the explanation. More than this was needed to win 320 non-Communist votes for M. Mendès-France. On paper his objectives in Indo-China do not differ from those of M. Bidault: to do everything to negotiate a settlement, while building up military forces for every eventuality. Indeed, the new minister of defence, General Koenig, had been busy in recent weeks with various schemes to reinforce the French expeditionary force. By giving M. Mendès-France the votes it had refused to MM. Laniel and Bidault, the Assembly thus implicitly confirmed the charge that M. Bidault's efforts for a compromise had been half-hearted. But this gesture of non-confidence applied to the past even more than the present: to the eight years of almost uninterrupted MRP rule at the Quai d'Orsay. There is a strong feeling in the country that French policy during that period had missed its chances, lost its independence, and become an ineffective echo of Washington. This anti-American wave, paradoxically strengthened by French reverses in Indo-China, has now reached the Palais Bourbon, where the new prime minister has the reputation of being very pro-British but less attentive to Washington than his predecessors. Above all, he appears as a new and bold man who had the courage to stand outside the tragic governmental "merry-go-round" of recent years. The Assembly expects from him a fresh start, a clean slate; in a mood of hope mixed with despair it has decided to back an outsider.

Leftist on the Right

How long can such a mood prevail over party interests and parliamentary calculations? Indo-China will obviously be the new leader's first task; but he has also promised to face in the near future the problem of the European Defence Community and to clarify his economic policy. On the first matter he announced his intention of seeking no more than a compromise acceptable to a large majority; even this clever move may cost him a few precious votes of whole-hearted partisans of EDC. Yet it is in the economic field that M. Mendès-France is most likely to meet the fate of his predecessors.

His victory did not prove that a centre-left grouping is possible in the present assembly; it has merely shown that in time of crisis the parties are capable of patching up yet another strange coalition. The man who was symbol of a leftist revival now heads a team based on the right and centre. He has spurned Communist votes and has no Socialists in his cabinet, though he is greatly dependent on their backing in the chamber. Should his economic policy attack vested interests, it will lose him right-wing votes; should it be austerity with no compensations for the workers, it will drive the Socialists into opposition; and discounting the Communist vote M. Mendès-France has scarcely more room for manœuvre than M. Laniel had. Years of preaching in the desert have enhanced his stature, but he may well soon lose his path in the shifting sands of governmental politics. It is difficult to prophesy how far he will be carried by the present mood of despairing enthusiasm, but on balance it would seem that the rule of M. Mendès-France will be judged as an interval—an important and significant interval—rather than a turning point in the history of the Fourth Republic.

"At the Highest Level"

MR ATTLEE remains inquisitive and the Prime Minister remains rather elusive about the idea that there should be a great power meeting at the highest level. No one knows, except Sir Winston himself, whether President Eisenhower will be asked once again to consider it, even at the risk of his refusing. But there is one aspect of the matter that is seldom considered. Assuming that the American President and the British Prime Minister could be brought together in Moscow, or with someone from Moscow, who would the Soviet representative be?

Malenkov is Prime Minister of the Soviet Union and should, therefore, be the man. On the other hand, the Kremlin has been at some pains to avoid giving the impression that Malenkov now wears the mantle of Stalin. In the first months of the new regime, it is true, he was presented as *primus inter pares* (in accordance with the principle of "collective leadership"); but since the fall of Beria the star of Khrushchev, the new first secretary of the Party, has been rising. His sixtieth birthday was celebrated with exceptional pomp and he received more medals than even Malenkov received for his fiftieth birthday. He has been conspicuous not only as leader of the vital campaign for bigger and better agriculture but also as special emissary to Communist parties in Eastern Europe, where he attended first the Polish and then the Czech congresses. He is, however, a party boss, not a minister, and his supporters could hardly assert his right to meet the American head of state.

There is clearly rivalry and doubt in the Kremlin about the succession to Stalin, about whether there is to be one boss or, so to speak, a boss-ship. If Sir Winston proposed a meeting with the Soviet head of state he might, therefore, cause quite a lot of embarrassment. The Soviet leaders would doubtless be able to decide who should represent them in such talks if they believed them worth while. But Moscow must be highly satisfied with the recent turn of events, and the handling of policy by Mr Molotov. From its point of view his tactics, particularly at Geneva have been wholly successful in straining, and almost breaking, western unity. Could they expect even better results from talks at the highest level? Surely not unless Sir Winston went to Moscow alone—which is, presumably, out of the question.

Steamhammers and Nuts

WHEN the Labour government used to rush its legislation through Parliament, with the aid of guillotine and kangaroo, accusations charging tyrannical behaviour flowed freely from the Conservative benches. During the last three years the position has been neatly reversed. A Conservative government normally has less use for rapid legislation; but, in the difficult circumstances surrounding the denationalisation measures, it has not hesitated to stoop to the same devices. The allegations of tyranny have been met with counter-allegations of obstructionism, and seasoned parliamentarians have joined in spirited debate on the relative blackness of pot and kettle.

Up to a point this has been good parliamentary fun, and most people can see the need for arming governments with these powers. But they can be used too often, and an example was provided last week in the relative obscurity of the Scottish Standing Committee. The debate on the Town and Country Planning Bill had to be completed within a time limit that clearly prohibited discussion of the 66 clauses and 92 amendments outstanding. The latter included 26 new amendments, together with one new clause, which the Secretary of State had himself just introduced. The only way of debating the Bill properly was for the Opposition to sacrifice time already earmarked for discussion of the Estimates. Sooner than do this the Labour members walked out of the committee in disgust, leaving the Bill a free passage.

No doubt the pride of Scottish members is easily punctured by any suspicion of cavalier treatment. Doubtless too it would be amazing for the Government to have either to forgo its own last-minute amendments or else to put the Bill back into cold storage until next session. But the Bill was no major measure to be forced through against obstructionist tactics; it was a relatively minor and uncontroversial measure which the Government itself wished to change. As the dangers from delegated legislation grow, the greater is the need for adequate and fair debates on the original statutes. The Conservatives should be the first to recognise this principle; certainly they have the most to lose from its neglect.

Moves Over Boundaries

IF the Boundary Commissions' recommendations for reshaping the present electoral jig-saw ever reach the statute book, it will not be the Labour party's fault. The publication of the English commission's final proposals—for London and Lancashire—has released a flood of grievances, both general and particular, directed against the sweeping interpretation that the commissioners seem to have put upon their instructions. On balance, these latest proposals will eliminate three seats, one each in London, Manchester and Blackburn; as a result, the number of extra seats in England that will result from the proposals as a whole will be reduced from eight to five. Proposals from the other commissions—notably from Wales—have still to come in, and some more local inquiries have still to be held. It seems probable that the Opposition will then try to get the Home Secretary to refer the recommendations back to the commissions before they reach the form of draft orders in council.

The Labour party does not assert in public that the proposals may hurt them electorally and initial fears on this score may prove to have been exaggerated. But it maintains that the commissioners have laid too much emphasis on the requirement that each constituency should contain as nearly as may be the same number of people, and too little on the equally explicit instruction that local boundaries should be respected as far as possible. The commissioners have certainly been less scrupulous than formerly in avoiding violations of local government units, and some ridiculous anomalies have been created, such as, for example, the moving of Wandsworth Town Hall right out of any of the five Wandsworth constituencies into Battersea South.

Even so, it seems that the commissioners have not been very successful at producing greater electoral equality. Although drastic changes have been made with this presumed object, no fewer than five new constituencies have been created with well under 50,000 electors, when the electoral quota stands at over 57,000. This gives the impression that the commissioners are merely making changes for changes' sake. But the Conservatives can hardly be expected to drop the proposals just because the Labour party does not like the way they are working out in practice.

Communists in the ILO

THE presence of the Soviet Union for the first time at a conference of the International Labour Organisation has provoked some heated and bitter debates at Geneva. The credentials of both employers' and workers' delegates from Communist states were challenged with the argument that they were not truly representative of either employers or workers but were, in fact, additional government delegates. The matter was referred to the credentials committee,

which last weekend eventually endorsed, by a majority decision, all the disputed credentials ; its decision was later upheld at a plenary session of the conference, but the voting showed that the delegates were deeply divided.

The challenge to Communist workers' delegates would seem to be on much firmer ground than the challenge to Communist employers' representatives ; for it is generally agreed, although it may be difficult to prove, that Communist trade unions are not free and democratic associations, whereas nationalised industries are not purely Communist phenomena and the complicated problems of representation that they pose cannot be solved by simply refusing to accept delegates from those who manage them. But speeches at the conference made it abundantly clear that the crux of the matter was not the correct interpretation of the ILO constitution (after all, some Communist countries have belonged to the organisation for years) but the fear that Russia has only joined the ILO in order to throw a great many spanners into its works.

Admittedly the chances are that the Russians, who in the past have heaped a great deal of abuse on the ILO, have at last entered the fold for no good purpose. Admittedly, too, all the Communist delegates will in effect act as their government's agents. But it is surely rather hysterical to suggest that these delegates, who are outnumbered by at least seven to one, can seriously disrupt and sabotage the work of the ILO. To turn any of them out at this stage would be to hand the Russians a splendid propaganda weapon ; it would also deprive them—even if they are unlikely to profit by it—of an opportunity of seeing how labour relations are handled in the free world. But if Soviet Russia and the other Communist countries consistently fail to carry out their duties and fulfil their obligations as members of the ILO, then is the time to think about expelling them. In this case, as Sir Walter Monckton said, "the proof of the pudding is in the eating."

Turkey's Debts

IT is time that something was done about Turkey's commercial debts. For many months imports into Turkey from a number of its partners in the Organisation for European Economic Co-operation (OEEC) have been cluttering up the bond-stores at the ports, not because the importers have not paid—mostly the bills have been scrupulously met in Turkish liras—but because the National Bank has been unable to find the foreign currency to effect transfer to the creditors. Britain and West Germany are the principal creditors ; roughly £10 million is owed to British firms and about £20-£30 million to the Germans.

Recently the Turks, after entertaining Dr Adenauer, sent on his invitation a team of financial experts to Bonn to talk about debts and the future of German-Turkish trade. By the end of May the discussions were over and, although no official details were released, some kind of agreement was fixed up. According to the German press, arrangements were made to clear the arrears by the end of August—a formidable task—by expanding German imports of Turkish grain, chrome, cotton and copper. Earlier attempts to work off the arrears in this way had failed, the obstacle being Turkey's inability to produce the required amounts of grain, at reasonable prices and in satisfactory qualities. The figure of 400,000 tons of grain mentioned in the reports seems over ambitious, and it must be doubted also whether the Turks have storage and port facilities, not to speak of the shipping, to meet this heavy commitment.

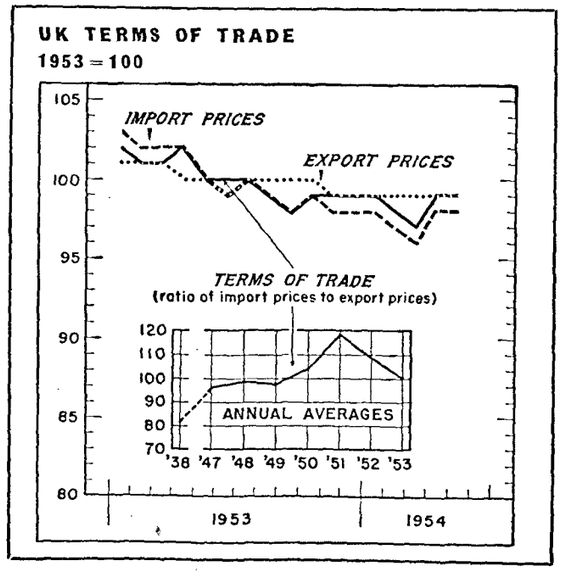
British creditors will find little to please them in the outcome of the Bonn negotiations, for it is unlikely that a similar plan to increase Turkish exports into Britain would succeed. Indeed, in the present glutted world wheat markets it is hard to see how the German market will absorb the Turkish wheat, unless the government is prepared to accept a loss on it. But what irks the British creditors most is the apparent desire of the Turkish government to play fast and loose with its various creditors. It has a clear obligation to treat them, as far as possible, alike. The principle should be oldest debts first, no matter what the nationality of the creditor. And the proper place for negotiating a settlement is in the OEEC.

Vicious Circle in Prague

DELEGATES to the tenth congress of the Czechoslovak Communist party may have felt flattered and impressed by the presence amongst them of no less a person than Comrade Khrushchev from Moscow ; but it can hardly have been an inspiring occasion. Economic matters dominated the proceedings ; and the speeches of the party leaders were largely résumés—and not even brief and concise ones—of all the directives, complaints and cajoleries that have been showering on Czech workers and farmers for months past.

A great deal was said about increasing the output of the farms, especially of meat. Czechoslovak farmers, who are now, according to the Premier, Mr Siroky, producing roughly the same as before the war, are to have their own special two to three-year plan ; by 1957 they are to increase the average yield of wheat by at least 12 per cent and fodder beet by 30 per cent, and they are to increase meat production by 26 per cent. Lack of manpower is clearly felt to be a major obstacle. Country people have duly gone to swell the industrial labour force, but their loss on the farms has not been made good, as it should have been, by increased mechanisation. By 1957, 320,000 people are to be drawn back into agriculture. Farming is to be made into a desirable career and what Mr Siroky calls "suitable social conditions and the preconditions of a rich cultural life" are to be created in the countryside. But it is doubtful if the Communists will succeed in selling the attractions of a country life so long as they nail their colours so firmly to the mast of ultimate collectivisation. There is, it is true, to be no compulsion ; but the emphasis on a new deal for the private farmer that marked the "new course" policy introduced last autumn is now largely swamped by solicitude for the collective farms.

For the industrial worker, however, the "new course" still seems to promise some benefits. The Communist leaders are worried about inadequate supplies of coal, electric power, and other essential raw supplies for industry ; about severe shortcomings in the transport system ; about the "recurring failure and bad quality" of the engineering industry's output. But even more they seem to be worried about the inadequate supplies and poor quality of consumer goods. Last April there was another series of price cuts, but they clearly realise that it is worse than useless to cut the prices of goods that are not there to be bought. Czech industry is falling down heavily on its export orders, especially to the Soviet Union, and the Communists seem to feel that frequent doses of something nice are needed to overcome the absenteeism, apathy and general passive resistance of the Czech workers. Unfortunately, however, the provision of the remedy itself requires the active collaboration of these same workers ; the Czech Communists are caught in a vicious circle.



Too Many Parks?

THE National Parks Commission is an energetic body. It has created six national parks to date, and recently public inquiries have been held into its designation of two other areas (the Yorkshire dales and Exmoor). At the Exmoor inquiry this week, Somerset and Devon County Councils opposed the proposal on the ground that no case had been made out to justify the administrative cost. There was no shortage of tourist facilities in the area, and there was no immediate threat to its natural beauties. Then why bother to create a joint board and to appoint special staff ?

The commission took the view that its sole job was to decide whether a tract of country was "of national park quality." There was no need to demonstrate specific need or benefit. This view of its rôle is grossly inconsequential. Half the area of Britain has enough in the way of natural beauty to justify its being turned into national parks on this basis. In any case it is not enough to choose areas of outstanding scenery which warrant careful protection. Fully adequate powers are available under the Planning Acts to protect all such areas—if there is sufficient desire by the local authorities and forebearance by central departments to do so. But if these conditions are lacking the elevation to parkhood will not (as the vicissitudes of Dartmoor demonstrate) prevent an area from being spoiled.

Something more is needed to justify the expense of creating the special machinery of a national park. The Peak district is an example of a well chosen park. Not only has it great beauty, but it is also much visited from the surrounding towns. It is the scene of strong conflicts over land use between the claims of recreation, agriculture, mineral development and so on. Several counties are involved whose energies are mainly absorbed in dealing with the urban and industrial parks of their areas. None of these circumstances applies to Exmoor. The Yorkshire dales are a slightly better case, since the proposed park is close to urban areas and is controlled by one of the largest and busiest county councils. Before yielding to the commission's desire to show an impressive list, Mr Macmillan should consider whether there may not be almost enough parks already. If so, the few to be added need careful choosing.

The Customs of the Customs

SOME holiday makers on a day excursion from Folkestone to Boulogne had an unpleasant shock last week when they returned to England. They had heard an announcement on board that they were allowed to take half a bottle of brandy or other spirits and 200 cigarettes into the country duty free, and most of them acted accordingly. When they got to Folkestone they were told they must pay the duty, and that the concession did not apply to people on day trips.

The workings of the British customs at least appear less capricious than they used to. In law everything purchased abroad is dutiable—except one or two items like books—and everything must be declared. In practice concessions are made, and about three years ago HM Customs and Excise made public the items that the traveller can be sure of bringing in duty free. These are: up to half a pound of tobacco or its equivalent in cigars and cigarettes ; half a bottle of spirits ; a bottle of wine ; and half a pint of scent and toilet water, of which not more than half can be scent. The idea behind this concession is that duty should not be charged on things that the traveller might normally be expected to carry about ; it is not intended to enable him to "stock up." The concession is not likely to be extended to day trippers because there is already some concern at the amount of revenue "lost" since a million returning travellers a year have known just what they could get away with.

Not that the gambling element of going through the customs is ended. Officials are usually generous about small purchases ; but it is a matter for their discretion, and experience shows that young customs officials are more zealous than older ones and that it is imprudent for the traveller to have a swarthy and sophisticated appearance. There is a case for eliminating inequities by the introduction of a system like that of the United States, where the returning traveller is allowed to bring in goods worth up to $500 in any one year. The amount need not be large, but it would be humane to give official recognition to every tourist's desire to bring back small presents and souvenirs.

German Money Worries

THE controversies over German rearmament are finding curiously little echo in Federal Germany itself. There the main topic among business and industrial circles is the capital market, and whether it will soon be possible to borrow at rates that will compare less unfavourably than at present with their British and other competitors. Germany's new taxation laws are still not in force, owing to disputes between Dr Schäffer, the Federal finance minister, and the *Länder*. Until they operate, the capital market will not permit German concerns to achieve their aim of making long-term bond issues at five per cent. At present, the difficulties met by industrial borrowers are not due to the public's shortage of money. They are caused by the government, which some years ago unwisely removed or reduced taxes on state bond issues, and on mortgage bonds for "social housing" and shipbuilding. The result was that funds flowed into these investments, and the public authorities raised more money than they needed; and to compete with these privileged borrowers, industrial companies have to offer a yield of eight or nine per cent for short-term bond issues. Furthermore, until Dr Schäffer's tax cuts are in force, dividends, though they are steadily rising, cannot reach the level that would attract buyers of new shares. The action of the *Bank deutscher Länder* in cutting bank rate to 3 per cent has simply made the yawning gap between short-term and long-term money wider than ever without helping the market.

Herr Abs, head of the Suddeutsche Bank, has recently given an example of the absurd kind of transactions that are now being carried out owing to this distorted situation. A bank, he declared, bought bonds carrying reduced income tax. The institution whose bonds were bought left the proceeds of the sale with the bank that bought them. With these funds the bank then gave an "investment credit" to an industrial concern, which used the credit to invest, not in plant, but in tax-free state bonds, which were deposited with the bank as security for the credit. This mad hatter's method of financing and investment will go on until Dr Schäffer's taxation bill is in operation, and that cannot be until next year. If, in the meantime, German industrialists and the public realise that it may be threatened by the need to meet increased defence costs, their readiness to rearm will be severely damped.

Pakistan Looks Both Ways

THE arrival in Turkey earlier this month of Mr Mohammed Ali, the prime minister of Pakistan, is a big occasion for both countries. For the Turks it is living proof that the policy of giving a new form of leadership to the Middle East is beginning to bear fruit. They have, it is true, prided themselves on being a European power; but the Turkish-Pakistani alliance is being developed as a hard-headed piece of realism. It will serve the twin ends of making Turkey the link between Nato and any future defence system to be created in the Middle East, and a valuable, if not an essential, basis for that system.

For Pakistan the alliance has three significant aspects. Like the Turks, the Pakistani leaders in Karachi have long been worried about the vacuum in the Middle East, but there has been a clear division of opinion about the way to fill it. Until lately the main trend of Pakistan's thinking has been towards an Islamic bloc, in which it might play a leading, perhaps the leading, role; yet the Turks are now said to insist that the new pact, whatever else it does, must have no formal Islamic character.

The other aspect of the treaty is often overlooked. This is the fact that it can have little appeal to East Pakistan, which lives in the political atmosphere not of the Middle East but of South East Asia. Apart from the new military aid agreement with the United States, this treaty with Turkey is as decisive a step as Pakistan has ever taken in international affairs. That it should attempt to turn the country westwards, when the East Bengali is already at loggerheads with Karachi, may yet make it a factor in helping to split Pakistan. Karachi's effective influence in the Middle East cannot be rated very high until the existing divisions between East and West Pakistan have been bridged.

England's Competitors

What is true of other countries is true of our own. As there is scarcely an article provided by one of them, but some of it, or some substitute for it, can be provided by some other, so there is hardly any article supplied by England but may now be supplied, though not in equal quantities nor at as low prices, by some other countries. Machinery, as well as cloth, is now made in the United States, in Belgium, and in France. It is our duty to look ahead, and look at all possible contingencies; it is especially the duty of statesmen to look at these facts, and remove all obstacles to our success in the universal competition, from which no art can now save individuals or communities; and as we can, in emergencies, draw supplies from other countries—dispensing certainly for a time, perhaps for ever, with the products of Russia for example—we may suppose it possible, at least, that other countries may dispense with our products if we make them difficult of acquisition. Our trade has rapidly and continuously extended, because we have been able to supply the commodities we have sold at continually falling prices. Our increasing skill and knowledge has made us more and more serviceable to other nations. We must take care not to lose by an erroneous policy or negligence this important advantage. To secure it, we must not only know what is going on abroad, what other people are doing, what they are learning, and what they are making,—we must also adapt ourselves to their wants and our markets to their means, that we may successfully extend the trade which is the chief part of our greatness. Some persons in the United States expect to profit at our expense, in consequence of the war—not very wisely, for whatever injures us will injure them. They can, we believe, derive no benefit from it though we, in prosecuting it, may hamper our own industry and exclude ourselves from making advantageous exchanges. Happily the doctrines of free trade are now so firmly established, that even to prosecute war they will not be departed from; and experience has demonstrated that it is only by extending the application of them that the means of great national expenditure can be obtained without causing national injury.

The Economist

June 24, 1854

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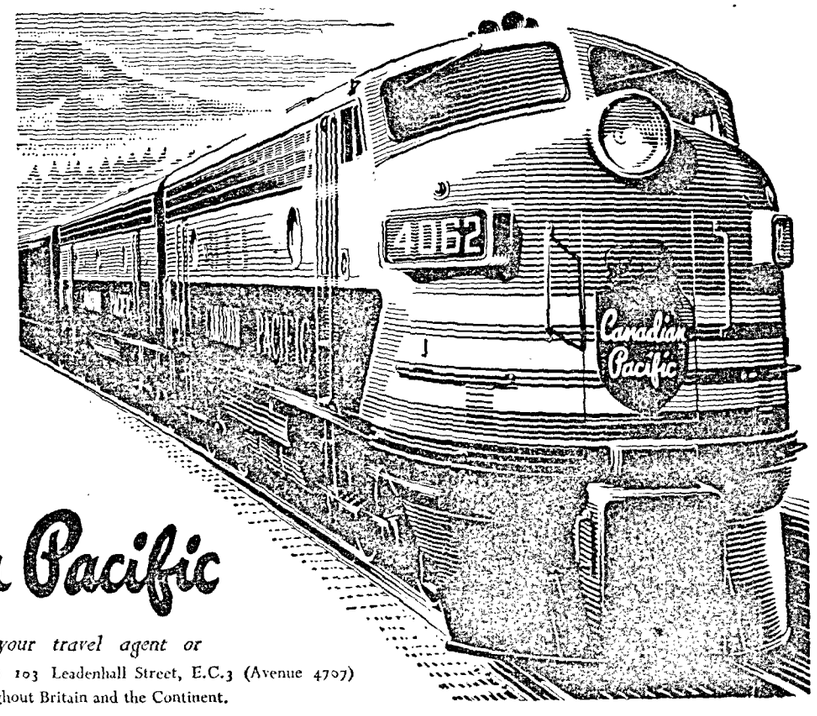

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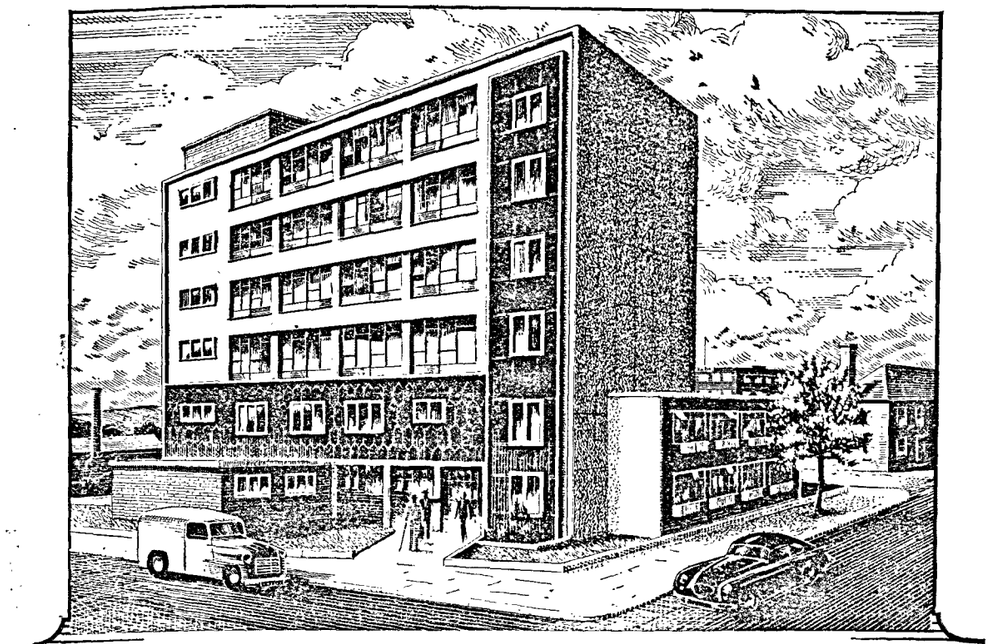

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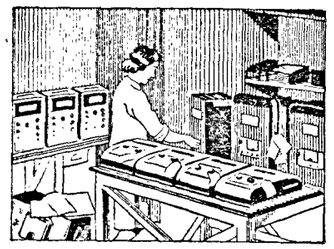

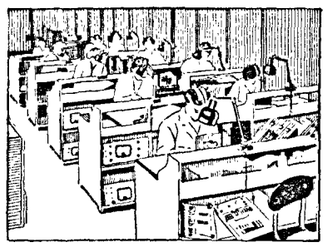

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Letters to the Editor

Iran Must Decide . . .

SIR—It is sad to see that a journal of *The Economist's* calibre has produced a modern Hajji Baba's aphorisms as evidence on "Iranian national predilection for doing nothing and letting matters take their course."

Curiously enough, in recent years very little of substance and insight has been written in England on the Iranian spirit and character. Politics, finance, transport, mineral resources and even flora and fauna have all received their full and profound share of English research, but, alas, not the eighteen million people who inhabit the Iranian plateau ! Since Professor Edward Browne's monumental "Literary History of Persia" and "A Year Amongst the Persians," published before the First World War, little of distinction can be traced in English letters which provides a key to the predilection and trend of thought of the people of Iran.

At this critical stage in oil negotiations when the people and Government of Iran have come a long way towards a practical solution of the oil problem and consolidating their friendship with the British people and Government, it ill becomes responsible sections of the British press to treat Iran in a casual and cavalier manner. There is a striking opportunity for Britain to show the Iranian people that she has no intention of thwarting her social awakening and is, in fact, prepared to help the national and social aspirations of the mass of the people as she did in 1906 when Iranians fought for and gained their Constitution.

To suggest that "the Iranians want to leave all decisions including technical ones to the whims of an Iranian governmental body," and that the solution of the oil problem is now "up to Teheran," is posing an entirely false dilemma. Any arrangement on an equitable and just basis consonant with the full sovereign rights and *amour-propre* of Iran would be welcome to the Iranian people and Government. The Oil Consortium would contribute effectively to solution of the oil problem if they set their sights on a long-term policy of public approbation and support in Iran, rather than solely on short-term commercial requirements. To achieve economic stability, it is essential that production of Iranian oil should be commensurate with Iran's position in the Middle East, as well as her pre-eminent production potential. It would be well to remember that a solution of the Iranian oil problem would not only settle the issue of the day, but of tomorrow, too, and would consolidate the political equilibrium of Iran and the Middle East.—Yours faithfully,

A. H. HAMZAVI,
Iranian Embassy Press Counsellor

What is the Public Interest?

SIR—Your editorial registers surprise at the surprise of the public at the Crichel Down report. We have certainly been warned—not least by you, Sir—long enough. Many for more than a generation have said this kind of thing not only could, but would have to, happen here; that it could not help happening. Yet press and public seem indignantly surprised, as though there were no moral writ plain for all to read, from Cicero on "offices" to Mr James Burnham or the newest Fabian pamphlets, from the old serfdoms to the new, from Gogol's *Dead Souls* to the present Russian praesidium's admissions of bureaucratic anti-social arrogance and *esprit de corps*.

But if (as you say) "the new despotism" is a reality, who made it one, and why? Is it fair to blame functionaries for effects which too great and too detailed power over citizens on the part of the state must always cause? Is it fair to blame a Minister? These effects necessarily stem from policies and methods deliberately pursued by our political parties, their leaders and (be it remembered) their followers. The overwhelming majority of our people wanted it this way, and they have got it. If, now they have it, they dislike what the worst tyranny of all—that of the majority—brings, they can think again or lump it.

Happily there is evidence that, on left and right, they are thinking again. Realisation has spread that our familiar rules of ministerial responsibility, functionaries' immunities and executive anonymity arose when the citizen's freedoms were at their widest and were protected by an overriding "rule of law." That rule no longer protects, no longer overrides, and the citizen's freedoms are fewer and thinner. Fabians, other Socialists, Tories and Liberals now publish their misgivings about this "new despotism"—whether it be manifested in such bodies as the Coal Board or BBC, a trade union, a trade association, or an agency of the state itself. People begin to realise that even the biggest oligopoly or quasi-monopoly in private enterprise must face *some* competition or risk starting it up; that such powers in private hands are far less abusable and abused, far less threatening to employees or customers, than are these newer monopolies in public affairs. Monopoly makes despotisms; *despotism* depends on bureaucracy; so bureaucracy becomes despotic.

A whiff of competition anywhere along the line works wonders. The Crichel Down case would not have occurred—or, if it had started, it would have earlier come to light and been scotched—had there been any independent and offsetting power, public or private, to which the citizen could go. In the case of too many of our omnipresent monopolies, the employee, customer, or citizen can go nowhere—either for satisfaction or alternative employment. In the past generation you, Sir, have regularly and cogently put the case for such "built-in competition" in both public and private enterprise. Now people seem readier to learn.—Yours faithfully,

London, W.1 GRAHAM HUTTON

First Editor

SIR—The recent advertisement of a new edition of your centennial volume "*The Economist*: 1843-1943" prompts me to write of an item in regard to James Wilson that I think has never appeared in print. In September, 1953, when I was a member of the American Lend-Lease Mission to India, I visited the grave of James Wilson in the Lower Circular Road Cemetery in Calcutta. That he is buried there is known to those who have read his sketch in the Dictionary of National Biography, but I have never seen any reference to the barely legible epitaph on the gravestone. This is such a concise statement of the life and public services of James Wilson that I think its text would interest you and your readers.

SACRED TO THE MEMORY OF THE
RIGHT HONOURABLE JAMES WILSON:
Who was expressly sent from England
to restore order in the finances of
India at a period of disastrous
confusion.
He proposed several important measures
for that purpose,
But died from the combined effects of
climate, anxiety and labour
Within eight months after his arrival
in India.
Mr Wilson was one of the soundest
political economists,
Safest financier and best administrator
in his generation.
He contributed to the adoption of a
Free Trade Policy in England by a
long series of elaborate meetings,
As well as by protracted exertions in
Parliament and in office.
He was Secretary of the Treasury
during two administrations,
Besides spending many laborious years
in other departments of State,
And his aid was often sought by his
political contemporaries
When economical difficulties required
investigation,
Or grave financial work required to be
done.
Mr Wilson was born at Hawick in the
County of Roxburghshire NB on the
3rd day of June, 1805,
And died at Calcutta on the 11th day
of August, 1960, aged 55.

—Yours faithfully,

FRANK W. FETTER
North Western University,
Evanston, Illinois

Books & Publications

The Art of Diplomacy

THE EVOLUTION OF DIPLOMATIC METHOD.
By Harold Nicolson.
Constable. 93 pages. 10s. 6d.

THE historian, the *causeur* and the professional diplomat all show to brilliant advantage in Sir Harold Nicolson's Chichele Lectures. As he sketches the ups and downs in the growth of diplomatic method—it has been by no means a sustained progress towards perfection—the shafts of wit and irony fly in all directions. These guided missiles of criticism may shatter some illusions in Washington, in Delhi, perhaps even in London. Sometimes it is a quotation, sometimes a faintly sketched analogy between old and modern times, sometimes a downright judgment based on personal experience. It must have been a treat to hear these lectures, with the raised eyebrow or the inflexion of the voice stimulating the audience into perception of deeper meanings.

It is good to know, for example, that Odysseus used on the platform one or two of the favourite tricks of the late Ernest Bevin; that diplomatic immunity is observed among the Australian aborigines; that ambassadors arriving in Constantinople in Byzantine days would witness a parade in which the same troops would appear again and again wearing different kinds of armour; that professional diplomatists have always distrusted diplomacy by conference. It is also a revelation to learn how much permanent wisdom is to be found in the treatise on diplomacy written in 1716 by De Callières. Perhaps a copy of his *De La Manière de négocier avec les Souverains* might be sent to Mr Dulles, with footnotes by Mr Dean Acheson.

The Greeks, says Sir Harold, were bad diplomats because they were too clever to create confidence. So they never discovered how to make the diplomatic method of a democracy as efficient as that of an autocracy. The Romans failed by being too masterful; they also made the mistake of employing professional politicians as diplomats.

Then the art of professional negotiation came into Europe from the Byzantine Empire, via Venice and Italy. There it found a period of disunity, ferocious competition between unstable states relying on mercenaries for security and threatened eternally by fifth columns. So the art became a wolf-like practice, which had its influence on the great national states springing up at the time of the Renaissance. Deception and opportunism became fashionable; justice was subordinated to expediency. It was Machiavelli's day and later Queen Elizabeth's.

Then came the great French contribution, most of it begun by Richelieu and developed later by Louis XIV and his officials. It was decided that negotiation must be permanent, not a hurried, sporadic endeavour. Diplomacy becomes a continuous process, with ambassadors and ministers in every capital of importance. The element of stability and certainty is prized above everything; and the great Cardinal preaches that national interest must come above "sentimental, ideological or doctrinal prejudices and affections." The negotiator must have—it is a memorable phrase—the patience of a watchmaker. Good diplomatic method is akin to sound banking; both depend on the establishment of credit.

By now, at the end of the third lecture, the reader has been prepared for a rousing final exposition of modern errors—and he gets it. President Wilson's principles and their effects are taken to pieces with all the precision of a watch maker—and made to look very foolish. The methods of that "great good giant"—*the United States*—are criticised for their opportunism and for unreliability. Open diplomacy is snubbed with a quotation from Jules Cambon: "The day secrecy is abolished negotiation of any kind will become impossible." Sir Harold recognises that the conditions on which the old diplomacy was based have gone; but he thinks something could still be done to shatter the illusion that the conduct of external affairs can follow the same methods as the conduct of internal affairs in a liberal democracy. He has made a readable and convincing start. The book costs over a penny a page, but it is worth it.

Marxism and Chinese History

INTRODUCTION TO THE ECONOMIC HISTORY OF CHINA.
By E. Stuart Kirby.
Allen and Unwin. 202 pages. 18s.

MR KIRBY holds the Chair of Economics and Political Science in the University of Hong Kong, a position in which it is hardly possible not to be very much *engagé* in Chinese politics. In this book he appears not to have quite made up his mind whether he is writing on his own an outline of Chinese economic history from the earliest times or whether he is making a critical survey of current Chinese and Japanese thinking on the subject. The former aim cannot be said to have been achieved with any degree of success, though this is not altogether his fault, for, as he frequently points out, the detailed preparatory work required for generalisation has not been done to anything like the extent needed, even where the evidence is ultimately available.

Thus, Mr Kirby provides only an extremely vague and superficial account of Chinese economic development because he simply has not enough straw to make the bricks. On the other hand, his description and analysis of contemporary theories constitute a valuable piece of work, particularly as showing the extraordinary results of the attempt to apply the categories of Marxist doctrine to the history of the Far East. As Mr Kirby points out, this leads to the Chinese Communist historian having to classify the greater part of Chinese history, from Confucius down to the time of Chiang Kai-shek, as "feudal." In Europe the influence of Marxist methodology always had to contend with an older tradition of exact historical scholarship highly resistant to *a priori* construction, but in China, and to a lesser degree in Japan, Marxism arrived almost simultaneously with the introduction of modern scientific historical method, commending itself as a guide with a short cut to truth through the vast complexity of past history.

Even before the final triumph of the Communist revolution Marxism became the prevailing mode of thought in Chinese academic circles, and since the establishment of the party dictatorship it has been the only permitted one; Mr Kirby declares that in the historical field it "ignores or rejects the whole subsequent progress of thought in Europe in the last seventy years to an extent that is not generally realised." Japan, on the other hand, has been much more receptive to the influence of recent Western non-Marxist thought, and Marxism itself has been "always less orthodox than in China, less exclusively associated with the Communist party and its discipline." Since 1945 Japan has been open to currents of thought from all quarters, while in China historical studies have been restricted by a narrow dogmatic orthodoxy similar to that which has long been imposed on them in the Soviet Union.

Through the Curtain

ESCAPE FROM PARADISE. *By seven who escaped and one who did not.*
Edited by C. A. Smith.
Hollis and Carter. 255 pages. 16s.

THE title of this book refers to the contrast between the Garden of Eden and the new world of free and happy life that Communism claims to have created in the lands where it has seized power. As the editor points out, the Biblical account declares that God placed cherubim and a flaming sword on the east of the terrestrial paradise to prevent former inhabitants from returning there, but the rulers of the Soviet *bloc* maintain large forces of special police on the western borders of their paradise to prevent present inhabitants from getting out. Since 1934 attempted "flight abroad" has been legally punishable by death in the Soviet Union, while members of the offender's family who knew of his intention are liable to a prison sentence of up to ten years and those who did not know to deportation to "far regions of Siberia" for five years.

The satellite states have adopted similar measures to dissuade their ungrateful citizens from exiling themselves from their native lands, and in Korea the refusal of the western governments to repatriate by force Chinese prisoners of war unwilling to return to their own country was for months the sole issue on which the conclusion of an armistice was held up—an issue which Communist China has even sought to reopen at the Geneva conference. This extraordinary preoccupation of the self-appointed saviours of mankind with the thwarting of "escape from paradise" serves two distinct purposes: the first, to close channels of information to the outside world; and the second, to strengthen the hold of the totalitarian system by demonstration that escape from it is impossible this side of the grave.

Several books have already been published with accounts of Communist prisons, interrogations and forced labour camps by individuals who have been fortunate enough in the end to reach a free country, but "Escape from Paradise" is the first to provide a kind of symposium of the experiences of persons of the most diverse origin and background, who have had nothing in common except subjection to the same tyranny. The eight authors include a Spaniard, a Rumanian, a Czech, two Poles, a Bulgarian, an Estonian and a Lett; they differ widely also in profession, religious belief and political sympathies. It is perhaps a pity that there is no Russian in the company to give balance to a picture that is mainly one of the Russian conquest of Eastern Europe. But it is in any case that conquest which has brought the Soviet reality nearest to this country, and, especially in following the narrative of the former Czech officer Jan Sad, deported without legal charge or trial to forced labour in Russia by the "liberators" of Czechoslovakia, the reader can hardly fail to appreciate the relevance of the editor's comment that "what befell them is what, but for the accidents of birth and geographical position, would have befallen us."

The Inimitable

DON'T TRUST TO LUCK.
By Lord Beaverbrook.
London Express Newspapers. 108 pages. 3s. 6d.

WHEN Lord Beaverbrook sets out to teach the young and ambitious, he commands the respect due to his own success. Young men whom he has trained are now prominent on both sides of Fleet Street. The Editor of the *Daily Herald* once worked for Lord Beaverbrook; so did his predecessor; so did two-thirds of the editorial board of *Tribune*. But the high positions won by Lord Beaverbrook's young men have not been confined to journalism. One of them was Minister of State in the Labour Government; another ran the groundnut scheme; another became a leading member of the Oxford Group.

"Don't Trust to Luck" is a rewritten version of "Success," published in 1921. Lord Beaverbrook said in "Success" that "The money brain is, in the modern world, the supreme brain. Why? Because that which the greatest number of men strive for will produce the fiercest competition of intellect." Now he repudiates this view, and only calls the money brain "the shrewdest brain"; thus is Einstein re-instated. But it is still obvious enough that Lord Beaverbrook would agree with Dr Johnson that "there are few ways in which a man can be more innocently employed than in getting money." Holding this view, with everything that is to be said for it, he might be expected to write a useful book teaching young clerks how to become managing directors, how to float a company, how to raise an overdraft. Unfortunately, however, "Don't Trust to Luck" includes very little practical business instruction, concentrating instead on well-meaning moral exhortation. The reader is treated to such sentiments,

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THE COMMUNICATION OF IDEAS
by T. Cauter and J. S. Downham
with a foreword by SIR ARTHUR BOWLEY, Emeritus Professor of Statistics in the University of London

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inspiring but a little vague, as "Money is nothing but the fruit of resolution and intellect applied to the affairs of the world. To an unshakeable resolution fortune will oppose no bar."

It would be unkind to say that the only young man so far to show signs of profiting from reading "Don't Trust to Luck" was the one who, when the *Daily Express* asked to buy back copies of the book from the public, thought of offering to sell them his own for 7s. But it is obvious that Lord Beaverbrook's gifts as a teacher depend on personal magnetism rather than on anything he can put into words. The main interest in the book lies in its references to the author, his achievements, and to some of his past adversaries. There is a quotation in denigration of the first Lord Baldwin, brought in as a footnote with little apparent relevance. There is a one-sided attack on Ernest Bevin. All this, together with some candid confessions, helps to throw some light on the strength of Lord Beaverbrook's own personality. And probably the real reason why the book is a failure is that Lord Beaverbrook at his greatest is inimitable, and that attempts to copy his methods can be disastrous. Only Lloyd George, Beaverbrook himself, and perhaps Churchill have ever run a Government Department in the Beaverbrook way without creating chaos—and even this statement may call for qualification. Lord Beaverbrook evidently has the best of intentions; he sincerely thinks young men should want to follow his example, and he wants to teach them to mould themselves in his image. But the attempt was impossible from the start: Lord Beaverbrook has been, is and—some people would say fortunately—always will be unique.

Ancient Monument?

ELEMENTS OF PURE ECONOMICS. By Léon Walras, translated by William Jaffé.
Allen and Unwin. 620 pages. 42s.

LEON WALRAS was even in his own day—he died, one is always surprised to remember, only in 1910, and was effectively a contemporary of Alfred Marshall—very much an economist's economist. Half a century after the publication of the fourth and definitive edition of his "*Eléments d'Economie Politique Pure*," now translated for the first time into English, his work is likely to appeal only to that scholarly minority of economists who feel an absorbing interest in the historical development of their subject—and indeed, among that minority, only to those armed both with considerable mathematical competence and with more than the average amount of patience. To that minority the volume under review may be commended as a model of how such things should be done. Mr Jaffé shows himself not only an adroit, responsible and sensitive translator (though it is possible to quarrel with his pious retention of *rareté* for "marginal utility" in the interests of "Walrasian flavour") but also an admirable editor. On its smaller scale, indeed, his work of collation, cross-indexing, annotation and unobtrusive elucidation stands comparison with Professor Staffa's magnificent edition of Ricardo. This is a job which will never need doing again.

Was it worth doing at all? For the dignity of scholarship, undoubtedly; but for the further advancement of knowledge? Is there really any but a historical interest in a theoretical argument, however majestic in its logical unity and completeness and however seminal in its own day, which has been much better stated since and whose premises make it totally inadequate as a description of the way things really happen? To a generation brought up on the study of imperfect competition and of the interdependence of macro-economic magnitudes the answer must at first sight be "No." One can never be sure, however, that the major work of a first-rate mind has entirely exhausted its capacity to touch off valuable trains of thought. The concept, for instance, of the "service of availability" (*service d'approvisionnement*) rendered by stocks is recognisably akin to that of liquidity, but Walras does not restrict it to monetary theory; it might have been recalled with advantage during the "empty economy" period which immediately followed World War II, and if extended from stocks to fixed assets themselves it becomes relevant in the highly practical field of public utility policy. One may hope that at all events a few qualified persons will read Walras's book in a spirit of curiosity other than purely antiquarian.

What Makes a Happy Ship?

THE SOCIAL PSYCHOLOGY OF INDUSTRY.
By J. A. C. Brown.
Penguin. 310 pages. 2s. 6d.

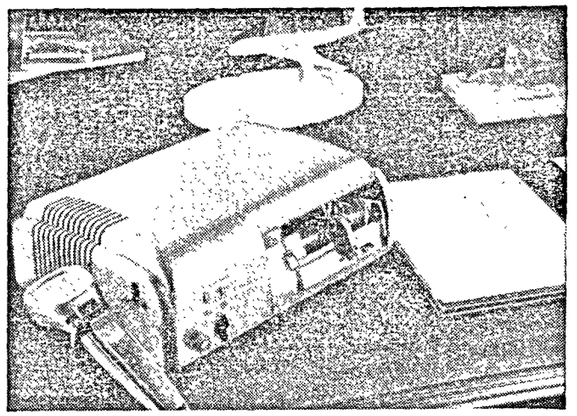
MAN is a social animal; work is a social, not an isolated, activity; the quality, tempo and spirit of work depend, therefore, not merely on forces affecting the individual as such (physical environment, rewards and sanctions) but also, and indeed overwhelmingly, on those shaping his human relationships with workmates, superiors and subordinates; the economists are most perniciously on the wrong track, so are the efficiency experts, so, to a hardly lesser degree, are the Socialists—though they at least have a proper distaste for the carrot-and-stick mechanism. If the motivation of economic life is to be understood, if the waste and frustration of industrial strife and of grudgingly-done work are to be abolished, the approach to these problems must be by way of social psychology—the study of group human nature.

Thus the social psychologists, who are unfortunately prone to antagonise their audience, partly by the use of a gobbledygook surpassing in pretentiousness even that of their economically minded adversaries, and partly by a degree of arrogance that paradoxically recalls that of the less eminent nineteenth-century champions of *laisser faire*. Dr Brown writes like a human being—it is not his fault if the simple, straightforward word "group" has acquired a power to raise the hackles of almost anybody but a professional sociologist—and he is much less of a know-all than most, though he really should not confuse Adam Smith with Mr Gradgrind. It is an excellent thing that this compact, meaty, authoritative and frequently entertaining book should be available to a public which would never dream of buying Elton Mayo's "Social Problems of an Industrial Society."

The central subject, which gives Dr Brown his title, is firmly and skilfully keyed in on the one hand to the history of industrial development and on the other to the psychologists' and anthropologists' data on personality; expertise is blended and balanced with common sense. Here, and here—so expert research into the springs of motivation has shown — are the roots of the behaviour which, as a matter of common experience, can be expected in these, or these, conditions. This and that sort of trouble can be traced to this common source—failure of communication, misapprehension of the nature of leadership, self-perpetuating mutual antagonism. Here are the reasons why this move succeeded and that move failed. Practical handbook of management, primer for social scientists—it is all admirably done.

One may retain a conviction that even when every factory and office is as happy a ship as HMS *Mantelpiece* some measure of carrot and stick—such as Nature inexorably provides for the farmer, the fisherman, and others to whom the relationship between extra effort and extra return presents itself unblurred by transition through a wage-packet—may still be necessary and effective. One may find the typical worker as presented by Dr Brown a discouraging mixture of prima donna and problem-child. The fact remains that a proper regard for human nature, including such of its manifestations as go with the sub-adult status of the weekly wage-earner, does pay off both in production and in happiness on the job. What is more disquieting is the social psychologist's implied ideal: the harmonious Huxleian Brave New World in which the group—blest word—is everything, "everyone belongs to everyone else," and the aberrant lone wolf is scientifically cured of deviationism at an Adult Reconditioning Centre. "The Social Psychology of Industry" is very highly recommended; but it might be a good idea to read Mr Hemingway's "The Old Man and the Sea" as a chaser.

If you called on Sir Miles Thomas of B.O.A.C.



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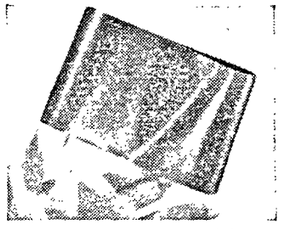

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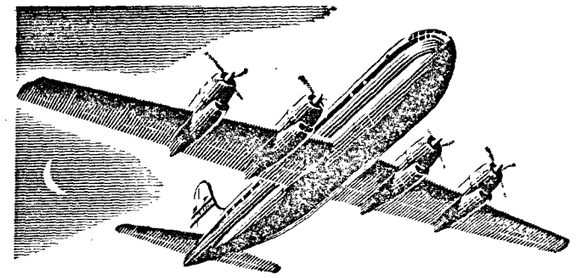

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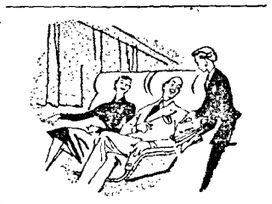

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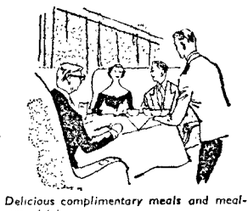

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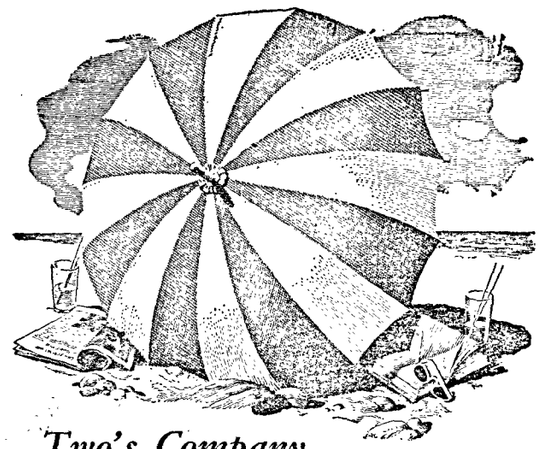

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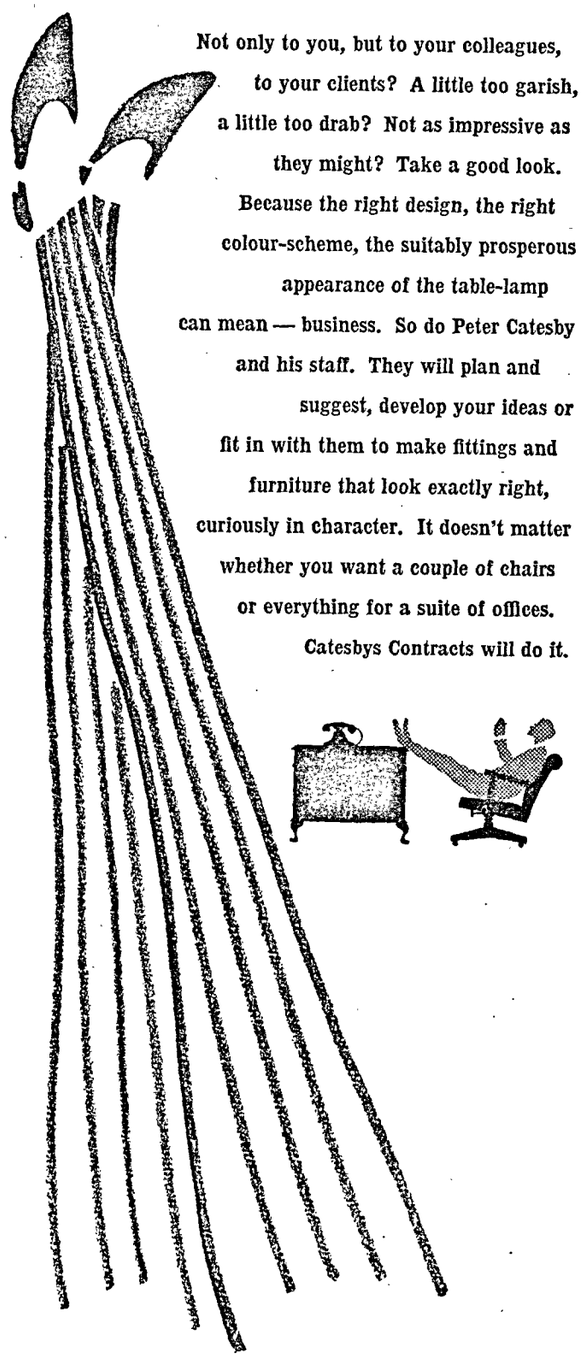

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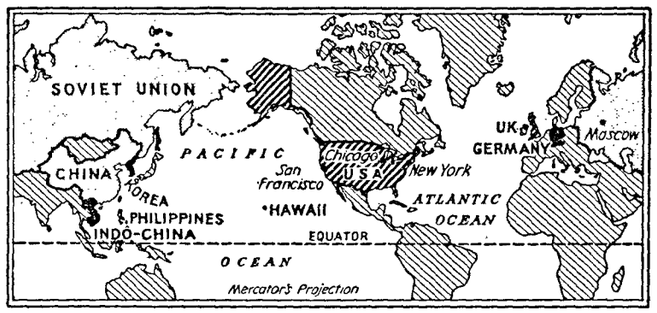
American Survey

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.

Doubts About Defence

Washington, D.C.

OF all the arguments, unusually numerous and noisy even for Washington, that have been occupying the city during the last few weeks, the noisiest has been over whether "to intervene or not to intervene" in Indo-China. For this argument involved not only disagreements between the press and the public over the Administration's handling of the issue, but also disagreement within the Administration itself. For the moment the question is decided: there will be no American intervention in Indo-China unless a list of conditions which has grown longer with each of Mr Dulles's public statements is fulfilled—and most of these conditions depend on France and cannot be fulfilled now that M. Mendès-France has decided to seek peace. In fact the Washington tide was never as firmly set in the direction of saving Indo-China from Communism at all costs, even that of using American armed forces if necessary, as it appeared to be from official remarks during March and April. Now the tide has definitely turned the other way, leaving Admiral Radford, the chairman of the Joint Chiefs of Staff, in full view upon the beach, as the only senior figure in the Administration who has consistently advocated the necessity of American intervention at this time.



The Radford thesis is a straightforward one; the strategic balance of power is in danger of shifting in favour of the Soviet Union as it did between 1945 and 1950; there is reason to believe that new Russian long-range guided missiles may be lessening the advantage that the United States possesses through its numerical superiority in atomic weapons. The new Soviet intercontinental bombers pose a threat to the industrial heartland of the United States which the latter cannot hold over the dispersed industrial areas of Russia and China. It is imperative both for political and for military reasons that no Communist expansion be permitted in South-East Asia and that Indo-China be saved while there are still French and Vietnamese forces in being. It was at this point that the Admiral's views diverged from those of his fellow members of the Joint Chiefs of Staff, particularly those of General Ridgway, the Chief of Staff of the Army. Admiral Radford is said to have believed firstly, that, even if American intervention in Indo-China did bring in Communist China, Soviet Russia would not intervene and secondly, that American air and naval forces, probably using tactical atomic weapons, would be sufficient to check the Communist forces.

This view his colleagues disputed. From the naval point of view the Gulf of Tonking is a nightmare of shallows and offers none of the opportunities for manœuvre and surprise that the deep waters on both sides of the Korean peninsula afforded. From the Air Force point of view intervention in Indo-China would place the same limitations on the use of strategic airpower that the Korean war did without providing a chance of deploying tactical airpower to the same advantage. But it is believed that it was General Ridgway who put up the strongest resistance both within the Defence Department and with the President, pointing out that naval and air intervention would lead inevitably to the use of American ground forces, that at least eight divisions (which the United States does not possess) would be needed and that they would be separated by a thousand miles of ocean from their nearest supply base in the Philippine Islands.

General Ridgway has discreetly but firmly opposed many of the assumptions on which the "new look" in American strategic and defence policy is based, and in so doing has added to his standing in Washington. For it is his service that has taken almost the full brunt of the cuts in this year's defence expenditure; they involve a reduction in the strength of the Army from twenty to seventeen divisions by the middle of 1955. This has caused considerable disquiet among Americans who follow the problems of their national defence closely, for it has become clear that the corollaries to this reduction, envisaged by the present Chiefs of Staff when they completed their review of strategic policy last autumn, are not being carried out.

Their thinking was done in the brief period of quiet between the final conclusion of the Korean armistice and the failure of the Navarre plan in Indo-China, and at a time when the Bureau of the Budget and the Treasury dominated policy making, as indeed they still do. The Chiefs of Staff intended that the Navy would remain at roughly its present

size, with 400 ships in commission, that the Air Force would expand from its present strength of 120 wings to 137 by mid-1957 and that the Army would shrink to 17 divisions and an establishment of 1,180,000 men in the next year. But the basis which made this reduction seem safe was that an effective mobile reserve would be created. The United States Army with five divisions in Germany and seven in Korea has a problem of supply and maintenance which is faced by no other army except the British. It was the hope of the strategic planners that a Korean armistice would enable the Army to build up a "fire brigade," a highly mobile force of say three or more divisions located either in Hawaii or on the Pacific Coast which could be used as a deterrent threat against any possible outbreak of trouble in the Far East.

In fact, however, the mobile reserve shows few signs of coming into being; the divisions from Korea come home for demobilisation, not to go into reserve; there is still only one fully operational division in the United States, the 82nd Airborne (though another armoured division is being prepared for action), and the Air Force's strength in troop-carrying wings has been reduced. The United States is in no position to intervene with ground forces, even if the Administration decided upon intervention, without demanding something approaching full mobilisation.

Last week the doubts of the experts about the relevance of the new strategic policy to the facts as presented in Indo-China were transferred to the political field as the Senate debated the defence appropriations. The Administration had asked for $29,887 million for the coming fiscal year, some $5,500 million less than was provided for the present year. The House had reduced this to $28,684 million. When the Bill came to the Senate thirty-eight Senators supported a resolution submitted by the Democratic Senator John Kennedy of Massachusetts calling for the restoration of $350 million in order that the United States Army might be restored to nineteen divisions. It was defeated by fifty votes.

The vote itself is interesting, for it is remarkable that thirty-eight Senators should in an election year support the cause of the least glamorous of the three services, especially since, if their amendment had gone through, it would have meant that more of their constituents would have been conscripted. But the debate was even more interesting, for it revealed, with a clarity hitherto seldom shown, the underlying assumption of many Americans, particularly many elderly Republicans, that actual fighting on the ground should henceforth be done by soldiers of other nations, not by Americans.

As Senator Ferguson asked:

> Why should not we furnish the aviators and the scientists and the machinists? I believe the time has come when the other countries in the mutual security compact must realise that, although America has more men under arms than they have, yet America's real place is in science and industry.

If perhaps this weekend Sir Winston Churchill shows some reluctance to settle the Suez dispute solely because that would release three divisions of British troops, or the South Asian and Anzus countries show an anxiety to discover the extent of the American commitment to any South-East Asian security pact before making up their minds about it, it will perhaps be because they have been reading reports of this Senate debate.

Economic Concerns

THE Federal Reserve Board's move to expand credit by lowering bank reserve requirements may not reflect concern about the economic outlook but it certainly reflects concern, now become a habit with the central bank, that the FRB shall not be blamed for any deterioration in that outlook. By the beginning of August the reduction, to be applied by stages, in the amounts that banks have to hold in reserve to back up their deposits will have made an additional $9 billion of funds available for lending; fuller details will be found on page 1072. The FRB's relaxation, like its similar move last year, is seasonal, coming at the time when the demand for loans will rise; in the last six months of the year the government is expected to need some $10 billion of new money, farmers will be borrowing against the security of their crops and businessmen will be wanting credit to build up stocks for the autumn trade. Bankers, however, are by no means unanimously content with the additional freedom the FRB has given them. For at the moment they still have more than enough money available for loans, yet are reluctant to lower interest rates since they argue that not enough new borrowers would be brought in to offset the loss in income.

Whether or not the FRB's move brings the fall in interest rates that bankers fear, it guarantees that rates will go up little, if at all, during the next few months. This promise will perhaps shake businessmen out of their present caution and some such encouragement certainly seems to be needed if the autumn economic upturn is to be more satisfactory than the spring one has been. The readjustment may be over, but the recent seasonal improvement did not go far enough to suggest that a steady rise in activity can be counted on after the coming seasonal summer decline.

It was probably for psychological reasons that Dr Arthur Burns, the President's chief economic adviser, abandoned recent precedent and held his first press conference two weeks ago, but his optimism seemed to go farther than the reasons he gave for it: that spending on industrial plant and equipment, contrary to some reports, was being well maintained, that construction contracts were breaking all records, and that sales have been rising and inventories falling. Furthermore, Dr Burns admitted that the unemployment figures were still disquieting. The real reason for his uncharacteristic lack of concern about the future can probably be discerned under his carefully noncommittal answers about government outlays for defence purposes; one of the reasons for this year's economic difficulties has been that military expenditures have been lower than had been expected. As a result they can hardly fail to be higher than had been expected during the rest of the year.

Farmers under Control

SPURRED on by the recent forecast that at the end of this year's harvest the United States is likely to have a two-years' supply of wheat on hand, Mr Benson, the Secretary of Agriculture, has announced the tightest controls in history over the acreage and crops that a farmer can plant and sell. Such a move seems imperative if the pressure of the agricultural price support programme on the taxpayer and on crop storage facilities is not to become intolerable; it may also show an election-minded Congress that the alternatives to the President's flexible price support proposals may be even more unpalatable to farmers.

Acreage and marketing controls made their first important postwar appearance a year ago, when wheat acreages were cut back by 20 per cent and cotton and maize plantings were also limited. But the ingenuity and industry of farmers, who took only their marginal lands out of cultivation, heaped fertilisers on to their allotted acres, and switched output to other uncontrolled crops, largely defeated the attempt to bring agricultural production into line with demand. This year, Mr Benson hopes to prevent this by imposing rigorous controls over the use made of "diverted" acres and over eligibility for price supports on all crops. The "legal" wheat acreage is to be reduced from the 63 million acres which will be harvested this year to 55 million acres, and Congress will be asked not to raise this figure, as it did last year. Marketing quotas—which limit a farmer's sales to the amount he can grow on his "acreage allotment"—have by law to be submitted on July 23rd to a farmers' referendum for approval; if they are rejected the right to full price support on sales is forfeited.

To the Administration these quantitative controls are not a substitute for more flexible price supports. Mr Benson thinks both are necessary, but puts more emphasis on the second. Mr Eisenhower's threat to veto any Bill continuing high and rigid price supports has led the House Agriculture Committee to wrap up its agreed decision that they should be extended for one year in a "single package" Bill which includes other provisions desired by the President. When this gets to the floor, a compromise will probably be worked out, but it remains to be seen whether this will be a genuine middle way between the economic and political aspects of this problem, or will merely save the face of the President, who has taken a firmer stand on agricultural policy than on the rest of his legislative programme.

More Effective Diplomats

WHEN early in March the Secretary of State appointed a committee of distinguished private citizens with experience in administration and diplomacy, led by Dr Henry Wriston, to advise on how to improve the effectiveness of the Foreign Service, many in Washington felt that only three words of advice were needed: "Remove Scott McLeod." Mr McLeod is the *protégé* of Senator McCarthy who last year was put in charge of security, and for a time of personnel, matters in the State Department; his activities there, particularly his investigations of the loyalty of officials, are widely held to have demoralised the Foreign Service. However, the Wriston committee, whose report was released last week, did not find that the morale of the service had collapsed, although it agreed that repairs were needed.

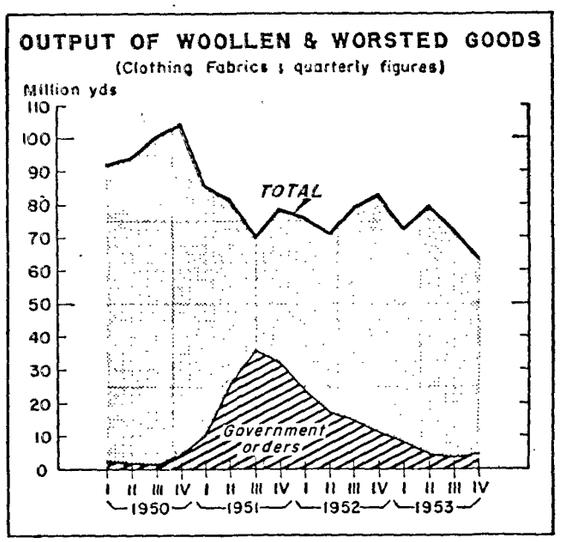
The committee's constructive remedy for the absence of suitable recruits for the Foreign Service—no new member has joined the junior grade for almost two years and the staff is "below rock bottom"—is the provision of university scholarships; recipients would be assured of immediate entry to the Foreign Service on leaving college, while at present the process of examination, security clearance, posting and so on can keep applicants in uncertainty for as much as three years. These scholarships must be authorised by Congress, but the committee has almost guaranteed a favourable reception by proposing that two-thirds of them should be allotted by congressional patronage as are vacancies at the military and naval colleges. This proposal should also do something in the long run to improve Congress's relations with the State Department by giving members a vested interest in, and personal knowledge of, the Foreign Service.

The other recommendations contain little that is new, although much that is important. There is criticism of the waste of specialised knowledge that results from the practice of shifting officers, especially in the lower grades, at short intervals over long distances. And the amalgamation of the Foreign Service and the home departmental service is once more advocated, only this time the name is "integration"; thus, it is hoped, the proposal will smell sweeter both to diplomats jealous of their prestige and home officials fearful of life abroad. Of more practical importance, Mr Dulles himself is wholeheartedly behind the reorganisation and Mr Charles Saltzman, an energetic member of the committee, has been nominated as Under Secretary of State for Administration, with the responsibility of implementing the recommendations before the end of the year.

Cuts in Textile Wages

New York

ARBITRATION in the labour dispute at Botany Mills, a New Jersey woollen and worsted firm, brought a wage cut for employees of 9½ cents an hour, accompanied by modified welfare benefits which, the trade union estimates, will save the company another 4 cents an hour. The Botany decision, which seems to have set the pattern for this year's agreements between the Textile Workers Union of America and this branch of the textile industry, was quickly followed by a settlement of the six-week-old strike at the American Woollen Company's mills in New England, and by similar agreements with two other leading firms. These wage cuts,



although less severe than the employers were seeking, cancel the increases won by the unions in 1951 and manufacturers who did not grant increases then will not benefit from the cuts now. In the cotton and rayon branch of the industry, the wage reductions sought by two important New England companies were refused on the ground that the gains of 1951 had already been cancelled and no further cuts were therefore justified.

Textile workers, including those in the hosiery mills, are alone among American trade unions in accepting general wage reductions—only in a few of the more profitable mills is there any likelihood that workers will strike against lower pay packets. The steady downward drift in employment figures has more or less forced the union to accept this unpalatable move; in the woollen and worsted mills, the sickest part of a sick industry, the number of workers has fallen from 148,000 in December, 1949, to 85,000 at the end of 1953 and to an estimated 70,000 today. By agreeing to wage reductions the union hopes both to keep in production a number of marginal mills and to put the northern mills, which are still responsible for some 80 per cent of woollen and worsted output, in a better position to compete with the non-unionised southern mills. Since the "half-million forgotten workers" in the southern textile industry did not get increases in 1951 and are not now faced with wage cuts, the differential between northern and southern wage rates, which was estimated at 31 cents an hour early in 1952, will be narrowed. In the cotton mills, the much smaller north-south wage differential almost disappeared when the northern workers took pay reductions last year.

Although wage cuts may be a palliative, it is clear that they are no cure, and even a general upturn in business activity will not fully restore prosperity to the American textile industry. The union has joined the industry in demands for increased protection from imports, and for further government assistance in the form of more defence contracts to firms in distressed areas, and more stockpiling of military clothing. But the only lasting solution is to be found in a vigorous re-equipment programme and in concentrating production in the more efficient mills.

Minority Hysterias

FROM A SPECIAL CORRESPONDENT

IT is difficult to consider the struggle between civil liberties and hysterical fears in the United States without falling victim to the optical illusion that permits the single, satanic figure of Senator McCarthy to crowd everything and everybody else out of the picture. Yet the price of yielding to this illusion is at once to exaggerate and to underestimate the magnitude of the problem. To exaggerate, because the evidence is that fully as many Americans condemn the Senator as approve of him, and that the ratio is now probably shifting somewhat against him; and to underestimate, because much "McCarthyism" exists without McCarthy since, to a certain extent, the fear and obscurantism have native roots, far from Washington, in the states and the local communities themselves.

It would require a sharp eye and a bloodhound's nose to discover a section of American life in which the concern over "subversives" has not manifested itself. The American Bar Association lies awake at night pondering ways of safeguarding any American from falling into the clutches of Communist counsel. The University of Illinois got rid of its president last year in part because he had been a leading supporter of the United Nations Educational, Scientific and Cultural Organisation, and because of his alleged toleration of Communists on his staff—this despite the fact that the University was already requiring a loyalty oath from its faculty members and maintaining a security officer on its payroll, and that the president's accusers could not name any Communists that he had tolerated. The American business community has cleaned its house of Communists—though the premises can never have been very dirty; the trade unions, with a more real problem to face, have been all but completely successful in doing likewise. In that most sensitive of areas, Houston, Texas, matrons have been warned that the insidious Reds will gladly infiltrate even garden clubs, given the opportunity.

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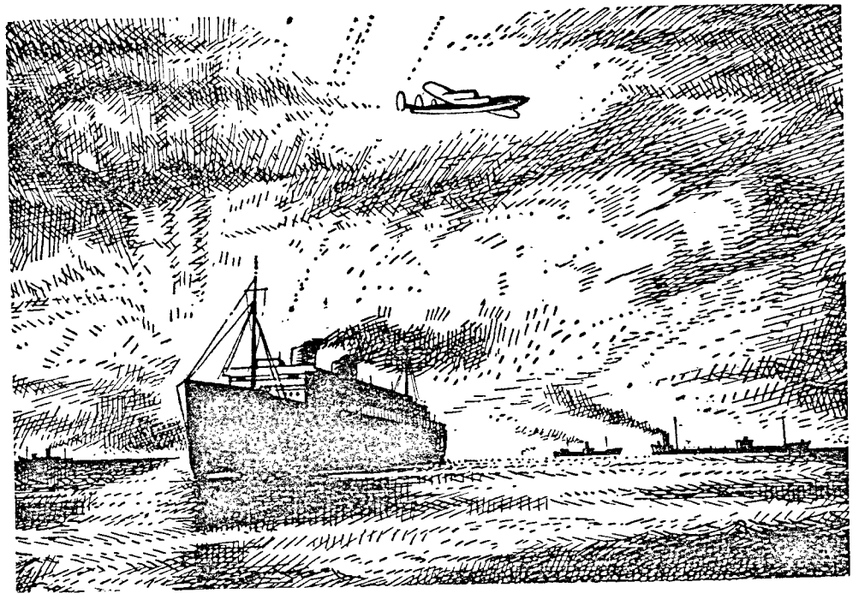
The campaign against subversion (a conveniently broad term, often indicating nothing more than a sympathy for international good will or a weakness for fair play) goes on at many levels. Many state legislatures have passed acts aimed at eliminating disloyalty—by outlawing the Communist party, by requiring security investigations of state employees, by attempting to police the teaching in the state schools and universities, or even, in some cases, the reading done there. In Alabama, a ridiculously unworkable law required that every book to be used by a student in state-supported institutions must bear a label with a statement from the author or the publisher concerning the author's record in respect of Communism, Communist front groups, or even "Marxist socialism." (There were to be more labels for all books recommended in the original work for additional reading—a requirement which bade fair to make the number of labels in some tomes exceed the number of pages.)

Municipal politics have been affected, too. In Cincinnati, the city elections last year were completely dominated by the issue of whether or not certain public officials had been sufficiently alert to the risks of employing as City Planning Director a young man who had seven years earlier terminated a flirtation with Communist movements. More typically, the school systems have been the focal points of such local excitements. And, in contrast to the Cincinnati affair, in which the furor was generated largely by professional politicians, the campaigns against education officials have often originated with private citizens' groups. In the wealthy suburban community of Scarsdale, New York, where a Communist might be expected to feel as little at home as an alligator in the Arctic Sea, a Committee of Ten has, since 1949, been trying to get the local school libraries cleansed of all books by Communists or pro-Communists.

Sometimes, these movements conceal behind a general *brouhaha* over "subversives" or "Reds" a very specific, if unrelated, object. Thus the Cincinnati campaign was designed to discredit the local municipal reform movement and campaigns against subversive influences in the schools are often in reality the vehicles for attacks on progressive methods of education. To an almost mysterious extent, the United Nations, and particularly Unesco, have been the surface objects of these attacks. Unesco publications which describe social practices in foreign lands, polygamy, for example, are taken as advocating such practices for the United States. Sympathy with foreigners is made to appear



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closely related to support for foreign ideologies, and, in the present state of American opinion, it is probably not unfair to say that "foreign ideology" and "Communism" are, to many people, very nearly synonymous terms.

In other cases, the promotion of hysteria has behind it mere personal ambition. The organisation, originally in California, of Students for America—a self-constituted loyal underground, devoted to infiltrating "leftist" student groups and to exposing subversive teaching—appears to have stemmed from the frustrations of a young man who had failed to get ahead in college politics by more normal means. But perhaps the purest form of the disease is represented by the "hysteria-monger" who is himself genuinely hysterical. Such was apparently the case in the branch of the Veterans of Foreign Wars at Norwalk, Connecticut, which instituted a system of organised reporting to the Federal Bureau of Investigation, through a secret committee of its members, of persons in the community whom the committee suspected of subversion.

A more serious case is that of the Houston chapter of the Minute Women of America, Inc., a national organisation founded in 1949 by Mrs Suzanne Silvercruys Stevenson. Allegedly to avoid infiltration by Reds, the Minute Women of Houston have no constitution, no elections of officers, and allow no motions from the floor at meetings. Refraining from all public action as a group, the Women have used with great success the technique of deluging city officials with seemingly unorganised individual protests; an official who might shrug off a single protest from an organisation of only 500 citizens is impressed by even a few score informal, personal protests from individuals. As a result of these efforts, the Deputy Superintendent of Schools in Houston was dismissed as "too controversial," the annual school essay contest on the theme of the United Nations was abandoned, the American Friends Service Committee was refused the use of a hall because Alger Hiss had attended Quaker meetings, and two candidates for the school board were defeated as supporters of Unesco.

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But the striking feature of all these developments, dangerous and damaging as they may be, is that they are the product of minorities, usually small minorities, that they thrive not so much on demoralisation as on apathy, and that they can be defeated by a determined counter-attack. The Cincinnati campaign failed and the alleged dupes of Communism were returned to office, because it aroused an effective opposition, the Committee of 150 for Political Morality. The Alabama textbook law has been declared unconstitutional in the state courts. The Students for America, after three years in being, and with ample funds, can only claim 2,500 members (not all in universities) in a nation of 2,500,000 university students. The Norwalk VFW was pelted with stern lectures, many of them from conservative and respectable sources. The Minute Women were, at length, thoroughly exposed by the *Houston Post* and, although Texas will undoubtedly continue to spawn such strange children, it may be doubted whether Houston bureaucrats will ever tremble so again at the sound of irate female voices over the telephone.

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Creeping Anti-Socialism?

IT is just a year since President Eisenhower pointed to the Tennessee Valley Authority as an example of "creeping socialism." Even though he later modified his condemnation of this great regional development scheme, he has never cleared himself of the suspicion that he would be glad to see it undermined. This suspicion was fostered by his refusal to ask Congress for funds which would enable the authority to build steam generating plants to supplement its hydro-electric capacity and keep up with the growing demands for power in the area it serves. The President's lack of sympathy for the TVA idea was confirmed when he refused to reappoint Mr Gordon Clapp, the popular and experienced head of the authority, apparently because he did not share the President's "philosophical approach" to power problems—that hydro-electric development should be a partnership between public and private interests.

The argument has now crystallised round a directive which the President—setting a Socialist to catch a Socialist—has sent to the Atomic Energy Commission, the biggest of all government operations, ordering it to negotiate a 25-year contract with a private undertaking, for the supply of electricity to its new installations in Kentucky, rather than with the TVA. The proposal is that a generator should be built in Arkansas, just outside the TVA area, to feed electricity into the authority's facilities, thus enabling it to supply the AEC without either building a new plant or curtailing supplies to other customers.

The legality of such an indirect contract being made by the AEC, particularly without public consideration of other bids, is being contested in Congress. But the practical objection to the President's order is that electricity obtained by this means would cost the commission about $3.5 million a year more than would electricity provided by the TVA. A large part of this difference would, however, be offset by receipts from the private company of taxes which the TVA does not have to pay; nor would taxpayers be responsible for the construction costs of the private plant. Underlying the whole dispute is, of course, the belief that the President, well aware by now that a direct attack on the TVA would have dangerous political repercussions both locally and nationally, intends to creep up on it without publicity by encouraging private companies to take over its services.

Hard Competition for Soft Drinks

New York

AMERICANS spent last year over a billion dollars on 28 billion bottles of carbonated soft drinks. The cola type drink accounted for nearly two-thirds of these sales, and in the southern states, the heart of the cola country, it held nearly 90 per cent of the entire soft drink market. But Coca-Cola, once described as "the sublimated essence of the American way of life," and which traditionally provides some 50 per cent of all soft drink sales, is not without some very lively competitors. Within the cola field, Coca-Cola's chief rival, Pepsi-Cola, has, by wider distribution and aggressive promotional campaigns, boosted its sales at a rate more than twice as fast as that of the industry as a whole—although Americans still drink four "Cokes" to every "Pepsi." The second major threat is one which must now be met by almost any seller of a product containing sugar to weight-conscious customers—the threat of the calorie which, once a useful selling point, has now to be hidden from the suspicious amateur dietician.

The latest innovation in the industry is the tin can, which is easier and cheaper to transport and avoids the inconvenience of "returning the empties." The tinned soft drink is still largely on an experimental basis, but the new medium is being rapidly adopted; even the Coca-Cola and Pepsi-Cola companies, whose loyalty to the bottle is so far unsullied, are conducting intensive research into this method of marketing. The tin can has brought a host of entirely new competitors into the soft drinks industry—the brewers (who have long marketed beer in cans), the fruit juice canners and even the can manufacturers themselves. To all these groups the easy-to-make soft drink is the remedy for excess canning capacity. There are still many technical problems to be solved, before both the "fizz" and the flavour of the tinned soft drink can be said to match those of the bottled variety, but with tinned beer—which accounts for over 30 per cent of packaged beer sales—as an ebullient example, the tinned "pop" manufacturers seem justified in their optimism.

Faced with so many insurgents, the established brands have to fight hard to retain their position, and the high cost of sugar inhibits price cutting. But, although profit margins have been squeezed, the industry takes comfort from a market which shows no sign of becoming saturated. Soft drink sales have doubled in each of the last two decades; and when the products of the high wartime birthrate enter the soft drink consuming group—the "pre-martini" set in high school and college—sales may well double again. Consumption a head has also risen, from 100 bottles a year in 1940 to 178 last year, and is expected to increase in future at least as fast as incomes. And since Southerners often drink three or four hundred bottles each in one year, the rest of the United States clearly has a long way to go.

SHORTER NOTES

The confusion which arose when the General Services Administration—the government agency which buys for the stockpile—turned down offers of lead at the market price while at the same time accepting those of zinc, has now been explained. It appears that GSA had been authorised to purchase these metals up to a ceiling price of 14 cents a pound for lead and 13 cents a pound for zinc, and that in the case of lead the market price had already risen above this ceiling. This method of government purchasing is now realised to have a disruptive effect on the market, and future GSA purchases will be at the market price.

★

The last of the independent automobile producers—the Studebaker Corporation and the Packard Motor Car Company—have agreed on a merger of the two companies, subject to the approval of their stockholders. The serious decline in car production by the independent companies has already resulted in mergers of the other four independents—the Frazer Corporation with the Willys Company and the Nash Corporation with the Hudson Company—in the last two years.

The World Overseas

No Panic About Canadian Wheat

FROM OUR OTTAWA CORRESPONDENT

CANADIAN authorities are keeping their heads and putting a bold face on the wheat situation. In the House of Commons, the minister responsible for wheat marketing is Mr C. D. Howe, Minister of Trade and Commerce, who approaches these problems with the straightforward attitude of a businessman. He is not naturally patient with critical arguments, and he is less interested —and much less adept—in answering criticism than in selling wheat. Opposition members, especially those from the west, have thought it a good thing to paint the situation in gloomy colours. Canadians have certainly been told how disastrous a situation they may be facing as a country which still, in spite of all the industrialisation of recent years, depends on producing and selling a lot of wheat.

But, apart from politicians who may have peculiar interests in such matters and the sprinkling of gloomy individuals which is usual and proper, it is remarkable how calmly most Canadians are taking the situation. This includes the major farm organisation, the Canadian Federation of Agriculture, to which the "wheat pools" of the three prairie provinces are affiliated. Long ago most people accepted the fact that income from the sale of wheat would be very much lower this year than it was last. The indirect effects of this on general business in the west were probably discounted by most serious men in their earliest planning for 1954. Farm income this year will be substantially down.

It was also decided by most of the people concerned that the effects of one difficult year would not be too serious, simply because the western farmers were starting on the ordeal from a very strong position. They have had a succession of years much better than normal. Their debt position was good. They were well stocked with machinery and, by and large, well provided for domestically. Last winter one bad year seemed—and it still seems now—to be a passing misfortune which the farmers in particular and Canada in general can ride out. The real anxiety covers a longer period, of which the outcome is in the hands of Providence. A few good crop failures—in other countries of course—would quickly straighten out the world wheat situation.

In the meantime the authorities here are not blaming the United Kingdom (for staying out of the International Wheat Agreement) or Argentina (for having a big crop) or the method of marketing through a Government Wheat Board or any other extraneous factor for the fact that wheat is more difficult to sell this year than last. They are saying that Canada has had three exceptionally good crops in a row; that the latest of them happened to coincide with good crops in other countries; and that the world has too large stocks of wheat. Of course it is more difficult to sell. Of course the price is bound to go down.

In such a situation the best that anybody can do is to make sure that Canadian wheat-growers provide at least their fair share of a relatively limited world demand for wheat. So far the Wheat Board and the minister to whom it reports, Mr C. D. Howe, can claim that their percentage of the world wheat market is almost as large as it was last year. Argentina's return as a major seller, in fact, has taken it out of other exporting countries and not out of Canada. This, of course, is because of the quality of hard Canadian wheats which millers want to mix—in what is usually reckoned to be a virtually irreducible proportion—with the softer wheats which are produced in the southern hemisphere, and in parts of the United States.

It is understood here that it was mainly the American desire to try to maintain its share of the market for soft wheats that led to the 10 cent price reduction in early June. Certainly Canada, which was consulted in advance, neither precipitated nor advised the American price reduction: it merely followed suit, as it will follow any other reduction made by its competitors. The American price support system works in such a way that the increase in subsidy, which amounts to a decrease in export price, applies across the board to all kinds of wheat. Canada, therefore, will be involved in any competitive price reductions which may be made by the other three big exporters—the United States, Argentina and Australia—even though they arise from the effort to sell soft wheat in which Canada is not concerned.

Politically, as it now appears, price reductions may be easier for the United States, which pays for them out of the Treasury, than for Canada, where the government marketing operation merely gives farmers the sale price without subsidy. But the United States Administration impresses Ottawa as being thoroughly responsible in its marketing policy. It is not giving away the American taxpayers' money unnecessarily by arbitrarily slashing export prices. Moreover, Canada had no serious rebuttal to offer to the American argument early in June that the existing price ($1.80 US) a bushel was unrealistic in terms of the available market. And Canada could only agree that if the reduction had to come it was better that it should come before the meeting of the International Wheat Council at which importers' objections to existing prices were certain to be raised.

For the present crop year, which ends on July 31st, it is certainly too late to think of resorting to the IWA enforcement clauses to require the importing countries which are signatories to take up their full quota. It would be too late, even if Canada and the United States were prepared to accept the minimum price of $1.55 per bushel, which they are not yet. If the IWA minimum is to be enforced the time to invoke it would be early in the new crop year.

According to present indications, next year's marketing prospects will not be markedly different from this one. Stocks plus current crops still look like exceeding market demand. By the autumn a case could perhaps be made for reducing export prices to the IWA minimum, making sure of that market, and trying to keep the price outside the agreement at least up to the same level. But it does not now look as though Canada will resort to the $1.55 floor even then. If it does not, the decision will be based, amongst other things, on the calculation of how far other exporting countries are likely to reduce their prices.

The open market system has always had its advocates in Canada, on the prairies, and particularly in Winnipeg. But it would be difficult to choose a time at which it would be more hopeless to advocate a return to such a system. If the grain exchange were still selling wheat, and individual farmers were rushing in to anticipate a drop in price, then —it is argued—there would be real reason to fear that an oversupply, which must be temporary in the long run, would lead to a "price war" and a real price slump. Government marketing will not indefinitely keep prices up, particularly when the governments concerned are competing for sales. But it will surely exercise a moderating influence and tend towards a maintenance of prices. Canada still sees the world wheat problem as one of demand rather than of price. It does not believe that much more wheat would be consumed if the price were 20 cents lower. Surprising as it seems the world demand has proved relatively inelastic. Certainly it is much less elastic than the world supply, which can change from shortage to over-abundance according to the vagaries of the weather. The period of abundance therefore appears here to be a phase which has to be got through with as little reduction in price as possible, until the day when wheat is again a more precious commodity.

Premier for a month?

FROM A SPECIAL CORRESPONDENT

THE *Assemblée Nationale* has seen some strange permutations but nothing—oddly—more dramatic than last week's investiture of M. Mendès-France. This Radical, who is scarcely a member of his own party and preached Crippsian austerity after the war, was voted to power for four weeks by 419 deputies against 47 with 143 abstentions. His self-limited mandate is simply to seek an honourable peace in Indo-China. "My policy? To make peace. If I succeed then we can have a broad African policy and undertake the political and social revival of the country." Of his 419 supporters M. Mendès-France rejected the 99 Communists in advance. "What," he asked their spokesman M. Billoux, "would be the feelings of our soldiers in Indo-China if they learned that the country they were fighting for was governed by a man designated even partially by a party which had disowned them for years?"

When M. Mendès-France failed, narrowly, a year ago with a similar programme before the same Assembly, the Communists were against him but more than half of the Catholic MRP gave their support. The new Prime Minister owes his constitutional majority from the non-Communist parties to added support from ex-Gaullists and Conservatives. These changes speak volumes about the decline in French fortunes.

Until this year's defeats in Tonking and troubles in North Africa the foreign policy of M. Bidault was roughly accepted by the French Right as a tolerable balance between European and French Union themes. Recent events have shaken the French Union to its very foundations: so much so that the partition of Indo-China is seen by nearly all deputies as a prerequisite of any other policy. The MRP, which has held the Quai d'Orsay since 1946, save for a brief interlude when M. Léon Blum combined it with the premiership, is not unnaturally furious at being ousted from its fief in the middle of the Geneva conference. But at last the surgery of M. Mendès-France commends itself more than the equivocal panaceas of M. Bidault, who has never publicly established clear priorities between Asia, Africa and Europe.

Breaking EDC Deadlock

The new Prime Minister's priorities are clear enough: disengage from the Indo-China war; transfer French Union forces to Africa; actively prepare the French economy for European integration. For M. Mendès-France the EDC deadlock must somehow be broken. The long outstanding debate on the European Defence Community cannot, he recognises, simply be postponed. He has, therefore, asked that the Assembly should clearly pronounce before July is out, if not on the EDC, at least on German rearmament.

Le Monde welcomes M. Mendès-France as "the man who has singularly distinguished himself by refusing to be a minister in governments of whose policy he essentially disapproved." This political detachment combined with a reputation for brilliance—in his day he has been France's youngest deputy and youngest minister—is standing M. Mendès-France in good stead.

Should M. Mendès-France prove able to cut French Asian losses with honour—and he has expressly renounced any other kind of Asian solution—he will certainly receive national support for what he does in Africa. The Prime Minister has spoken in almost a Commonwealth vein about Morocco: "We must not regard every Moroccan and Tunisian nationalist as our enemy . . . need I recall what Lyautey used to say: 'Morocco has not only the right but also the duty to be nationalist'?" These sentiments will not please the diehard *colons*; but they represent the thwarted policies of many Socialists, MRP and also Gaullists who have never subscribed to the otiose philosophy of repression. M. Lacoste, the new resident-general at Rabat, is a distinguished administrator who might well change the climate on the spot if the climate were first to change in Paris. All that is needed is a steady, firm and generous policy which is not dictated by local interests.

M. Mendès-France, by limiting his mandate, has secured a government of national union for four crucial weeks. He has improved upon M. Laniel's government, which could find in the hexagonal chamber no certain majority for any policy whatever. Now that disaster has imposed action in the Far East, *immobilisme* has become synonymous with

treason. Provided that France's Asian Communist adversaries are themselves out for a settlement and not merely a delaying manœuvre, a surgical cutting of Indo-Chinese losses should be feasible. It is here that the French require and deserve the full weight of allied support. For it is the allies' chance—and perhaps the last one—of reviving French will-power and placing it behind their own effort. So long as a French government is a many-headed monster incapable of sustaining a coherent policy, France's allies can at the most regard the party leaders as passengers in the Atlantic ship. Now for the first time since General de Gaulle's resignation in 1946 there seems to be a chance of a French Prime Minister speaking for the bulk of the nation.

One question puzzled Parisian commentators: where did M. Mendès-France get the unexpected votes which enabled him to reach and even exceed the necessary 314 non-Communist ballots? These votes may be attributed to:

(1) The ten MRP who today raise him to power, just as yesterday they had approved him in opposition.

(2) The 15 overseas Independents who are confident that he will restore a policy of *détente* and economic progress in *Afrique Noire* as well as in North Africa.

(3) The 25 Conservatives hostile to EDC who hope that M. Mendès-France will deliver them from it by offering another solution.

(4) A dozen Gaullists who did not want to back him because he was getting Communist votes but who were swayed by his anti-Communist outburst.

General Templer's Achievement

FROM A CORRESPONDENT IN MALAYA

WHEN the appointment to Malaya of Sir Gerald Templer was announced in January, 1952, there were many who said "Who is he?" Now after a stay of less than two and a half years the question is "What has he done?"

That he has done something is evident from the easing of tension throughout Malaya and from the terms of the new Constitution that is to carry Malaya into the first stage of self government. Now that he has just left it is possible to assess the Templer Plan in retrospect. Its object was to take the sting out of terrorism and render it innocuous, to demonstrate to the common people of Malaya that democratic freedom is possible, and better than Communism, and finally to supersede communalism by uniting the different races in Malaya into a common Malayan nationality to which self-government could flow without strife.

He was throughout a man of mystery—a general who was not a general, an autocrat who liked little children—and he cannot easily be placed in any known category. "He was a man like ourselves"; you will hear the comment in a Malay kampong. Perhaps that is the answer. As a man he is not a genius but he has an infinite capacity for taking pains. In his fifties he is young in outlook and has boundless energy. He has not allowed experience or success to mould him; he did not use the past as a ready reckoner for solving the problems of the present. He takes nothing for granted and thus nothing is to him impossible.

Such a character enabled him to bring to Malaya's affairs a really open mind and such men are rare in Malaya or anywhere. In keeping with this he knew what he wanted and had abundant self confidence; he was willing to back himself. Although he was not a dictator his will prevailed, in Malaya and at Whitehall, and it was a personal will. In this however there may lie some danger and perhaps it is for the best that he leaves Malaya when the clear cut decisions essential in an emergency are becoming blurred in the haze of political issues.

In itself, his appointment was a guarantee to the waverers in Malaya that Britain meant business. This in turn set the pace for active operations against the terrorists. General Templer took risks and the responsibility for them. He issued rifles to planters and to the local Home Guards despite fears that such arms would melt away into the jungle. He went to the length of organising a force of surrendered terrorists. He made full use of propaganda and kept his word to those who gave up.

He convinced Malaya that Communism is not inevitable but the emergency is not yet over—it has been curbed not cured. Only one-eighth of Malaya is as yet "white." How much of the credit goes to General Templer and how much to those who came before him? When he took over the reins much had been planned. He inherited schemes and made them work. His secret lay in personal contacts; few men have seen so much of Malaya in so short a time. He not only made himself known to thousands in all walks of life but he also made them aware of his personality. At Tanjong Malim stern measures were necessary and yet he somehow carried them through with the air, not of a dictator, but of an angry uncle. He said hard things to those who stood in his way, regardless of race or position; he was blunt and at times rude, but was always human.

Accent on Community Welfare

Resettlement has been necessary as a safeguard against intimidation and forced collaboration. At root this was a defensive measure but General Templer brought out its positive side by his accent on community interests. There have been hospitals, schools, welfare centres and women's institutes. People have been encouraged to manage their own local affairs and to defend themselves against those who would take these benefits from them. By identifying himself with the common man General Templer went to the root of the matter.

It is in the success of his ultimate aim that he will wish to be judged but it has yet to be seen whether self government will come to a united Malayan nation or be snatched by communal hands. It is inevitable in a country seeking self government that some measure of hatred should be fomented against the protecting power. General Templer realised this and believed it to be "fostered only by a small minority in which may be found the representatives of most communities, including some British." The new Constitution which sets the pattern for the future is reasonable and moderate. It is perhaps too moderate for some but it is certain that however far the Electoral Committee went there would have been further demands from those wishing to win the credit for having won independence.

The issue however remains an open one and the results of General Templer's work will not be seen for some time to come. The stage has been taken by the UMNO-MCA Alliance which fortified by its reception by British Members of Parliament, is talking of boycott and non-cooperation. Perhaps moderate counsels will prevail. General Templer has probably interpreted the will of the common people and rulers but not that of the politicians who come between them. It is true that the UMNO-MCA Alliance is a fusion of Malays and Chinese but they remain communities and possibly temporary allies for a purpose. The new and untried Party Negara is more on the Templer model and may in the event have greater support than is thought. Although on the face of it the small elected majority looks like token independence it should be remembered that the nominated members are not stooges to ensure British control. Most of them are genuine representatives of sectional interests and if the party that comes to power governs wisely it will win their support.

What people in Britain should realise, and what General Templer saw, is that Malaya is not an oppressed colony dominated by European interests. It is a pleasant and prosperous land, built up by British leadership, which has attracted people from neighbouring countries so that it is occupied by three major and several minor Asian communities. Why else should citizens from free India seek what is sometimes described as colonial tyranny? Why should Chinese shun all that Communism has to offer?

Jugoslavia in Transition

FROM A SPECIAL CORRESPONDENT

AT the end of March the Central Committee of the League of Communists of Jugoslavia held a plenary session in Belgrade. Though this "Fourth Plenum" did not devote much time to the case of Milovan Djilas, the leading Communist whose doctrines on the withering away of the Party had been formally condemned last January, its essential task was to reaffirm the Party's role in the State and to restore the confidence of the members after the doubts and confusion of the winter.

All Communist parties in power face the difficult task, prescribed by party doctrine, of providing general leadership and inspiration for policy, without taking on themselves the details of administration. They must, in the classic Soviet phrase, "direct but not replace" government departments. For more than thirty years the leaders of the Soviet party have alternately exhorted its members to give firmer leadership or more responsibility to government officials. In Jugoslavia for some years there has been much greater emphasis on individual responsibility and decentralisation than there has ever been in the history of the Soviet Union. In his articles of last winter, Djilas stopped only just short of the logical conclusion of his arguments—that the League of Communists should give up its monopoly of political life. The fourth plenum strongly reasserted the necessity of Communist leadership. President Tito put the matter as follows:

> Today we shall not command this or that competent institution, we shall not tell them that they must do this and that, but we must suggest it to them in various ways. And everyone—professor, teacher, official and anyone else—must know that that is the attitude of the Communists, and the Communists mean something in this country, their importance has not ceased. And if anyone afterwards goes against that, it will mean that he is against the correct development of socialism in our country.

The plenum also stressed the need for stronger Communist leadership in intellectual life. A rather ominous passage in the speech of Rodoljub Čolaković, Jugoslavia's education boss, complained of the tendency of intellectuals to raise the bogey of *Zhdanovshchina* when they were criticised. It would, however, be premature to suppose that Čolaković, or his seniors, admire the methods of the late A. A. Zhdanov, let alone that they wish to reintroduce them in Jugoslavia.

The fourth plenum showed no inclination to reverse the policy of decentralisation in the political and economic fields. The new economic organisation, in force since January, 1954, gives greater powers to the "communes"—the county and city councils. It is these bodies which now dispose of that portion of the profits of industrial enterprises which is left after the central and republican governments have levied their taxes and an interest rate on the assessed value of fixed capital has been paid to the National Bank. Under the previous system this portion of profits was at the disposal of the workers' councils elected in the factories themselves. The change is perhaps intended to counteract what is officially known as "particularism"—the tendency of workers' councils to spend their factories' revenues on their own welfare rather than on such objects as the authorities consider to be of more general value. Communes now also appoint directors of enterprises, who are responsible only to them. It would, however, be surprising if a commune were to select, as director of an important concern, a person who was not an outstanding member of the League of Communists, personally known and approved by the supreme leaders of the League.

It is possible that the increased importance of the commune may mean a relative decline in the importance not only of the lowest level of the hierarchy—the workers' council—but also of the level intermediate between the commune and the central government—the national republic. On the surface, relations between the central and republican governments are excellent. It would, however, be rash to assert that the old "national problems" of Jugoslavia have been "solved." Admittedly they do not exist in their old form. There is absolutely no question of deliberate discrimination for or against any of the consistent nationalities. That this is so, must be reckoned greatly to the credit of the regime. But two types of conflict cannot be ignored.

One is between the republics and the central government. To the Croat, "Belgrade" still means the central authority which issues decrees, and which he can blame for most things that he does not like. The more enlightened Croat

DEVELOPMENTS OVERSEAS

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will readily admit that " Belgrade " no longer means, as it did in the times of King Alexander, Greater Serb supremacy over Croats. But the feeling remains that the fate of Croatia is decided outside Croatia, and the grumbling which the hardships of life cannot fail to provoke, can easily take on a nationalist flavour. And this is not confined to Croatia.

The other type of conflict is concerned with the uneven pace of economic progress in different republics. The most advanced of the republics is Slovenia, while both Croatia and Serbia contain both advanced and backward regions, the former on the whole predominating. Bosnia, Montenegro and Macedonia are much poorer, and are both economically and culturally backward. It has been a deliberate policy of the government, ever since the war, to give a high priority to the development of the three backward republics. Most of all has been done in Bosnia, which not only needed help but possessed great mineral resources and occupied a vital strategic position.

But the progress of Macedonia is also striking. Before 1941 the Belgrade politicians denied the existence of Macedonians—they were " South Serbians," speaking a dialect of the Serbian language. Today their separate nationhood—separate not only from Serbian but also from Bulgarian—is not only recognised but emphasised. Today the number of pupils in primary schools has substantially increased, and in secondary schools still further, and instruction is in the native tongue (Macedonian, Albanian or Turkish). Skoplje, the republican capital, which before the war had a philosophical faculty, subject to Belgrade University, with 160 students, now has its own university with more than 4,000 students. Quality lags behind quantity, but remarkable progress is being made. Industrialisation has not gone so far in Macedonia as in Bosnia, but even so the industrial labour force in 1953 was almost three times that of 1939.

Danger of Centrifugal Forces

The cost of these improvements in the backward republics has been borne by the people of the wealthier regions—Slovenia, Croatia-Slavonia and Central Serbia. To a foreign visitor who has memories of the old Jugoslavia, the government's policy in this respect appears true statesmanship. But the Slovenes, Croats and Serbs feel that they have good reason to grumble.

It is the national, regional and cultural diversity of Jugoslavia that is the main justification for ruthless centralised government. If the present dictatorial state machine were suddenly largely dismantled—which was the logical conclusion of Djilas' argument—centrifugal forces might prove extremely dangerous. The present regime is probably more ruthless than that of twenty years ago, but it is also more impartial. In the present writer's view it is not totalitarian. The citizen's private life is his own, and intellectual and cultural life, where they do not touch politics—in the traditional sense of the word—are surprisingly free. The disgrace of Djilas does not appear to have changed this. It is perfectly possible for persons who are not Communists to hold the jobs for which they are qualified, and to perform tasks of responsibility. Such people feel that this is better service to their country than sterile opposition.

Western observers may dislike the dictatorial methods of the Jugoslav regime, and may feel that its leaders are prevented by Marxist-Leninist dogma from seeing several simple truths about the art of government. But such feelings, justified or not, are of small practical importance. It is merely academic to compare Jugoslav realities today with an ideal state of western democracy, which has never had very vigorous roots on Jugoslav soil, and which is explicitly rejected by Jugoslavia's present rulers, who will certainly not be removed from power except by some catastrophe whose effects could not be confined to Jugoslavia. It is more realistic to set present realities against such improvements as men bowed down under the burden of Marxist-Leninist ideology are mentally capable of achieving, and also against the many pitfalls into which the same burden may cause them to stumble. Set in this perspective, the Jugoslav scene permits of hope.

Leadership in New China—II

Soldiers Around Mao

RELATIONS between the ruling party and the armed forces are crucial for the stability of a totalitarian state. The army under a dictatorship is not only charged with the defence—or expansion—of the country against an external enemy, but is also in the last resort the indispensable instrument for quelling internal revolt ; at the same time, if it becomes disaffected, it can overthrow the regime itself, or at least change its leaders, by a *coup d'état*. How to keep the army under control is the problem which confronts any totalitarian party which has attained power.

There are two alternative methods of doing it ; one is to build up an internal security police force with armed units of its own as a check on the regular army ; the other is to fuse the political and military elements in the direction of the armed forces in such a way that the formation of a separate police army is rendered unnecessary. The former method has been that characteristic of Soviet Communism, under which the Cheka in its various transformations and rebirths has always had its own organisation and armed strength separate from the Commissariat or Ministry of War. Hitler followed the same path in building up the Waffen SS as a rival to the German regular army. The Chinese People's Republic, on the other hand, has adopted a system whereby political police forces are not separated from the army, but the army is controlled by a body in which the political leadership of the government directly participates.

The contrast between Soviet and Chinese practice in this matter may be attributed partly to the long duration of Communist armed struggle in China, and partly to the special relation which has existed for many years between Mao Tse-tung and the commander-in-chief of the Communist armies, Chu Teh. From the Nanchang insurrection of August, 1927, which followed the original break between the Communists and the Kuomintang, to the completion of the conquest of mainland China in the autumn of 1949, the Chinese Communists as a party under arms were waging war continuously against either the Kuomintang or the Japanese or both for a period of over twenty-two years. The period of fighting after the Bolshevik Revolution—less than three years—was brief by comparison.

The difference in Chinese experience has produced a difference in the character of Communist leadership. Many of the " civilian " leaders in China were so immersed in strategy and the direct conduct of military operations that they could be regarded as soldiers. This was true particularly of Mao himself, who personally led guerilla forces in Hunan in the early days and had definite ideas of his own about how to wage a war. In conjunction with Chu Teh, the professional soldier, he worked out in theory and put to the test of practice his strategic conception summed up in his well-known formula:

> When the enemy advances, we retreat ;
> When the enemy halts, we harass him ;
> When the enemy avoids battle, we attack ;
> When the enemy retreats, we pursue.

Chu Teh, born in Szechwan province in 1886, a member of the landlord class, graduated as an officer from the Yunnan Military Academy ; in the early 'twenties he went to Europe and studied military subjects in Germany, France and Russia. Having become a convert to Communism, he took part in the Nanchang insurrection in 1927 and subsequently joined Mao in the mountains on the Hunan-Kiangsi border. He developed an intense personal loyalty to Mao, and their partnership was so close that the Communist leadership came to be known popularly as the Chu-Mao, a sort of composite personality in which neither element was imagined as subordinate to the other.

Underground in Shanghai

Chu's support was probably the most decisive factor in enabling Mao to achieve the position of supreme leadership in the party. Until 1932 the Central Committee and Secretariat of the party remained in Shanghai, working underground in China's largest city, while Chu and Mao were operating in the mountains hundreds of miles away. At last, however, Kuomintang police activity forced them out of Shanghai and they transferred themselves to the guerilla territory, where effective power belonged to the Chu-Mao. Mao still further strengthened his position during the " Long March," when everything depended on day-to-day military decisions and contact with Moscow was lost for several months.

During the war against Japan, when the Communist " Eighth Route Army " was officially recognised by the National Government, Chu Teh was its commander (and concurrently deputy commander under a Nationalist general of the Second War Zone), and P'eng Teh-huai was its deputy-commander, with Lin Piao, Ho Lung and Liu Po-ch'eng as divisional commanders. P'eng Teh-huai, a Hunanese fourteen years junior to Chu Teh, is today his rival in popular fame, having followed up his career of fighting against Kuomintang and Japanese with the command of the Chinese " People's Volunteers " in Korea.

P'eng, like Chu, belongs to both the Politburo of the Communist party and the Revolutionary Military Council ; he is not, while Chu is, a member of the Central Committee Secretariat, but he is, while Chu is not, a member of the State Planning Committee. Chu remains commander-in-chief. In the organisation of the super-provincial administrative regions under the Central People's Government, P'eng was appointed chairman of the north-west administrative council, but his duties in Korea seem to have made him permanently non-resident.

Of the three former Eighth Route Army divisional commanders mentioned above, Ho Lung is no longer important ; an illiterate Hunanese peasant and old-fashioned partisan fighter, he lacks the capacity to adjust himself to the transition from local skirmishing to large-scale military organisation. He has been rewarded for past services with the Ministry of Physical Education, for which his talents appear to be well suited. Lin Piao and Liu Po-ch'eng are in a different category. Lin Piao, aged 46, a graduate of the Whampoa Academy, of which Chiang Kai-shek was director, took part in the Nanchang revolt and in the Long March and was largely responsible for the decisive victories over the Kuomintang in 1948-49. He is chairman of the central-south administrative council and a member of the Revolutionary Military Council and the State Planning Committee, but does not, as do Chu Teh and P'eng Teh-huai, belong to the Politburo of the Communist party. He was recently reported to be out of favour with the higher authorities.

The Importance of Chu Teh

Liu Po-ch'eng, who is chairman of the south-west administrative council (with the Laos, Burma and Indian borders in his charge), is a graduate of the Soviet Military Academy and has translated a number of Russian military textbooks into Chinese. He was chief of staff to Chu Teh during the Long March and captured Nanking during the civil war in 1948. Like Chu Teh, he is a Szechwanese, and at the age of 62 he is one of the oldest among the notable Communist generals. He is a member of the Revolutionary Military Council, but not of the party Politburo or of the State Planning Committee.

Other military figures who have achieved prominence are Chen Yi, a Szechwanese who studied in France, working for a time in the Michelin factory, organised guerilla bands in South China after the shift of the main Communist forces to the north in 1934, and was made mayor of Shanghai after the Communist conquest ; Yeh Chien-ying, from Kwangtung, graduate of Moscow and Whampoa, who has been made mayor of Canton ; and Hsiao Ching-kuang, from Hunan, graduate of Moscow and Whampoa, who was second in command in Manchuria during the civil war. There are also Hsu Hsiang-ch'ien, from Shansi, the Chief of the General Staff, who seems to have been recently somewhat in the shadow—he was once an opponent of Mao Tse-tung, and has perhaps never gained the latter's confidence—and his deputy, Nieh Jung-cheng, a Szechwanese who studied chemistry in France and Belgium, graduated from the Soviet Military Academy and from Whampoa, and has for some time apparently been acting in the place of his nominal superior.

The Revolutionary Military Council, with its mixed professional military and civilian elements under the chairmanship of Mao Tse-tung, closely supervises all military formations, including the regular army, the militia, and the political security troops. There is no separate department of the Government Administration Council in charge of the armed forces. The system of control appears to have worked well so far, but much depends on the immense personal prestige of Chu Teh and his enduring loyalty to Mao Tse-tung. If either of them were to disappear from the scene, the People's Army might be more difficult to manage than it is now.

(To be continued)

Zhdanov's Ghost Rides Again?

THE struggle for power in the Kremlin is played behind closed doors but its echoes are to be heard in all walks of Soviet life. Sometimes from these side-issues, reflections and echoes it is possible to gauge the fortunes of the tough and the soft, the diehards and the reformers in this vital struggle. Literature provides probably the best mirror in which to watch the balance of power in the Kremlin from outside its walls. The treatment of literature is no minor problem in the Soviet Union and the general line for *belles lettres* must be approved by the highest quarters. Changes in that line, therefore, are a reflection of general changes in policy-making; the loosening or tightening of the literary strait-jacket is not merely of interest to aesthetes—it is a symptom of great political significance.

Early this year attention was drawn in *The Economist* of January 16th and January 30th to a systematic attack on the Stalinist totems and taboos in Soviet literature. In spite of Beria's fall, important writers—such as Ilya Ehrenburg or Konstantin Simonov—and critics continued to attack openly the system of writing to official measure. With official blessing, and even encouragement, they cried out for psychology instead of technology, for more truth, for greater sincerity in writing. A constant fire was directed against "Zhdanovism," the Stalinist system of literary controls named after the late Andrei Zhdanov who after the post-war relaxation led the drive for regimenting Soviet art.

For months the partisans of greater literary freedom held the stage and their opponents kept silent. Now, however, the "Zhdanovites" have launched a counter-attack taking advantage of preparations for the writers' congress to be held this autumn. Their position was most clearly expressed by A. Surkov in a lengthy article in a recent issue of *Pravda*, One of the chief arguments against writing to measure was that it can only produce mediocre work and so Surkov—on the principle that quantity changes into quality—starts with a long list of "eminent" Soviet writers. Then, under the flag of "social realism," he attacks the tendencies towards "naturalism" and other bourgeois deviations in recent Soviet writing. The meaning of this is simple: "naturalism" stands for the right of an author to paint the seamy side of Soviet life as he sees it; "social realism"—for his duty to keep the prescribed proportions of positive and negative and provide a "moral" ending. As if to drive this point home, Surkov then proceeds to condemn those people who last winter made a daring plea for greater freedom; to recall approvingly Zhdanov's decrees of 1946; and to revive the old arguments about cold war, foreign encirclement and the "constructive" duties of writers. It is with such slogans that literature had been transformed under Stalin into a crude utilitarian weapon.

Nor is this an isolated case. The counter-offensive is waged on all fronts and spreads even to satellite countries. Moscow's three literary monthlies, which were the platform for the partisans of a new deal for the writers, have come under heavy fire. The editor of one of them, the novelist F. Panferov has been sacked. (One of the reasons of his disgrace was probably his presentation in his latest novel of a high party official as a drunkard.) Other novelists and playwrights have been taken to task for showing too many "negative" characters and depicting these criminals fitting into Soviet society as easily as "fish in the water." Many writers must now repent that they had taken seriously the signs of relaxation of a few months ago.

This development is a setback for Mr Malenkov. It was he who, on the eve of Stalin's death, called on Soviet artists to take their pink glasses off when describing Soviet society and it was generally assumed that he was also responsible for the more liberal attitude towards literature after Stalin's death. Other counsels must now prevail in the Kremlin, but their victory is not yet complete. Ilya Ehrenburg is still allowed to describe shortages in Russia and vent his indignation against the frame-up of the doctors (though he, too, has just been rebuked); the poetess Aliger can still snub the above-mentioned Surkov by reminding him that articles are no substitute for novels or poems. Above all the party has not yet as in 1946 issued any stifling directives for art. Zhdanov's ghost haunts again, but other voices can still be heard.

There is a more important reason why the struggle cannot end so rapidly. The relaxation of literary controls, like other reforms introduced by the post-Stalinist regime corresponded to the needs of Soviet society: it was part of a general attempt to purge Stalinism of its outworn features. The millions of literate Soviet citizens brought up on the classics of Russian and world literature could not, and cannot any longer swallow the crude pills of Zhdanovist propaganda. The new rulers may or may not have wanted a clean break with the Stalinist past ("We want Gogols who give us no trouble" mocked a bold satirist in *Krokodil*), but at first they clearly wanted a change. The Stalinist diehards may have concluded that such changes, however, were dangerous and would inevitably spell the doom of the society which they had inherited from their Leader. But for how long can they artificially stop the course of events? The literary barometer shows that the diehards have now the upper hand, but it would be foolish to assume that this weather forecast will hold good for long.

Journal of Geneva—IX

JUNE 17th. A day of private discussions on Mr Chou En-lai's proposals of the previous day. M. Bidault returned to Paris.

June 18th. A restricted session discussed the problem of getting military talks started for Laos and Cambodia.

June 19th. After a restricted session a communiqué was issued stating that

> with a view to facilitating the simultaneous and rapid cessation of hostilities in Indo-China, it is proposed that (a) the representatives of the commands of the two sides shall meet immediately in Geneva or on the spot; (b) they shall study the questions relating to the cessation of hostilities, on the territories of Cambodia and Laos, beginning with the question concerning the withdrawal of all foreign armed forces and of foreign military personnel . . .; (c) they shall report as soon as possible to the conference. . . .

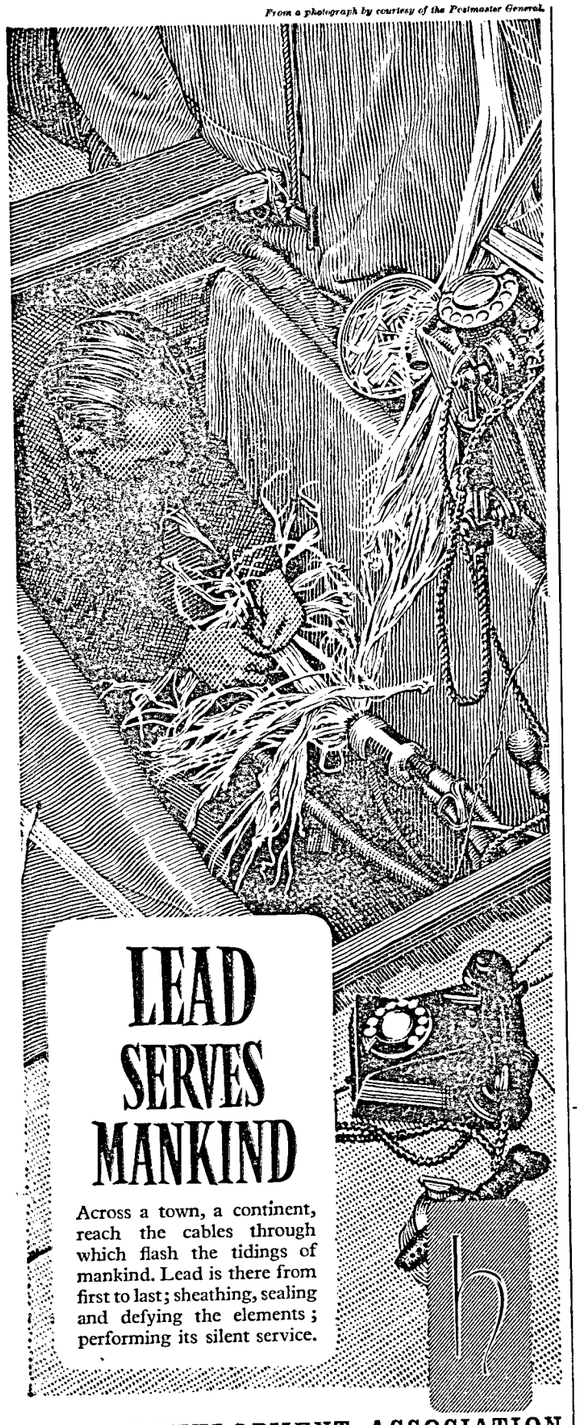
June 20th. Mr Molotov and Mr Eden left Geneva.

June 21st. Mr Chou En-lai invited the delegates from Laos, Cambodia and Vietminh to their first private social meeting.

June 22nd. A meeting to discuss armistice supervision in Indo-China was described as inconclusive.

June 23rd. A day of private talks at Geneva. Mr Chou En-lai and Mr Mendès-France had a meeting in Berne.

From a photograph by courtesy of the Postmaster General



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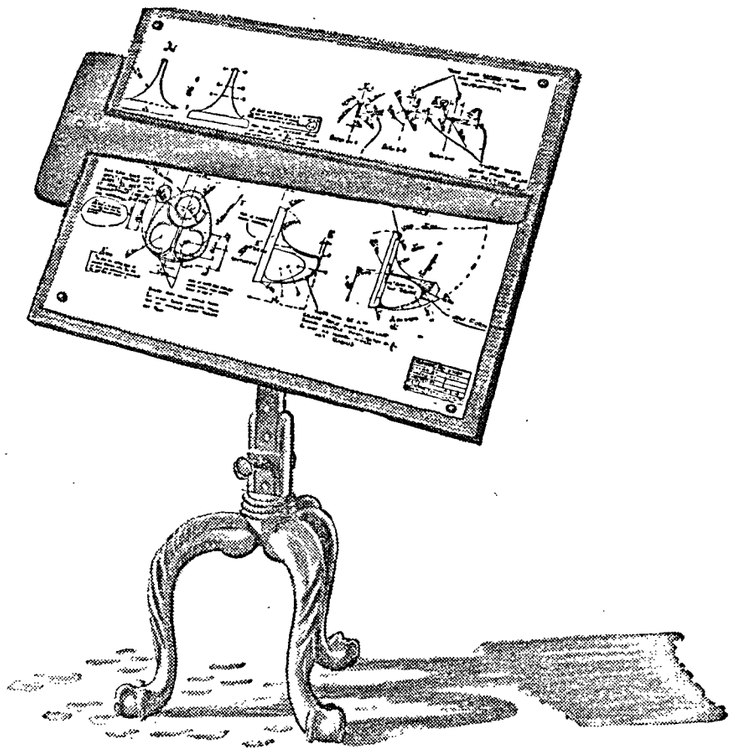

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THE BUSINESS WORLD

On Doing It Yourself

MISS Do It Yourself, a young lady in gaily coloured overalls recently cut her way graciously with an electric handsaw through a plank nailed across the entrance of a New York "Do It Yourself" exhibition. The lady has no counterpart in this country. Nor has the high pressure salesmanship that christened her and organised the show of home decorating materials and equipment specifically for the home handymen who are today responsible for the vast majority of all the painting and papering and varnishing that is done in American homes. In Britain, the spread of amateur decoration has been rather slower; and the reaction of the decorating materials manufacturers to what may become a major shift in their business has been slower still. Nobody knows quite how far it has gone here, though a few market surveys have been attempted. But it has already gone far enough to cause considerable alarm among professional decorators; and many of these, who until recently stood out against co-operating with the amateur who wanted to do the easy work himself, are now bowing to the inevitable and accepting commissions for the difficult items, such as plastering and "ceilings only."

Between the handyman's loss of wages (less tax) that his leisure work costs and the price he would have to pay (out of his net income after tax) for professional work there is a widening economic divide. When saving can be combined with fun, "do it yourself" ought to be the easiest proposition in the world to sell. Yet, so far, British manufacturers have only tiptoed into it. They have provided construction toys for several generations of schoolboys (think of "Meccano," Hobbies, and "Trix") and they offer vest-pocket diesel motors that will drive the budding aircraft designer's model nearly as fast as the real thing. But they seem a good deal more shy of catering for the man (to whom the child is father)—perhaps because what father does as an amateur bricklayer, carpenter or decorator is thought, in these hypersensitive days of full employment, unfairly to take the bread out of the mouths of the trade.

There are fewer inhibitions in the United States on this point. Americans have a marked readiness in mechanical construction, and industry has gone a long way to develop it into a market. Electric power tools, home decorating materials and appliances, cut timber for small buildings and furniture, complicated bits and pieces for radio and gramophone kits—these are among the common products that are demonstrated at "do it yourself" exhibitions, featured in the home magazines, and promoted in effective co-operation with local dealers. One mail order store sells packets of "do it yourself" instructions for different jobs, containing drawings and advice on materials. The turnover in electric power tools alone has been estimated at $150 to $200 million a year, which is big for spare time money.

The point that differentiates "do it yourself" in the United States and this country is that here the selling appeal to the amateur is still incidental, something on the fringe of an established market with the "trade" rather than a new market in its own right. That new market in the United States has recently been brought to the attention of manufacturers here by the Board of Trade. The scope for a similar expansion in Britain from hobby to industry is perhaps less evident. But already it has gone some distance; while Edward covers the kitchen table with a panel of the latest type of plastic material (using the latest type of bonding resin), Angelina busies herself with a "home perm." Since the war the difficulty of finding a decorator not engaged for months ahead, and the rising cost of his work when he found time to do it, have forced many families to try their hand with paint and paper.

Of the 13½ million houses (and flats) in Britain, 3¾ million are owner-occupied; the rest are rented from private landlords and local authorities. In the United States, over half the houses are owner-occupied, so that "do it yourself" here starts with a handicap that may be made good if tenants themselves acquire the habit of doing an increasing amount of decoration for themselves. In the north and in Wales it has long been the general custom for tenants of private landlords to be responsible for interior decoration; through the pressure of rising costs upon controlled rents, this is becoming more true of the south also. The same change seems to be occurring in public housing. More and more local authorities in the south are now encouraging their householders to undertake interior decorating and even minor repair work. The cost of maintenance—which can be as much as 4s. 6d. a week for each tenant—has led some councils to present their tenants with the choice of paying more rent, taking over the responsibility for minor upkeep, or doing the work in return for a gift of the materials.

*

Such surveys as have been attempted suggest that three-quarters of all households do at least some of their own decorating. The trade is slowly resigning itself to this fact. Against the postwar rise in costs, in which labour represents as much as 40 per cent of the total bill, the decorator has had little defence. There is little room for technical innovation in decorating; the difference between a professional job and that of the careful amateur is a matter simply of craft skill. The amateur can find out how to go about the job, and he probably works harder, and with care almost as effectively. It seems likely that the one or two man firm, which in the past has been the characteristic unit of the decorating trade, will continue to lead a bleak existence in the future. The larger firm, which often combines building with decorating and repair work, will still find its bread and butter work with local authorities, shops, offices and factories. Since 1949 (when it was certainly too high) the number of operatives and firms known to the Ministry of Works in the decorating business has been falling steadily. The main hope of the trade at the moment—that the do-it-yourself habit is only a passing fad—seems rather forlorn.

*

Paint and wallpaper manufacturers in Britain, so far, remain wary of upsetting their professional customers and have refrained from deliberately encouraging the home decorator. They may not have realised that he spends more money more frequently on decorating materials than if he employed professionals to do his work or had to pay his landlord for it. Moreover, he now has the help of several new techniques. The use of quick-drying paints and emulsion paints, which are easy to apply, washable, and proof against steamy atmospheres, is growing, and is providing severe competition for the wallpaper industry, which is reacting by trying to make paper hanging an easier job. But pre-pasted wallpaper, which is marketed in the United States, has not yet been seen in this country. Probably the most important development for the home decorator is the paint-roller, which has become very popular amongst those who were never very good at wielding a brush. Rollers and spray-guns also offer professional firms perhaps the best chance of cutting their costs, though the ways of the trade die hard. "Colorizers," which are mixed with grey or white basic paints to produce a complete range of colours have recently appeared in this country from across the Atlantic. These help the householder with a most varied colour scheme and help the dealer to economise on storage space and working capital.

With the return of a buyer's market in paints the industry has been forced to start overhauling its sales and distribution organisation. The shop around the corner is the place where amateur decorators will buy and from which they seek preliminary guidance. But perhaps there is already room for more specialisation. One shop has recently been opened in London solely to advise and lend equipment to the home decorator, and there are now others elsewhere. Institutions that provide evening classes for the home decorator report a growing attendance. But if the manufacturers are to make a full-blooded attack upon the "do it yourself" market, they must set about providing him with the materials, the advice, and the equipment that he needs at a reasonable cost in the nearest convenient shop.

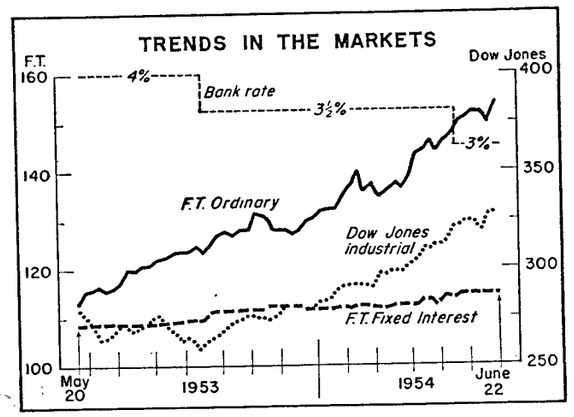
The crucial question facing manufacturers is whether the self-service phase will last and how widely it will spread. Britain's climate may make expert decoration necessary for rather more of the house than in the United States—where houses are largely built of wood, and the tradition of painting the outside every year has always been a family affair. But factors suggest that doing it yourself will spread, and last. It must always, at the time if not over the years, be cheaper for the householders than employing someone else; and the level of skill required is not out of the reach of the average person. Moreover, such new techniques as are emerging favour the amateur as much as the professional, and devalue his craft skill. Floor-finishes, for instance, are still largely laid by the expert, but only the completely incompetent fails with the paint-roller. In recent years, the self-service trend has emerged over a wide new field, from furniture making to laundrettes—wherever, in fact, professional services have become expensive and new techniques have enabled the relatively untrained amateur to attain a certain competence. A minor revolution in living habits is taking place today, of which doing it yourself, because hand labour is too costly, forms a significant part; and the wise manufacturer will do what he can to adjust himself to the changing market.

Business Notes

The Bull Rampant

At the very least the "bull market" on the Stock Exchange is thirteen months old. Whether it started from the low point of mid-May last year shown in the accompanying graph, or from an earlier period, is immaterial. It is still behaving like a vigorous and playful young steer at its liveliest early this week when the *Financial Times* index of industrial equities continued to break new records until it reached 154.8 on Tuesday and paused for breath, declining by small fractions on Wednesday and Thursday. Stock Exchange bargains marked have been running at the high level of over 12,000 a day, more than 2,000 ahead of most corresponding days last week. Every type of buyer has been in the market: the institutions, the country investor, the small man, and the speculator.

But it has been the risk taker, whether speculator or investor, who has made the running. Buying by speculators—big speculators—has been seen in the gilt-edged market. It brought about sharp advances of half a point a day in undated gilt edged, throwing aside the recent disfavour in which undated stocks have been held. This new wave of



confidence based itself on the argument that the dateless stocks would have to advance into line with the recent progress of the dated stocks; and so far it has not been proved wrong. In the industrial market, too, the semi-speculative investor was in the mood to take moderate risk. The old favourites of the stores group—Great Universal, Debenhams, Marks and Spencer, and United Drapery—were well to the fore, and there were no signs of boiling over until mid-week.

There are no signs that ragged speculation has taken control of the share markets. At no time during the past year have Kaffirs and rubber shares been sold across the West End as they were in the past when speculation got out of hand. Indeed these groups have not participated in the movement at all. But there are signs that investment has been becoming less the prerogative of the institutions and the pension funds and that private investors have been returning to the market with a feeling that they are justified in some moderate risk taking. The frame of mind that prefers a dateless gilt-edged stock where the possible gains and losses are greatest is much the same as that which carried ICI ordinary up to a new peak of 70s. 3d. on Tuesday. The chart shows that industrial equities have been rising much more steeply than fixed interest securities, which in turn suggests that confidence, rightly or wrongly, is still waxing.

Stewarts and Lloyds

The ordinary share markets provided an auspicious background for the offer of 10 million £1 ordinary shares in Stewarts and Lloyds at 35s. on Thursday and Friday. *The Economist* goes to press with the extent of the subscriptions unknown. But the technical fact of oversubscription was a foregone conclusion since firm applications were required from underwriters. What happens in the first few weeks of market dealings will determine the true measure of success of the Realisation Agency's policy. The Agency has not spared any effort to make the issue a success. It is spending £530,000 (or 1s. 0¾d. per share) on expenses, including underwriting commissions, though this figure represents no more than 3 per cent of the £17½ million involved. The consortium is paying commissions of 7¾d. per share out of the 9¼d. per share which its members themselves receive; hence the underwriting institutions and others will have a reasonable margin in hand for buying additional shares up to a modest premium if their allotments are not up to their expectations.

The market's progress seems to have left even the Bank of England a little behind. The price at which it will accept 3½ per cent Treasury Stock 1979-81 instead of cash was fixed, on last week's closing level plus an allowance for full payment on application, at £97 9s. 1d. per cent. But the market price of that stock has refused to stay pegged and is up to £97 12s. 6d.; hence it is cheaper to apply with cash. It is unlikely that Stewarts and Lloyds will be resold to the public at a loss, though with £10 million of 5½ per cent preference capital and £10 million of 4½ per cent debenture stock still in the hands of the Agency the final result is unknown.

But the success or failure of the Agency's transactions cannot be judged by crude measurements of profits or losses compared with the nationalisation values taken at a series

of arbitrary dates. Mr George Strauss and Mr Hugh Gaitskell fell into that error when they attacked this week the sale of the ordinary shares of English Steel to Vickers and Cammell Laird. They forgot first that so long as the prior charges remain unsold no profit or loss can be struck. They forgot secondly that the prices of sale of steel companies are the result of months of tough negotiation and that the Agency is no whit less keen than they to get the best price; indeed its members know that down at the bottom of their list are some steel units that certainly are not saleable without loss. Critics forgot, above all, that what is being resold in 1954 is not the same thing that was nationalised in 1951. If there are losses on steel, a lot of the blame will attach to Mr Strauss and his colleagues who threaten renationalisation.

Cheaper Money in America

THE dilatoriness with which American business is picking up from the setback that began about twelve months ago has induced the Federal Reserve Authorities to make another pump priming move. It is a general relaxation of member banks' reserve requirements which will add some $1,500 million to excess member bank reserves and may, if other things remain unchanged ultimately allow a $9,000 million expansion in the total bank credit of the member banks. This method is unusual, for the change will not come into full operation immediately but will be spread gradually over the next six weeks. When the reductions have been completed by August 1st, the reserve requirements will have been affected as follows. On net demand deposits for Central Reserve City Banks, i.e. New York and Chicago, the requirement will be lowered from 22 per cent to 20 per cent (the legal minimum being 13 per cent). For reserve cities the requirements will be lowered from 19 per cent and 18 per cent (the legal minimum being 10 per cent). For country banks the requirements will be cut from 13 per cent to 12 per cent with the legal minimum at 7 per cent. On time deposits all member banks, wherever situated, will have their reserve requirements cut from 6 per cent to 5 per cent. Thus the substantial cuts just announced will still leave reserve requirements well above their legal minima and a plentiful supply of fuel will remain for further pump priming.

These reductions are also significant as an illustration of the differentiation in changes in reserve requirements which was made possible by wartime legislation. The pressure has recently been greatest on member bank reserves in New York and Chicago and there the requirements in respect of demand deposits is cut by two points; the reduction everywhere else is only one point. The Federal Reserve Board has pointed out that it was acting in anticipation of estimated demands on bank reserves during the summer and autumn months. Account has also been taken of the Treasury's financial needs. It should be noted that member bank reserves have also been modestly reduced recently by a net gold outflow from the United States. Even with all these explanations and reservations the move is having a further depressing effect on short term money rates in New York where the three months Treasury Bond rate is now down to 0.64 per cent as against 1.58 in London. It is not, therefore, altogether surprising that this latest move in the American credit policy should have stirred up some hopes of a further sagging in money rates and perhaps even in Bank rate in London.

Bill Rates Down Again

THE discount market caused some surprise last Friday week by raising still further its tender price for the weekly offering of Treasury bills. This was the third successive rise; at the tender immediately following the launching of the Treasury's 2 per cent Conversion issue, as *The Economist* noted on June 12th, the discount houses raised their price by 4d. per £100, equivalent to a reduction of ⅛ per cent (per annum) in the rate of discount on the bills; and at each of the two following tenders they raised it by 2d. This carried the market's tender rate down to a shade under 1$\frac{13}{32}$ per cent; and the average rate for the whole allotment was 31s. 7.57d. per cent, compared with 32s. 3.56 per cent in the previous week and 40s. 10.84d. per cent on the eve of the reduction of Bank rate to 3 per cent last month.

This keen bidding for bills springs from the market's anxiety to check the declining trend in its bill portfolios that has been proceeding for some time past. But on these recent occasions, unlike those before the reduction of Bank rate, the pressure upon portfolios has apparently not come mainly from an increase in "outside" competition for bills. Total applications at the tenders are still high, but they have lately been well below the peaks reached in April and May; last week they fell by £18 million to £400 million. The supply of bills has, however, been falling; at each of the three tenders the authorities "cut off the top" of the offering by under-allotments totalling £40 million, with the result that by the end of this week the total tender issue will be down to £3,290 million (and will fall by at least £10 million next week), compared with £3,340 million at June 5th. This decline, at a time when the Exchequer has been seasonably in deficit, is, of course, a consequence of the recent bond issue.

The success of that operation has also affected the market's bill portfolios in another, and perhaps even more significant, way. By putting pressure on yields generally, it has intensified the clearing banks' appetite for bills. For some time past the banks have been preferring to buy bills from the market rather than to lend call money to it, in order to reap the better return obtainable from bills. Shortly after the reduction of Bank rate the margin between bill rates and the clearing banks' charges for call money secured by Treasury bills was unusually wide; but now, after this third fall in bill rates, it is down to a shade under $\frac{11}{32}$ per cent. It has been pointed out that, even now, the Treasury bill rate has fallen since early May by $\frac{3}{32}$ per cent less than the $\frac{1}{2}$ per cent reduction then made in Bank rate. But, if one can judge from market conditions during the greater part of the phase of the "new" monetary policy, the movement should be nearing its limit. Although the margin between money and bills is now fractionally wider than on the eve of the Bank rate reduction (when that move was being anticipated), it is narrower than it has generally been during these past two years or so.

As Basle Sees Us

GREAT Britain emerges from the Annual Bank for International Settlements prizegiving bearing an almost embarrassing load of commendations. It may not be top of the class, but it unquestionably gets the award for the most promising performance. That promise, needless to say, is measured in terms of progress towards convertibility, a cause to which the BIS has given such persistent and devoted support since the end of the war. There is a barely suppressed note of triumph in the comments on this particular subject, "The momentum of the movement towards convertibility has not been lost; only dire political emergencies would now be capable of arresting its advance. For this movement is impelled not only by the interests of the individual countries anxious to consolidate their postwar recovery, but also by the transcending and no less real interest of all countries in establishing between themselves the elastic but strongly knit bond provided by the system of convertible currencies."

Of Britain's achievements, the one that receives most praise is the reopening of the commodity markets. The success that attended that policy is mentioned to illustrate one of the lessons learned in the postwar years, namely that "the system of direct controls, which was used in an endeavour to check inflation has, by introducing rigidities into the cost and price structure, had the effect of hindering steady economic growth." The BIS report also pays special tribute to the steps taken by Great Britain to expand the use of sterling in international trade by reopening a foreign exchange market in London, allowing arbitrage both in spot and forward exchange, and in simplifying exchange control by broadening the transferable account area. Looking back on the past year the BIS finds it the most reassuring of the postwar era. The author of the report derives special delight from the success of the application of flexible monetary policies. He draws attention to the success with which the non-dollar world, and Europe in particular, has withstood the decline in industrial output in the United States. He also takes special pleasure in the fact that a strengthening of monetary reserves and an improvement in the value of individual currencies has been found compatible with a policy of full employment.

Coal Imports "As Usual"

IT is some years since the experts decided that Britain was becoming an "importing-exporting" nation for coal, but regularly each year the demonstration of that fact causes a deep and understandable chagrin among the public. The balancing imports of large coals that the Minister of Fuel and Power has now approved for 1954-55 were inevitable, given British domestic heating habits. The amount, some 700,000 tons, is tiny even beside the National Coal Board's exports of some 16 million tons a year; coal is not a homogeneous material, and there is nothing more humiliating in importing less than half of one per cent of the country's coal output while exporting about 7 per cent than in importing 2-3 per cent of the country's steel production while exporting about 15 per cent of it. Comforting and factual excuses for this week's foregone decision to import coal, therefore, are not lacking, and imports on this scale are probably here to stay. None of which denies the public's instinctive feeling, each time, that something must be radically wrong with the British coal industry. Incidentally, the amount of imports authorised this week may well be too small for safety this winter.

Arab and Greek

A LETTER addressed to the Minister of Finance and Economics of Saudi Arabia identifies the writer, for the avoidance of any doubt in interpreting an agreement of January 20, 1954, as "Mr Aristotle Socrates Onassis of Greek birth and Argentine nationality, residing in Montevideo and with his office at Paris." This letter, and a second one also dated April 7th fill out the story of the Onassis-Saudi Arabia agreement and greatly increase the objections already taken to it on the ground that it involves flag discrimination of the gravest kind.

For example, Article IV of the original agreement has been amended as follows (italics have been inserted):

> The (Onassis) company will have priority for the shipment and transport of oil and products exported from Saudi Arabia by sea to foreign countries from Saudi ports *or from the terminal of the pipeline outside Saudi Arabia.* This right is subject to two conditions: (*a*) Priority in the first place will be given to tankers *owned* by the companies holding a concession, or companies forming them, or purchasing companies, provided that the ownership of these tankers is *registered in the names of those companies* and that they were *carrying out regular shipments of Saudi Arabian oil and its products prior to December* 31, 1953. . . .

These are highly restrictive arrangements. They purport to give Mr Onassis rights beyond the confines of Saudi Arabia itself; they cover crude petroleum and refined products. They suggest that none of the tanker tonnage on charter to Arabian-American Oil Company would qualify for the priority reserved to the concessionaire companies, and this tonnage is likely to be far larger than that directly owned by Aramco and its associates. They do not mention, indeed, whether directly owned tonnage could be renewed when it became too old for service.

For this virtual monopoly of oil transport, Mr Onassis will be paid not less than the average rate under the London Tanker Brokers' award from April, 1952, to March, 1954. He undertakes to train and employ Saudi Arabians; to carry without charge 50,000 tons of oil or products from Saudi Arabian ports to ports on the Red Sea—apparently a once-for-all transaction. He will pay a tax to the Saudi Arabian Government of 1s. 6d. per ton on all oil carried by his tankers anywhere beyond Saudi Arabia. And he undertakes to register a minimum of 500,000 dw tons of tankers to the Saudi flag, under which they will carry Arabic names. There are still some tricky hurdles to jump, for Saudi Arabia has yet to introduce its own maritime law "similar to the maritime laws of friendly governments" and the registration of tankers by the Saudi Arabian Maritime Company, Limited, will certainly be closely watched by the lawyers on both sides

In case it should any longer be thought that the agreement is a piece of extravagance intended to secure other aims, the following extracts from the second letter written by Mr Onassis on April 7th should be pondered:

> Within one month of the date of delivery to me of a copy of the royal decree, the Government of Saudi Arabia will address letters to concessionaire companies giving them notice to make the arrangements necessary to fulfil the royal decree. After one month from the issue of the letters . . . the Government will discuss with me the situation resulting from the replies of the concessionaire companies. If necessary the Government will arrange for a trilateral meeting at which each concessionaire company is represented . . . (to) ensure execution of the agreement. (If it is) impossible to hold this meeting or reach agreement . . . the Government will discuss with me the possibility of taking legal proceedings against the company or companies which are preventing fulfilment of the agreement (of January 20th). If it is decided to take legal proceedings against the concessionaire company or companies . . . the Government will come to an agreement with me on the manner in which these proceedings shall be conducted so that the interests of both parties may be safeguarded.

Nothing could show more clearly where Mr Onassis stands. He gives sinister new meanings to freedom of shipping and to 50/50 agreements in oil.

Chemical Export Prospects

THE chairman of Imperial Chemical Industries had good reason for building his address to shareholders on a foundation of sober confidence. ICI achieved record sales in 1953; it is in the throes of big developments which in due course will yield additional productive capacity. Dr Alexander Fleck can claim that so far this year the group has enjoyed continued expansion and the prospects are good. He expects ICI to hold its own against strong competition in overseas markets and in some directions to gain further ground.

His remarks on the nature of these possible gains deserve the widest attention, for the ICI board is boldly making plans for a change in the pattern of the company's exports. The group has suffered from import restrictions in many markets, and last year its total export trade declined from £62 million to £58 million, largely owing to these restrictions. Now the chairman has decided that "it is not good policy to strain our efforts to sell to countries which cannot pay us or cannot pay us in a currency which we can use." He intends a greater concentration upon countries that want British goods and have adopted internal policies that make it possible to pay for them. Two examples of good markets are provided—North America, where ICI nearly doubled its exports last year, and Australia.

So far the 1954 export figures are giving support to Dr Fleck's forecast. Of British chemical exports for the first five months of 1954 Australia has continued to take an increasing share and has this year been the largest single market; Canada has also taken a little more, the United States a little less. But there seems much scope for further adjustment. The three markets mentioned absorbed only £12 million out of total British chemical exports of over £80 million in the five months.

Jet Transport for the Army

AFTER long discussions with the Treasury, a production order has been placed by the Air Ministry for Vickers-Armstrong's big jet transport the V.1000, which is to replace the Hastings as the standard troop carrier for the services. Work was begun on the prototype last year, which will be the first aircraft designed to fly with Rolls-Royce Conway engines. The Secretary of State for Air has told the House of Lords that the V.1000 would be capable of carrying 120 troops, with personal arms and equipment, distances of 2,500 miles, and has calculated that five aircraft could lift a battalion of infantry as far as Kenya in 18 hours.

This should provide the big increase in mobility that the army has been demanding, and it may be the only way to remedy the shortage of servicemen compared with the country's military obligations. The probable cost of an aircraft of this size is in the region of £750,000 to £1 million, and the order is said by Lord de L'Isle and Dudley to be big enough to justify tooling up on an economic scale. The order will help forward Vickers' plans to market a civil version of the V.1000 for trans-Atlantic operation. No decision has been made on the financial support that the Ministry of Supply may give to the development of the machine as a civil air liner, but a substantial government order for a largely similar military transport should avoid many of the hazards of civil development. The order is a victory for those who have pressed for the increasing use of air transport in the services; a further big order has also been placed for the less glamorous but equally essential Blackburn Beverly freighter.

British Celanese Looks Ahead

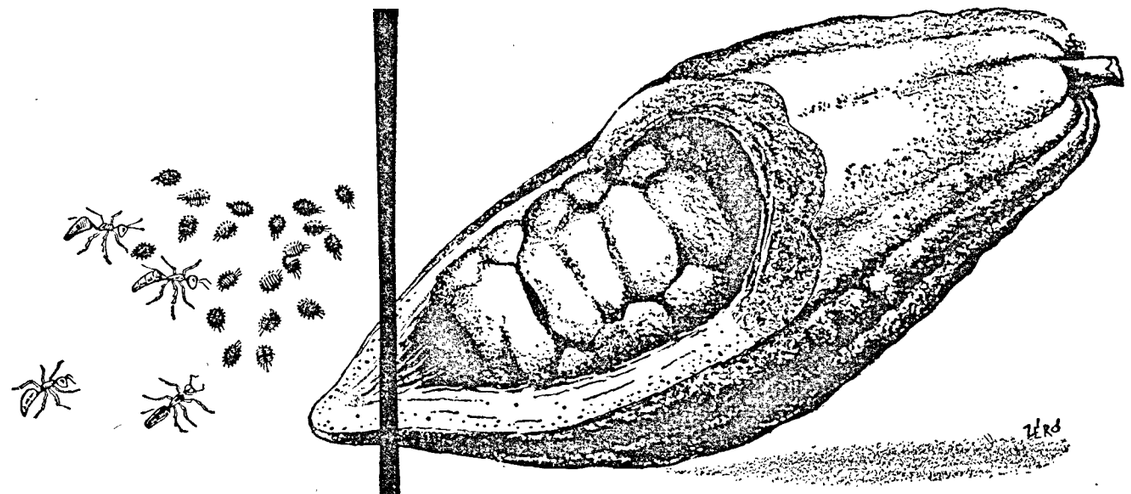
THE return of prosperity to the synthetic textile industry has been impressive in its speed and scope. In the 53 weeks to April 3rd, British Celanese earned over £4 million, compared with the equivalent rate of £2½ million a year in the previous period. The directors raised the ordinary dividend from the equivalent of 16 per cent to

CONSOLIDATED BALANCE SHEET

	March 28, 1953	April 3, 1954
	£	£
Fixed assets, *less* depreciation	10,534,811	11,641,168
Net current assets	13,729,213	14,375,382
Stocks	5,614,618	5,256,709
Gilt-edged securities	6,623,034	8,321,778
Cash	2,372,294	2,004,901
Capital reserves	5,468,943	5,893,379
Revenue reserves	3,766,792	4,411,146
Ordinary capital	3,759,267	3,759,267
Outstanding capital contracts	*1,586,000*	*2,015,000*

18 per cent while reinforcing the group's liquid resources. This recovery justifies a note of reasoned optimism in the chairman's statement.

Mr G. H. Whigham's comments imply that the advance in profits was entirely due to increased sales. Profit margins were actually lower. Three factors appear to have been at



In West Africa, the cocoa tree is the basis of the national economy. Like man, trees are afflicted with many diseases and the cocoa tree has, in recent years, been stricken with the virulent swollen shoot disease.

the cocoa tree's challenge to science

Scientists in the Gold Coast have studied the problem for years and one remarkable result of their research work was the discovery that the mealy bug transmits the disease from tree to tree. This discovery might well be compared with that of Sir Roland Ross when he established the mosquito as the carrier of malaria.

Scientists of Pest Control Limited, working on this information, discovered a chemical which—when fed to the tree—kills the mealy bug. Hopes ran high that the defeat of the swollen shoot disease was in reach, but new facts and practical difficulties constantly appeared. Pest Control Limited, now supported by all the resources of the Fisons Organisation, will continue, with renewed vigour, the attack on the swollen shoot disease, which presents one of the most important and difficult problems science has yet been called upon to solve.

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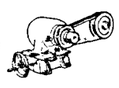

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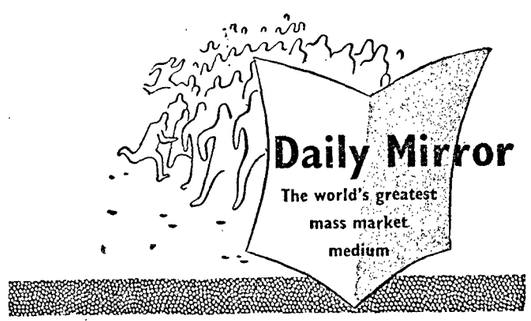

work here. First, the price of acetate staple was reduced last July. Secondly, the company has been adding to its sales organisation, bringing an increase in overheads costs perhaps not immediately matched by bigger sales. Thirdly, "the re-emergence of the normal prewar pattern of trade," has added to manufacturing costs. The change in the pattern of trade involves smaller stocks in the hands of customers, and smaller and more frequent orders to the manufacturer, who thus has to hold larger stocks. Though this change means that forward order books are reduced, Mr Whigham welcomes the return to more normal, if more competitive, conditions. Though prospects abroad are not reassuring he feels that "at home there seems to be every evidence of the continuance of a good domestic market for textiles, although it will be highly competitive."

Even if the recovery continues apace, it may not bring a spectacular increase in dividends. Reinforcing the warning by the directors that the free scrip issue does not necessarily affect the total amount to be distributed, Mr Whigham points out that in the next two or three years British Celanese will have to spend about £5 million on capital account. Its liquid resources are ample, but provision for new developments, for replacement of existing assets and for working capital may rank before generous dividends.

Contrasting Trends in Advances

THE expansion of the private sector of the economy now seems to be making smaller demands for new bank finance than it was doing at this time last year. That is the principal broad deduction to be drawn from the latest quarterly classification of bank advances, which relates to advances made in Great Britain by members of the British Bankers' Association. Total advances rose between February and May by £47.8 million—whereas last year they fell by £3.7 million in the same period. But of this year's increase no less than £31.4 million was accounted for by the growing requirements of the public utilities group, which in the similar period last year made a net repayment of £41.3 million to the banks.

The borrowings of all other groups thus increased by only £16.4 million from February to May this year, against £37.6 million in 1953. Many of these groups are, of course, non-industrial. But when semi-public borrowers, such as the local authorities, churches and charities, and the important personal and professional group, are excluded, it remains true that the borrowings of private trade and industry in this latest period increased by less than in the corresponding period of 1953. This reverses the relationship that has been consistently shown, on the annual comparison, since November, 1952. The explanation of last year's sharp fall in the borrowings of the utilities group was, of course, the launching of the Electricity Authority's last market issue last April. The latest rise in the utilities' borrowings from the banks emphasises the need for new approaches to the market. The outstanding overdrafts of the utilities group have now risen to £118.3 million. This is the highest total since the record level of £140 million was reached in February, 1953, just before last year's BEA loan.

Whilst the swollen size of the utilities' advances is attributable to their recent absence from the new issue market, the limited increase in those of other groups might, correspondingly, be put down to the recent activity of a number of industrial borrowers in that market. But this explanation cannot be the whole one. Probably the higher level of business profits, the slowing down in the growth in industrial production, and possibly some check also to private stock-building have all played their part in lessening industry's dependence on bank accommodation. The engineering group reduced its borrowings by £10 million, and shipbuilding and iron and steel also made small repayments. Nineteen of the twenty-five groups registered increases, but the only significant ones among the industrial groups were those of the food, drink and tobacco and retail trade groups. A notable movement was the increase of £5.6 million in personal and professional borrowings, which until the last quarter had fallen continuously since August, 1951.

Foolhardiness in Factories

THE report of the Chief Inspector of Factories* for 1952 records a drop in the number of accidents compared with earlier years but there was no improvement in the standard of care of the average factory worker. It records 177,510 accidents of all kinds during the year, 792 of them fatal. This is nearly 6,000 fewer than the total for 1951, and the lowest figure since the 1937 Factories Act came into operation. The chart shows the principal causes of accidents that happened in factories, but not the background of carelessness and indifference that caused them. Falls, for example, rank as a major cause of accidents, and nearly 10 per cent of them were falls from ladders. A high proportion were caused by faulty or slipping ladders, two types of accident, the inspectors feel, that should never happen.

One of the unsatisfactory features is the negligible reduction in the number of accidents to young people; 11,763 of them were injured during the year, and the inspectors suggest that managements are failing to protect them adequately from hazards that they are too immature to recognise. Not that the adults themselves set a good example—the inspectors' most scathing comments are reserved for 28,045 victims of foot injuries, two-thirds of which could have been avoided had they worn safety shoes.

This is, unfortunately, typical of the attitude of many British workers to normal safety precautions; observance of safety rules in British factories makes a poor showing beside the strict discipline enforced in the United States. The Inspector's report contains a hint that managements may not have done all that they might to get the co-operation that is so noticeable in America; there are references to Accident Prevention Committee meetings in factories that "tend to be purely formal gatherings for the exchange of platitudes." The most hazardous industries, the atomic factories among them, have the best safety records in the country; the lesson for the others ought to be obvious.

* Annual Report of the Chief Inspector of Factories for the year 1952. HMSO. 6s. 6d.

The Supply of Airline Pilots

THE future supply of civil pilots has caused the airline operators concern. They have hitherto depended on *ad hoc* recruitment of ex-RAF men. The air transport industry had already grown too big to rely solely on this source of recruits, and the matter approached a crisis after the Air Ministry's recent decision not to train National Servicemen to fly unless they were to stay on in the service. Operators are pressing for pilot training to be put on a different basis, independent of the RAF, and a working party representing the British airlines, nationalised and independent, and the pilots' organisations put its proposals before the Minister of Transport this week.

It is estimated that an annual intake of between 70 and 100 pilots is needed for civil flying, and the memorandum suggests that training scholarships should be offered each year to roughly 400 boys (to allow for wastage during training), aged between 16 and 18. Selected candidates would be taught to fly at a civil flying club and then trained for two years for their commercial pilots' licences, for which the minimum age is 18. They would then be ready for recruitment by the airlines, which would be responsible for all further training. This, the memorandum suggests, would put the preliminary training of civil pilots on the same footing as training for the professions; the course would last approximately three years.

In one respect, however, it would seem to be different for the memorandum does not suggest that the boys or their families would be asked to meet any of the training costs. Training, it says, should be financed by the Treasury, at an estimated cost of £250,000 a year, since "the cost borne by airline operators in giving advanced training to pilots after their initial engagement is already very high and it is not thought that the operators can be expected to pay more than they already do." In a working party composed entirely of airline operators and their pilots, this attitude can be understood, but it is not quite self-evident.

Dorman Long Looks Forward

THE universal beam and structural steel mill for Dorman Long's new works at Lackenby has been a topic of discussion in the British steel industry—and of heart-burnings among British steel plant manufacturers—ever since the inception of the industry's first development plan after the war. Today, the company is clearing the site alongside the new steel melting shops at Lackenby, prior to laying foundations and firm orders are in hand for the mill equipment, which has acquired some refinements since it was first decided upon. Some of the plant is being built by the United Engineering Company of Pittsburgh, though much less than originally appeared necessary; for some $6 million Dorman Long is buying this specialised equipment, plus the consulting experience of the plant builders, and a good deal of "know-how" from the operators of these beam mills in the United States. Only five such mills exist there, and there is no universal mill, properly so called, in this country; since it is well over twenty years since the last one was put down, Dorman Long's has set even the American consultants some problems. Using their advice, Dorman Long's own engineering staff have actually designed the mill, and it incorporates some ideas that the company is patenting in Britain and America; it will be largely constructed by Dorman Long's own constructional departments and subsidiaries, as have been the company's other great developments since the war.

This mill, plus a medium section mill and a rod and bar mill at Cleveland, will balance the finishing end of the whole reconstructed iron and steel works. At Cleveland, too, foundations are laid and the steelwork is rising for two new blastfurnaces of 27 ft. 6 in. hearth diameter; these, fed by an enlarged ore handling plant and a vast new coke oven battery, will take over the work of the seven old hand-charged blast furnaces on the site, two of which have already been closed down. Three other modern furnaces are already in operation; the five will eventually produce much more iron than the ten. These will feed Lackenby; the melting shops at Cleveland have for the present been closed down. The Lackenby melting shop, which incorporates five 360-ton tilting open-hearth furnaces and two mixers, is designed to produce 625,000 ingot tons of steel a year, and could be extended to a capacity of 900,000 tons. Melts of some 450 tons have already been achieved in the 360-ton furnaces. The whole process of reconstruction and replacement, when completed, will raise Dorman Long's steel output from about 1¾ million ingot tons to some 2¼ million tons, all from modern capacity. The company will have achieved this largely by employing its own engineering resources, and from its own financial resources—a significant item when the denationalisation queue makes a further move.

Role of Engineering Exports

THE recovery of British exports continues to stem mainly from larger sales of engineering products to the sterling area. In the first quarter of 1954 the rise in such exports over the average rate in 1953 occurred principally in machinery, farm tractors and aircraft engines. Since March, however, road vehicles can claim most of the credit. Exports of road vehicles have forged ahead from a monthly average of £21 million in January and February to £26 million in May. This reflects partly the seasonal rise in exports of cars to Western Europe, which in May were nearly double the average value in January and February, and to Canada,

UNITED KINGDOM EXPORTS
(£ million—monthly averages)

	1953			1954	
	1st half	3rd qtr	4th qtr	1st qtr	April/ May
Total exports, excluding re-exports	209	212	231	224	227
of which					
Engineering products	81	77	85	87	88
Textiles, excluding clothing	26	28	29	29	28
Metals	28	28	30	28	29
Other Manufacturers	36	39	42	39	41

Carried unanimously

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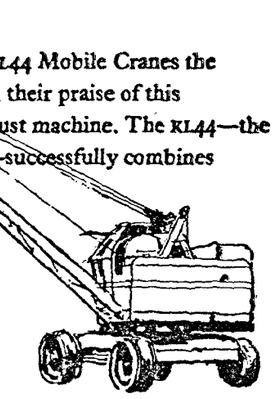

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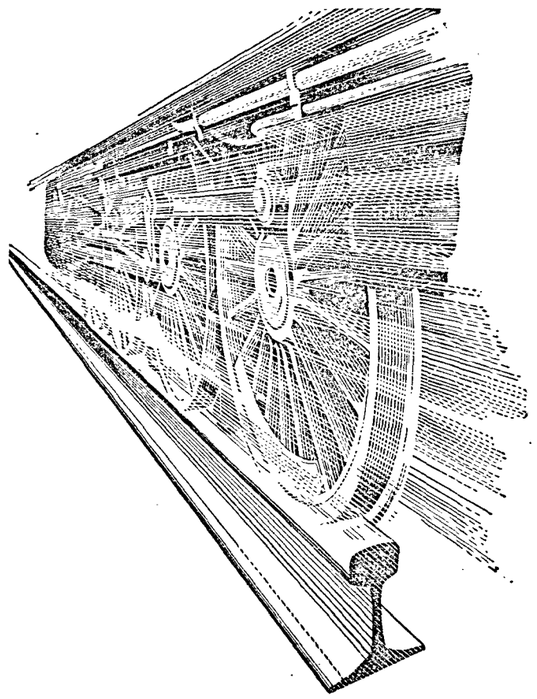

Arteries of Steel

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In the latter part of the nineteenth century there was a great changeover from iron to steel rails. Up to this time almost all rails were wrought iron; within ten years the position was completely reversed. This remarkable change was made possible by Bessemer's invention of a method of producing good steel in great quantities by blowing cold air through molten iron.

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THE BRITISH IRON AND STEEL FEDERATION S.65

although shipments to that market in the first five months of this year, at £3.7 million, were £2 million less than in the same period of 1953. It reflects, too, the further easing of import restrictions in Australia, to which exports of cars in May, at £1.7 million, were also twice as high as the January-February average.

In exports of metals, a rise of £1 million to a monthly average of £29 million in April and May was also partly due to larger sales to Australia. Exports of textiles dropped slightly, but in "other manufactures" there was a notable increase in exports of chemicals, which rose from a monthly average of £15.7 million in the first quarter to over £17 million in April and May. In the first five months exports of chemicals were 14 per cent higher than in the same period of last year. Most of that increase has been in shipments to Australia—which rose by nearly £3 million to £6.3 million—India, and South Africa, but shipments to non-sterling countries, such as West Germany, Sweden, Argentina and Egypt were also significantly higher. The expansion has been shared by almost all classes of chemicals, and shipments of plastic materials, one of the "newer" exports, rose by 30 per cent to a record level of nearly £2 million a month in the first five months.

Parking in Cities

THE announcement by the Minister of Transport on Wednesday that a detailed study is to be made by consultant engineers of the cost of building car garages under three London squares is a preliminary step towards solving the problem of traffic congestion in London streets. Eighteen months ago a working party on car parking in the inner area of London examined the idea; the new study must take some months to complete; and consultations between government departments and local authorities will then take up further time. It seems unlikely that London can expect any early and material relief to its traffic congestion; and general or a selective restriction of city traffic by prohibition is neither desirable nor practical.

Underground garages were one of three complementary proposals made by the working party. More garages, above and below the ground, would reduce the shortage of off-street parking space; a survey of parked cars in 1951 showed that nearly 16,000 vehicles were parked for more than two hours in London streets in areas where there were fewer than 4,000 off-street garage spaces still unoccupied. At the same time it was proposed to introduce metered short-term parking at authorised street parking places and, on other nearby major traffic routes, "waiting" regulations would be extended. Motorists could choose between paying a charge to cover the cost of the more convenient space their vehicles occupied or leaving them free of charge some distance further away.

Legislation is necessary to make charges for parking in public places. The Minister intends to do this shortly in a general road traffic bill. The power will cover other parts of the country where traffic congestion is becoming serious. In Bristol last week the local planning committee approved a scheme to build a seven-storey ramp type garage for nearly 800 cars in the city's new shopping centre. As more bombed site car parks are redeveloped in British cities and more factories, shops, and offices arise in their place, traffic seizure becomes daily more imminent.

A Wider Wheat Agreement?

THE International Wheat Agreement may have been strengthened by the recent meeting of its thirty-nine member countries in London. The communiqué that followed it was both unanimous and realistic. It frankly recognises the danger of a collapse in the world market and equally frankly that the agreement—the best instrument for preventing such a collapse—would be more effective if it included other important importing and exporting countries. The Council will meet again in London in October, when an effort will be made to increase the number of participants in the agreement, which now covers just under half the world trade, by inviting Britain and Argentina in particular to join.

Importing members would gain, for there would be more competition among exporters, and they would have a wider choice of supply from non-dollar sources without compromising their obligation to take up their quotas in full at the minimum price of $1.55 a bushel for No. 1 Manitoba wheat. The communiqué makes it clear that they would honour that obligation though the United States did not reveal whether it would lower its price to the minimum next season. The advantages to the exporting members are that a wider agreement would strengthen their ability to hold the "free" price at the IWA minimum and would assure them of a larger market. It would, however, be a less effective means of increasing total sales if importers were called on to take up their quotas in full.

Will Britain, the largest importing country, and Argentina, the major "outside" exporter, come in? Their decisions will depend mainly on how real the danger of a collapse of the market appears to them. Accession by Argentina alone would help little unless the total outlets under the agreement were significantly enlarged by the accession of Britain and its obligation to buy at the minimum price. It is doubtful if Britain will join. It might argue, with some justice, that the prime responsibility for averting a collapse lies with the two exporters in North America, where the surplus of wheat is concentrated.

Flammable Fabrics

THE introduction on July 1st of the United States Flammable Fabrics Act, which proscribes the sale of apparel so highly flammable as to be dangerous when worn, should not give too much trouble to British exporters to that market, and it has the merit of bringing order into what might have become a chaotic situation. In their concern to minimise the risk of fire in wearing apparel, several states had passed or prepared their own legislation, and the American textile industries therefore supported the introduction of a Federal law that would have universal application. To avoid unnecessary testing

for inflammability, the law provides that a wide range of fabrics can be "class tested." Thereafter any manufacturer, domestic or foreign, of a fabric in a class that has passed that test may refer to the published result as the basis of his guaranty that his cloth meets the requirements of the Act. It is expected that about 90 per cent of British exports to America will be able to take advantage of this procedure.

The remaining border-line or suspect fabrics will have to be tested in Britain, and the Manchester Chamber of Commerce has imported from America the prescribed testing equipment which will be available to British exporters for a small charge. Few failures are expected, and most of these may be remedied by a slight alternation in the construction of the cloth and additional care in processing. Such improvements should also benefit consumers of British fabrics in other countries and at home, for it is unlikely that manufacturers would produce slightly different versions of the same cloth. The Chamber has stated that extensive research is being carried out in the United States and Britain on finishing processes that retard inflammability, and it is hoped that they will soon become commercially practicable. The difficulty is to discover a process that retards inflammability without impairing the intrinsic properties of the cloth or appreciably adding to its cost.

SHORTER NOTES

With the signature of Indonesia this week, the proposed International Tin Agreement now commands a majority of producers' votes. Acceptance by four more consuming countries with 72 votes is required. Closing date for signature is June 30th.

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Pye, the radio and television manufacturers, is to make a "rights" issue of £700,000 of 5s. "A" deferred ordinary shares. The price of the issue will be fixed later. The new money will be used to pay off the £500,000 issue of 4¼ per cent of unsecured notes; about £100,000 will be spent on new buildings and the remaining money will finance working capital commitments.

★

The Raw Cotton Commission (Dissolution) Order has been laid before Parliament. A liquidator will be appointed to wind up the Commission after August 31st and assume responsibility for its outstanding functions, including the contracts for the purchase of raw cotton from Nigeria, Aden and Nyasaland.

Company Notes

W. & T. AVERY. The £1 ordinary stock units of W. & T. Avery are not "market leaders" for they command only a small market. But they are "blue chips" on the strength of the company's earnings record and the occasional increase in dividends. This week they were given a fillip by the announcement of a bigger dividend and a free scrip issue. The full year's ordinary dividend is raised from 15 to 20 per cent and £1,025,014 of reserves is to be applied in issuing as free scrip three £1 ordinary shares for every £5 of ordinary stock held. Profits after all charges rose in the year to March 31st from £688,539 to £837,780.

Throughout the boom in the stock markets investors have obstinately refused to see free scrip issues as what they are—merely paper adjustments that add nothing to the company's earnings, to the shareholder's share of the equity, or to the amount which ought to be paid to him as dividends. The trouble is that these illogical shareholders have often been right. The rises in share values following scrip issues have often been justified, because boards of directors do not make scrip issues unless they know that the company has a margin in hand and expect the dividend trend to be upwards. W. & T. Avery's announcement immediately brought in an investment demand for a few thousand shares and sellers withdrew. The market was not caught short, but the price had to rise 7s. 6d. to 106s. 10½d. before sellers reappeared.

What dividend assumption should investors make now? They do not expect a high yield on shares of the W. & T. Avery class. But if the amount distributed were left unchanged the yield at the current price would be only about 3¾ per cent. If the distribution were moderately increased—say to 15 per cent on the new capital, which would be in the company's tradition—then the yield on the basis of the current price would be about 4½ per cent.

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BRITISH PLASTER BOARD. The preliminary report of British Plaster Board also shows what can happen after a free scrip issue has been made. A year ago British Plaster Board issued as free scrip one new share for every share held. But unlike W. & T. Avery it did not have a massive cover for the rate of dividend paid. British Plaster Board has now effectively raised its ordinary dividend from 10 to 11¼ per cent, following an advance in gross profits from £1,767,454 to £2,508,592 in the year to March 31st and in net profits from £454,677 to £663,988. This announcement added only 1¾d. to the price of the 10s. ordinary stock units, which at the current price of 19s. 6d. xd offer a yield of 5¾ per cent.

The question that investors must ask themselves is whether the difference of 25s. between what is merely a conjectural yield on the W. & T. Avery equity and the actual yield offered by the British Plaster Board units discounts rather too heavily the risks to which British Plaster Board is subject. If they look beyond the statistics of the past year's results, they may note that the immediate trading prospects for British Plaster Board, with its interests in the building trades, are hardly less good than those facing W. & T. Avery, with its interests in the admittedly less volatile trade of manufacturing weighing machines. Then, perhaps, the scales will seem to have been tipped a little too much against British Plaster Board ordinary.

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ULTRAMAR. The gradual repayment of the loan stocks of Ultramar, the joint parent with The Texas Company of a group of developing oil companies in Eastern Venezuela, has been carried forward another stage. In 1952 the loan from the Finance Corporation for Industry was repaid; in 1953 the remaining loan stocks were reduced. During that year Mercedes repaid $2 million to each of its parents, The Texas Company and Caracas Petroleum (the wholly owned subsidiary of Ultramar). Caracas Petroleum passed on the $2 million it received to Ultramar, putting into the hands of its debenture trustees £684,996. A further sum of $1 million was remitted to Ultramar through Caracas Petroleum last April, when Mercedes repaid another $1 million to each of its parents. Another £354,534 was thus passed on to the debenture stock trustees.

The trustees used these sums to redeem the whole of the outstanding amounts of the 1960 convertible debenture stock, and part of the 1962 loan stock. They were then left with a balance of cash in hand of £57,054. Originally, £750,000 of the 1962 debenture was issued; by the end of 1953 the outstanding balance of stock had been reduced to £235,023, for holders had exercised their options to convert into ordinary stock at par to the extent of £514,977. The outstanding remainder was redeemed at the beginning of this year at a premium of £3 per cent. Transferable option certificates valid during 1954

to subscribe in cash at par for an equal nominal amount of 10s. ordinary shares were issued to those stockholders who had waited for redemption.

The 1962 loan stock was issued while Ultramar's difficulties were greatest and the terms were stiffer. The original issue was £3,500,000; by the end of 1953 it had been reduced to £3,232,819, as some holders had exercised their option rights to convert 12½ per cent of their holdings into 10s. ordinary shares at par. But the outstanding amount also included £1,362,509 of the loan stock on which these option rights had not been exercised; these rights expire at the end of this year.

Since the end of 1953, Ultramar has redeemed in two successive stages part of the loan stock at a premium of £15 per cent reducing the outstanding balance in issue to £2,589,007. Those stockholders who have accepted redemption but who have not as yet exercised their option rights have been given transferable option certificates entitling them to subscribe in cash at par for a nominal amount of ordinary stock equal to 12½ per cent of the nominal amount of their holdings of the loan stocks which has been redeemed.

Whether the biggest gains were made by holders who waited for redemption and secured these subscription rights or by those who exercised their conversion rights before redemption depends, of course, on the price of the 10s. ordinary stock (which now stands at 32s.) when the decision had to be taken. To wait until redemption has the obvious advantage that the redemption itself automatically enhances the value of the equity, for it means that Ultramar is rapidly freeing itself of debt.

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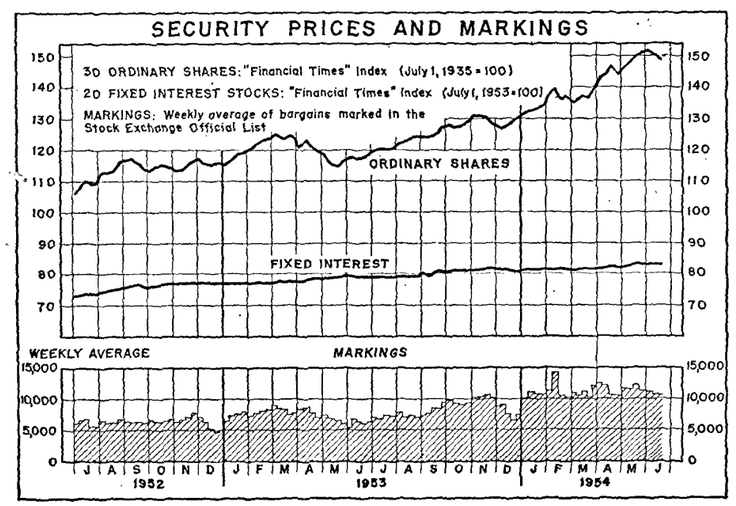
E. K. COLE : FERRANTI. The full accounts of E. K. Cole and Ferranti, both drawn up on March 31st, were issued this week. Superficially, they seem to have much in common, as both companies have substantial interests in radio, television and electronic equipment. Both companies are prospering. In the year to March 31st last, E. K. Cole's trading profits advanced from £652,781 to £719,010, and in the nine months to March 31st Ferranti earned a profit of £1,673,467, compared with the previous full year's profit of £1,575,319. The order books of both companies are quite full; in particular Ferranti's unexecuted orders amount to £15 million. But there the similarity ends.

Ferranti, whose interests range far beyond radio and television to embrace electric transformers and domestic heaters, is far bigger than E. K. Cole, which is still predominantly interested in radio and television receivers. Ferranti's ordinary shares are still held privately, while those of E. K. Cole are quoted on the Stock Exchange. The decision by the directors of E. K. Cole to raise the ordinary dividend effectively from 23.6 per cent to 27½ per cent is therefore of far more immediate significance than the decision by the directors of Ferranti to pay a dividend of 6 per cent, as they did in the last full year, for the nine months to March 31st.

Nor are the capital problems facing the two companies of the same order. It is true that Ferranti recently made a £500,000 issue of preference shares and that E. K. Cole is to make a rather smaller issue of ordinary shares. But these issues seem to be for rather different purposes. Although the book value of its stocks has risen from £1,782,929 to £2,541,841 E. K. Cole has no difficulty in financing its working capital commitments. It may therefore be conjectured that the new money will be spent largely on fixed assets. Ferranti, on the other hand, has had to rely on large bank overdrafts. Following the new issue of preference shares, these overdrafts were reduced from £3,386,097 to £2,057,756. But Ferranti's stock commitments are still high, amounting to nearly £4,100,000, and the company has only a handful of cash in hand.



LONDON STOCK EXCHANGE

Next Account begins: July 7th.
Next Contango Day: July 7th.
Next Settlement Day June 29th.

A VIGOROUS rise has affected most sections of the London Stock Exchange carrying the indices up to new high points. Both gilt-edged and industrials were included in the movement. The *Financial Times* industrial index reached a new high point of 154.8 on Tuesday. The fixed interest index reached a high point for this year of 115.07 on Wednesday. Steady investment demand in the gilt-edged market and among industrial favourites was coupled with some semi-speculative buying. A feature of the gilt-edged market through the week has been the demand for undated stocks. In the week ended on Wednesday 2½ per cent Consols have advanced 1⅛ points to 66⅛ and 3½ per cent War Loan has risen 1⅜ to 87⅛.

The recent favourites in the stores group have reached new high points. "Gussies" have gained 5s. on the week at 81s. 9d., Grattan Warehouses 2s. 3d. to 47s. 3d., Marks and Spencer "A" 5s. to 98s. 6d., Woolworths 2s. to 76s. 6d.

Strong features were to be found right through the engineering and aircraft group. Hawker Siddeley have risen 7s. 9d. to 70s. 6d. The unchanged interim dividend of 6 per cent has been accompanied by the announcement of a one for one free scrip issue. The Rolls-Royce £4 million debenture issue was oversubscribed 6 times; the public basis of allotment was 10 per cent of the amount applied for with a minimum allotment of £50 stock. The new stock opened at ⅝ premium, subsequently easing to ⅜ premium. AEI were strongly supported on Thursday with a rise of 9d. to 52s. 3d.

Good features were to be found in the foreign bond market. German Potash 7 per cent bonds have risen on the week by 3 points to 188. Saar 4½ per cent bonds have advanced during the week 11½ points to 96½ following the announcement of the back coupon payments.

Gold shares and commodity shares in the main stayed outside the burst of market activity.

FINANCIAL TIMES INDICES

1954	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
June 16...	149·6	114·58	3·81	5·17
„ 17...	150·9	114·68	3·81	5·12
„ 18...	152·1	114·62	3·80	5·08
„ 21...	153·7	114·85	3·77	5·03
„ 22...	154·8	115·04	3·75	4·99
„ 23...	154·5	115·07	3·73	5·00
				Total bargains
1954, High.	154·8	115·07	1954	
	(June 22)	(June 23)	June 16	9,611
„ Low.	131·1	111·78	„ 17	9,987
	(Jan. 1)	(Jan. 5)	„ 18	11,099
1953, High.	131·5	112·55	„ 21	12,696
	(Nov. 4)	(Nov. 27)	„ 22	12,474
„ Low.	113·9	105·68	„ 23	13,391
	(May 20)	(Jan. 5)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1954 Jan. 1 to June 23 High	Prices, 1954 Jan. 1 to June 23 Low	BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 16, 1954	Price, June 23, 1954	Net Yield, June 23, 1954 § £ s. d.	Gross Yield, June 23, 1954 £ s. d.
100 11/32	99 7/8	Exchequer 2½% 1955	100⅛	100⅛	0 5 9	1 17 1
105⅛	101⅛	Exchequer 3½% 1960	105 3/16	105 1/16	0 16 7	2 4 5
103⅜	99 13/16	Exchequer 3% '62-63	103 3/16	103⅛	1 4 10	2 11 5 *l*
100 1/16	99⅜	Serial Funding 1¾% 1954	100 1/32	100 1/16	0 11 2	1 11 4
101 3/32	99 23/32	Serial Funding 2¼% 1957	101 1/32	101	0 18 0	1 18 10
101⅜	100 15/16	Serial Funding 3% 1955	101 3/16	101 17/32	0 8 6	1 17 4
101 3/8	100	War Bonds 2½% '54-56	100 3/32	100 7/32	0 17 7	2 3 9 *l*
101 7/8	100⅜	Funding 2½% '52-57	100⅛	100 1/16	1 7 0	2 11 11 *l*
101 11/32	100 3/8	Nat. Def. 3% '54-58	100 1/16	100 5/7	0 11 4	1 10 7 *e*
99 27/32	99 15/16	N. Def. (Ass.) 3% '54-58	99 13/32	99 7/32	1 3 6	2 1 2 *e*
102⅜	101⅛	War Loan 3% '55-59	101⅛	101 1/16	1 6 11	2 14 8 *l*
100⅛	95 11/16	Savings Bonds 3% '55-65	99 13/16	99 13/16	1 14 4	3 2 5 *l*
100 1/16	97⅜	Funding 2½% '56-61	100⅛	100 1/16	1 5 5	2 8 6 *l*
95 1/16	92 7/16	Funding 3% '59-69	95⅛	95 1/16	2 0 2	3 8 4 *l*
97 7/16	93 13/16	Funding 3% '66-68	97⅛	97 1/16	1 18 4	3 6 10 *l*
103⅜	100 15/16	Funding 4% '60-90	103 1/16	103⅛	1 13 0	3 9 4 *e*
94⅞	90⅛	Savings Bonds 3% '60-70	94 3/16	94 1/16	2 1 9	3 10 5 *l*
94	90⅛	Savings Bonds 2½% '64-67	93⅞	93⅝	1 18 8	3 2 4 *l*
104	101 3/8	Victory 4% '20-76	103 13/16	104	1 17 11	3 14 2 *t*
92 3/16	87⅛	Savings Bonds 3% '65-75	91 15/16	92 1/16	2 3 1	3 12 3 *l*
97 1/16	93⅛	Consols 4% aft. Feb. '57	96 15/16	97⅛	2 5 8	4 3 7 *f*
89 13/16	84⅜	Conv. 3½% aft. April '61	87 7/16	88⅜	2 3 6	3 19 6 *f*
101 3/16	99 1/16	Conv. 3½% 1969	101⅛	101 3/16	1 17 7	3 9 10
99 25/32	99 3/16	Conv. 2½% 1958-59	99 15/16	99 29/32	2 1 9	2 1 0 *l*
68⅜	63 3/16	Treas. 2½% aft. April '75	65⅜	66 13/16	2 1 4	3 15 6 *f*
79¼	74 1/16	Treas. 3% *aft. April '66*	77⅛	78⅛	2 2 4	3 17 4 *f*
96⅜	92 11/16	Treas. 3½% '77-80	96⅛	96 3/16	2 2 3	3 14 7 *l*
97 1/16	92 7/16	Treas. 3½% '79-81	97⅛	97 1/16	2 1 10	3 14 8 *l*
88⅛	83	Redemption 3% '86-96	87¼	88⅛	2 1 8	3 11 6 *l*
89 3/16	84 5/16	War Ln 3½% aft. Dec. '52	86 7/16	87 1/16	2 4 0	4 0 0 *f*
69 1/32	63 7/16	Consols 2½%	65 5/8 *	66 1/16 *	2 1 3	3 14 11 *f*
92 1/16	88 7/16	Br. Elec. 3% '68-73	92⅛	92⅛	2 2 11	3 11 8 *l*
91 1/16	87 1/16	Br. Elec. 3% '74-77	91⅛	91⅜	2 2 9	3 11 9 *l*
106 1/16	103 1/16	Br. Elec. 4½% '74-79	106 3/16	106 1/16	1 19 5	3 16 11 *e*
97 1/16	93 1/16	Br. Elec. 3½% '76-79	97	97 1/16	2 1 7	3 13 11 *l*
88¼	83 3/16	Br. Trans. 3% '78-88	86 15/16 *	87 1/16 *	2 3 4	3 12 9 *l*
92⅛	88 1/16	Br. Trans. 3% '68-73	92 1/16 *	92 1/16	2 3 0	3 11 10 *l*
103⅜	100⅛	Br. Trans. 4% '72-77	102 1/16 *	102⅛	2 0 9	3 16 3 *e*
88 3/16	84⅛	Br. Gas 3% '90-95	87 1/16	88 3/16	2 1 6	3 11 1 *l*
100⅛	96⅜	Br. Gas 3½% '69-71	99 15/16	100⅛	1 19 1	3 11 5 *l*
104 13/16	99⅞	Br. Gas 4% '69-72	104 1/16	104⅜	1 18 0	3 14 4 *e*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (§) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 11½ years approximately.

Prices, 1953 High	Prices, 1953 Low	Prices, 1954 Jan. 1-June 23 High	Prices, 1954 Jan. 1-June 23 Low	TRUSTEE STOCKS AND FOREIGN BONDS	Price, June 16, 1954	Price, June 23, 1954	Yield, June 23, 1954 £ s. d.
92	84⅛	95	90⅛	Aust. 3½% '65-69	94½	94½	3 14 9 *l*
...	...	97¼	97¼	Ceylon 4% '73-75	97	97	4 4 5 *l*
98 11/16	98 9/32	102⅛	98⅜	N. Zealand 4% '76-78	101	102	3 17 4 *l*
73⅜	66¼	77⅜	71⅜	L.C.C. 3% aft. 1920	76	76	3 18 11
95⅜	90⅜	97⅛	95	Liverpool 3% '54-64	97	97	3 7 2 *l*
81⅜	73⅛	84⅜	80⅛	M.Wtr.'B'3% '34/2003	83⅛	83⅛	3 14 9 *l*
104⅛	101⅛	104⅛	101⅝	Agric. Mort. 5% '59-89	102⅛	102⅛	4 4 10 *e*
74⅜	49¼	95⅜	71⅜	German 7%	82⅝	82⅛	...
102⅜	65	142	102	German 5½%	122	102⅛	...
139⅜	119	159⅜	132⅝	Japan 5% 1907	150⅛	149⅛	...
176	136	186⅛	168⅜	Japan 5½% Conv. 1930	178⅜	177⅛	...

Prices, 1954 Jan. 1 to June 23 High	Prices, 1954 Jan. 1 to June 23 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, June 16, 1954	Price, June 23, 1954	Yield, June 23, 1954 £ s. d.
		%	%		BANKS & DISCOUNT			
46/9	42/3	7	*a*	9	*b* Barclays £1	45/-	46/-	4 6 11 *m*
63/9	58/9	6	*a*	8	*b* Lloyds 'A' £5, £1 pd.	61/-	62/-	4 10 4
81/6	74/9	8	*a*	8	*b* Midland £1, fully pd.	78/-	78/-	4 2 1
81/-	72/7½	8¼	*a*	8½	*b* N. Prov. 'B' £5, £1 pd.	78/6	78/6	4 6 7
90/-	79/6	9	*a*	9	*b* Westminster £4, £1 pd.	84/6	84/6	4 5 3
111/3	92/-	7¼	*a*	17½	*b* Alexanders £2, £1 pd.	107/6	111/3	4 9 0
49/3	40/10½	5	*a*	5	*b* Nat. Disc. 'B' £1	48/-	48/-	3 2 6 *v*
51/6	44/6	5	*a*	5	*b* Union Disc. £1	49/-	49/-	4 1 8
41/-	37/6	4	*b*	4	*a* Barc. (D.C.&O.) 'A' £1	39/-*	41/-	3 18 1
45/7½	40/3	7	*a*	7	*b* Chart. Bk. of India £1	42/6	43/6	6 8 8
					INSURANCE			
13½	9⅜	50	*a*	85	*b* Leg. & Gen. £1, 5/- pd.	11½*	12⅜	2 14 7
22½	20¼	20	†*a*	40	† *b* Pearl £1, fully pd.	20⅞	21⅝	5 0 11
41¼	35 1/16	105	† *c*	112½	† *c* Prudential 'A' £1	39½	40⅜	5 0 0
					BREWERIES, ETC.			
131/3	126/-	33	*b*	10	*a* Bass £1	126/10½	126/10½	6 15 7
21/6	17/4½	15	*b*	7½	*a* Distillers 4/-	20/3	21/3	4 4 8
35/-	31/-	11	*b*	8	*a* Guinness 10/-	33/6*	34/-	5 11 2
84/3	60/-	8	*a*	15⅜	*b* Whitbread 'A' Ord. £1	82/6	82/6	5 1 10 *l*

† Free of tax. Yield calculated on gross basis. (*a*) Interim dividend. (*b*) Final dividend. (*c*) Whole year's dividend. (*d*) Yield basis 21%. (*e*) To earliest date. (*f*) Flat yield. (*h*) Also 4% tax free bonus and 50% tax free from capital profits; yield basis 22·27%. (*i*) Yield basis 13⅓% after capital bonus. (*k*) Yield basis 8%. (*l*) To latest date. (*m*) Yield basis 10% after capital bonus. (*n*) Yield basis 14%. (*o*) Yield basis 9%. (*p*) Also 5% net capital distribution. (*q*) Yield basis 21·97% gross. (*t*) In addition 2½%, not subject to tax, from capital profits. Yield basis 10%. (*v*) Yield basis 7¼%. (*w*) Yield basis 20%. (*x*) Yield basis 18·18% gross. (*y*) Yield basis 1·%, after capital bonus. (*z*) Yield basis 11¼%.

Prices, 1954 Jan. 1 to June 23 High	Prices, 1954 Jan. 1 to June 23 Low	Last Two Dividends (*a*)	(*b*)	(*c*)	ORDINARY STOCKS	Price, June 16, 1954	Price, June 23, 1954	Yield, June 23, 1954 £ s. d.
		%	%		STEEL & ENGINEERING			
58/9	41/4½	12½	*c*	15	*d* B.S.A. £1	56/3	56/9	5 5 8
18/6	13/1½	5	*a*	10	*b* Cammell Laird 5/-	14/9	16/-	6 19 3
59/10½	49/9	5	*a*	10	*b* Guest Keen N'fold £1	57/6	58/3	5 3 0
24/11½	22/-	7½	*b*	4	*a* United Steel £1	24/3	24/3*	7 8 5
37/-	23/9	2½	*a*	12½	*b* Vickers £1	32/3	36/6	4 2 2
					TEXTILES			
41/9	32/-	4	*a*	11	*b* Bradford Dyers £1	38/-	39/-	7 13 10
32/4½	24/9	6	*a*	12	*b* Brit. Celanese 10/-	30/9	29/6*	6 2 0
62/9	49/4½	5	*a*	10	*b* Coats (J. & P.) £1	56/6*	58/-	5 3 5
32/9	25/2½	6½	*a*	4½	*b* Courtaulds £1	30/6	31/6*	5 1 7
60/6	47/4½	10	*b*	10	*a* Lancs. Cotton £1	56/-	60/3	6 12 9
79/6	64/-	20	*c*	5	*a* Patons & Baldwins £1	74/6	78/-	5 2 7
					ELECTRICAL			
52/10½	41/9	7½	*a*	7½	*b* Assoc. Elect. £1	50/-	51/3	4 7 10
44/4½	38/-	2½	*a*	(*t*) 7½	*b* B.I.C.C. £1	41/-	42/6	4 14 1
47/-	38/6	5	*a*	6¾	*b* English Elect. £1	43/9	45/-	4 8 11 *
45/-	37/9	7½	*b*	3½	*a* General Elect. £1	42/6	42/6	5 5 11
					MOTOR & AIRCRAFT			
22/7½	18/6	3½	*a*	6½	*b* Bristol Aero 10/-	20/-	22/6	4 8 11
9/6	6/3½	4	*a*	6½	*b* British Motor 5/-	8/9	9/4½	5 12 0
30/3	23/4½	7½	*c*	7½	*c* De Havilland £1	24/10½	26/-	5 15 5
61/6	35/9	7½	*c*	12	*c* Ford Motor £1	58/9	61/3	3 18 4
73/9	47/7½	9	*b*	6	*a* Hawker Siddeley £1	61/9	71/3*	4 3 6
98/9	80/6	25	*c*	25	*c* Leyland Motors £1	92/6	93/9	5 6 8
95/9	66/-	5	*a*	12½	*b* Rolls Royce £1	92/6*	94/1½	3 14 4
7/6½	5/5½	12	*c*	12	*c* Standard Motor 5/-	7/3	7/4½	8 2 9
					SHOPS & STORES			
26/1½	22/9	10	*a*	12½	*b* Boots Pure Drug 5/-	25/-	25/-	4 10 0
38/1½	32/-	15	*b*	7½	*a* Debenhams 10/-	34/9	37/3	5 7 5 *
82/-	53/3	37½	*b*	15	*a* Gt. Universal 5/-	77/-	78/-	3 6 9
109/-	92/9	5	*a*	17½	*b* Lyons (J.) 'A' £1	100/-*	100/-	4 10 0
99/3	73/10½	20	*a*	45	*b* Marks & Spen. 'A' 5/-	93/-	98/6	3 5 11
80/6	64/-	20	*a*	40	*b* Woolworth 5/-	74/-	77/6	3 17 5
					OIL			
13 1/32	8 13/32	5	*a*	37½	*b* Anglo-Iranian £1	12 7/8 *	12 13/32	3 5 8
£49⅛	£33⅜	4	*a*	12	*b* Royal Dutch 100 fl.	£47	£48⅜	3 1 10
122/1½	93/4½	5	†*a*	10	† *b* Shell Reg. £1	118/9	121/10½	4 9 6
25/7½	17/6	15	† *b*	5	† *a* Trinidad L'holds 5/-	23/6	24/9	3 13 6
34/9	25/3	...		...	Ultramar 10/-	32/6	31/9	Nil
					SHIPPING			
44/-	36/7½	16	*c*	21½	*a* Cunard £1	39/-	39/6	8 2 0
38/7½	30/3	12½	*c*	12	*c* Furness Withy £1	34/6	34/6	6 19 2
43/3	31/3	16	*b*	6	*a* P. & O. Def. £1	38/6	39/-	5 12 10
35/3	24/10½	(*p*) 10	*c*	10	*c* Royal Mail £1	26/6	26/6	7 10 11
					MISCELLANEOUS			
82/-	67/9	5	*a*	12½	*b* Assoc. Port. Cem. £1	78/9	80/-*	4 7 6
65/10½	44/-	15	*c*	16	*c* Bowater Paper £1	60/-	65/-	4 18 6
40/-	33/9	4	*a*	6	*b* Brit. Aluminium £1	34/-	37/6	5 6 8
43/3	36/3	12½	† *c*	4 1/16	† *a* Brit. Amer. Tob. 10/-	38/-	38/-	5 19 7
$49⅛	$38⅛	3	*b*	3	*a* Canadian Pacific $25	$47	$49	5 10 11
39/9	32/6	35	*c*	5	*a* Decca Record 5/-	37/-	38/-	4 12 1
25/3	18/5	11¾	*c*	14	*c* Dunlop Rubber 10/-	24/6	24/9	5 13 1
71/6	53/-	6	*a*	9	*b* Imp. Chemical £1	64/6	70/9	4 4 9
58/7½	49/8½	8½	*a*	11½	*b* Imp. Tobacco £1	50/-	51/-	7 16 10
$77⅜	$63⅛	$2·60	*c*	$2·35	*c* Inter. Nickel n.p.v.	$74	$75½	5 10 10
59/9	51/6	7½	*a*	9	*b* London Brick £1	57/6	57/6	4 17 5 *
70/3	63/6	12½	*b*	3½	*a* Tate & Lyle £1	67/-*	67/-	4 15 6
71/-	60/6	7½	*b*	7½	*a* Tube Investments £1	67/6	67/6	4 8 11
86/3	69/-	17½	*c*	5	*a* Turner & Newall £1	79/-*	82/-	4 5 4
80/4½	57/6	6	*a*	9½	*b* Unilever £1	74/3	80/-	3 18 9
38/3	30/3	4½	*a*	7½	† *b* United Molasses 10/-	32/-	32/6	6 15 0
					TEA & RUBBER			
34/10½	28/-	Nil		10	† *c* Cons. Tea & Lands £1	33/3	33/9	10 15 6
2/3	1/10	10		10	*c* London Asiatic Rbr. 2/-	1/10½*	1/10½	10 13 4
32/10	25/2	5	*a*	15	*b* United Sua Betong £1	31/6	31/-	8 14 0
					MINES			
6 1/16	5 3/32	20	*a*	40	*b* Anglo-Amer. 10/-	6½	6⅝	4 10 7
96/7½	68/3	80	*a*	120	*b* De Beers 5/- Bearer	91/10½	96/3	10 7 9
101/10½	56/6	...		...	Free State Geduld 5/-	80/7½	86/10½	Nil
76/3	54/9	8½	*c*	10	*c* Randfontein £1	61/3	62/-*	3 4 6
6/7½	4/10½	22	*c*	24	*c* London Tin 4/-	5/6	6/-	16 0 0
23 7/8	16⅛	175	*b*	50	*a* Rhokana £1	22⅜	23⅜	9 12 7

* Ex dividend.

New York Closing Prices

	June 16 $	June 23 $		June 16 $	June 23 $		June 16 $	June 23 $
Balt. & Ohio.	23	24½	Am. Smelting.	36½	36½	Inter. Paper..	68⅞	71⅛
Can. Pac.	26⅞	26⅞	Am. Viscose..	36	36⅜	Nat. Distill..	17⅜	17⅞
N.Y. Cent.	23½	21⅞	Cel. of Amer..	20	20½	Sears Roebuck	64⅛	64⅛
Pennsyl.	16⅜	16⅜	Chrysler	61⅛	63½	Shell	48	48⅛
Amer. Tel.	166½	165½	Gen. Elec.	42⅜†	45½	Std. Oil of N.J.	89½	88⅛
Stand. Gas.	12⅜	12⅜	Gen. Motor	71⅜	71⅜	U.S. Steel	48⅞	48½
United Corp.	5⅜	5⅜	Goodyear	64½	64½	Westinghouse.	69⅜	71½
W. Union Tel.	40¼	40⅜	Inter. Nickel	42¼	42⅜	Woolworth	42⅜	42⅛

† New Stock.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages	June 5th	Western Europe:	
Production and Consumption	June 12th	Production and Trade	June 5th
Manpower	June 19th	British Commonwealth	June 12th
External Trade	This week	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	June 19th
Industrial Profits	April 24th	United States	This week
		World Trade.....April 24th	

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages 1951	1952	1953	1953 March	April	May	1954 Feb.	March	April	May
VALUE											
Imports:											
Total	£ million	325·2	289·8	278·7	285·7	293·3	295·7	242·0	298·6	284·3	280·4
Food, drink and tobacco	"	107·6	100·5	109·7	105·2	118·8	119·4	100·2	120·3	107·4	107·7
Basic materials	"	126·8	95·4	87·9	95·9	94·0	95·8	68·5	87·8	92·7	86·4
Mineral fuels and lubricants	"	26·3	28·2	26·2	29·0	26·7	26·2	22·6	29·6	28·7	28·4
Manufactures	"	63·1	64·0	53·5	52·7	51·3	49·6	48·9	59·7	53·3	56·8
Exports of UK produce:											
Total	"	215·2	215·3	215·2	212·9	214·8	211·7	201·1	246·4	224·9	228·9
Manufactures	"	183·0	178·5	174·9	172·8	177·9	172·6	163·4	201·3	184·7	187·0
Re-exports	"	10·6	12·0	8·8	10·9	8·9	7·2	8·2	11·7	8·0	9·0
Balance of trade (exports *less* imports)	"	− 99·4	− 62·5	− 54·8	− 62·0	− 69·6	− 76·8	− 32·7	− 40·6	− 51·3	− 42·6
VOLUME											
Imports	1950=100	112·5	102·8	112·1	117	117	118	101	122	117	...
Exports	"	101·2	95·0	98·1	97	97	96	92	115	104	...
BY AREA											
Imports:											
Dollar area—total	£ million	64·5	60·1	52·9	45·6	53·8	50·6	41·5	44·9	39·6	48·1
" USA	"	31·7	26·2	21·1	23·6	29·3	17·8	20·2	20·2	17·4	19·6
" Canada	"	21·7	26·7	25·3	16·8	15·4	24·3	16·7	18·6	16·7	23·1
Non-sterling OEEC countries	"	83·9	71·3	64·1	68·9	61·4	64·3	58·9	70·3	63·2	69·0
Sterling area	"	116·5	119·7	125·3	132·9	145·4	142·0	112·3	145·4	146·1	125·5
Exports:											
Dollar area—total	"	28·8	31·4	33·7	31·6	36·7	33·9	26·2	32·6	32·2	32·9
" USA	"	12·8	15·1	14·3	14·2	15·6	14·2	11·6	14·3	13·4	14·0
" Canada	"	11·7	11·0	13·4	12·7	16·3	15·1	9·9	11·6	13·2	13·3
Non-sterling OEEC countries	"	56·2	58·4	62·5	66·6	63·3	61·1	60·7	74·2	66·0	64·2
Sterling area	"	110·8	107·0	105·8	103·9	103·1	103·6	102·6	122·7	112·0	117·3
Balance of trade (exports *less* imports):											
Dollar area	"	− 35·7	− 28·6	− 19·2	− 14·0	− 17·1	− 16·7	− 15·3	− 12·3	− 7·4	− 15·2
Non-sterling OEEC countries	"	− 27·7	− 12·9	− 1·7	− 2·3	+ 1·9	− 3·2	+ 1·8	+ 3·9	+ 2·8	− 4·8
Sterling area	"	− 5·7	− 12·7	− 19·5	− 29·0	− 42·3	− 38·4	− 9·7	− 22·7	− 34·1	− 8·2
TRADE IN SELECTED COMMODITIES											
Imports:											
Wheat	'000 tons	337·7	325·3	335·2	322·9	264·4	360·8	208·7	248·7	206·9	155·8
Meat	"	39·9	45·5	63·1	61·8	81·8	69·3	55·3	69·2	67·4	57·3
Sugar, unrefined	"	186·8	164·6	248·6	163·4	301·8	363·4	255·7	277·9	212·0	254·7
Raw cotton (1)	"	37·5	21·8	27·5	31·1	27·2	22·9	26·4	38·3	36·3	34·9
Raw wool, sheep's and lambs' (1)	mn. lb.	36·0	51·9	63·3	87·9	82·9	98·3	40·8	52·8	79·0	66·8
Rubber, natural and synthetic (1)	'000 tons	25·1	16·7	18·4	20·6	14·5	21·5	24·2	22·1	18·3	17·9
Softwood	'000 stds.	135·6	85·2	119·1	89·6	90·7	115·3	56·7	66·9	78·4	113·5
Woodpulp	'000 tons	139·3	119·8	133·8	104·3	112·5	136·1	132·4	122·3	139·3	179·5
Crude petroleum	mn. galls.	359	483	556	555	551	573	540	667	642	612
Exports of UK produce:											
Coal, including bunkers	'000 tons	961	1,254	1,400	1,306	1,381	1,495	1,307	1,399	1,434	1,417
Woven piece-goods—cotton	mn. sq. yds	72	59	59	56	60	58	55	64	59	58
" " wool	'000 sq. yds.	9,817	8,143	8,706	8,316	8,265	8,256	8,211	8,531	7,552	7,630
Passenger cars and chassis	number	30,717	25,824	25,186	24,887	25,594	30,939	23,582	34,416	33,898	36,459
Commercial vehicles and chassis	"	11,382	10,636	9,199	9,155	7,842	9,139	10,316	11,038	11,052	11,926
Agricultural tractors	"	9,388	8,746	7,807	8,801	9,510	7,735	7,478	10,082	10,085	9,228
Machinery—electrical	£'000	4,022	4,805	5,015	5,234	6,008	4,644	4,779	5,987	4,757	5,501
" other	"	26,245	30,346	28,762	29,957	31,756	30,476	28,379	34,829	32,331	32,498
Chemicals, elements and compounds	"	n.a.	3,085	4,180	4,324	4,210	4,237	3,944	4,955	4,603	5,452

(1) 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 1953 prices
	1947–49=100						1948=100			1939=100	$	
1939	50·1	36·5	59·4	47·1	52·5	...	42	48	88	100·0	23·86	45·97
1952	111·6	107·0	113·5	114·6	105·8	114·6	123	102	121	195·0	67·97	68·52
1953	110·1	97·0	114·4	112·8	104·8	117·7	117	102	115	193·3	71·69	71·69
1954, January	110·9	97·8	115·2	113·1	104·9	118·8	117	102	115	198·4	70·92	70·43
„ February	110·5	97·7	115·0	112·6	104·7	118·9	118	100	118	203·1	71·28	70·93
„ March	110·5	98·4	114·8	112·1	104·3	119·0	...	...	...	207·1	70·71	70·50
„ April	111·0	99·4	114·6	112·4	104·1	118·5	...	...	...	215·8	70·20	70·06
„ May	110·9	98·0	...	...	...	...	...	...	...	223·2	71·13	...

PRODUCTION AND MANPOWER

	Gross national product	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods			New construction; seasonally adjusted	Total labour force	Total employment	Unemployed as % of labour force
	Seasonally adjusted annual rates		Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals				
	$ billion	Index 1947–49=100; seasonally adjusted							$ million	thousands		% rate
1939	91·3	58	49	53	48	66	80	45	683	55,230	45,750	17·2
1952	348·0	124	136	116	154	114	105	137	2,751	62,966	61,293	2·7
1953	367·2	134	153	132	189	118	107	147	2,938	63,453	61,929	2·4
1954, January	357·8	125	140	111	183	113	98	143	2,956	62,840[1]	59,753[1]	4·9[1]
„ February		124	139	109	178	113	95	146	3,050	63,725[1]	60,055[1]	5·8[1]
„ March		123	135	103	171	114	97	146	3,001	63,825[1]	60,100[1]	5·8[1]
„ April	...	123	134	104	172	115	101	146	3,018	64,063[1]	60,598[1]	5·4[1]
„ May	...	125	135	106	177	117	103	148	3,052	64,425[1]	61,119[1]	5·1[1]

TRADE

	Personal consumption Annual rates	All business[3]		Total retail[3]		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manuf'res	Total	Finished goods	Imports	Exports
	$ billion; seasonally adjusted					$ million					1936–38=100	
1939	67·5	10·80	20·05	3·50	5·53	190	62	41	260	139	94	113
1952	218·1	46·08	77·11	13·67	21·59	896	245	214	1,253	778	151	251
1953	229·8	48·82	81·07	14·23	22·66	898	217	224	1,299	906	158	262
1953, December	230·0[1]	47·21	81·07	13·93	22·66	896	204	186	1,340	875	159	270
1954, January	229·8	46·45	80·69	13·62	22·52	843	207	175	1,080	714	149	218
„ February		46·71	80·39	13·97	22·42	816	195	167	1,170	776	144	238
„ March		47·09	80·09	13·90	22·56	874	...	...	1,113	...	...	...
„ April	...	47·64	79·61	14·25	22·69	...	...	...	...	...	...	...

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		$ 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
1952	269·7	184·9	14·8	25·83	18·68	77·5	64·2	65·4	— 4·0	1·766	2·68	2·96
1953	284·5	198·9	12·4	28·90	21·81	78·1	68·3	74·3	— 9·5	1·931	2·93	3·20
1954, January	283·7	196·3	12·4	28·13	21·44	78·9	66·5	5·1	— 0·6	1·214	2·68	3·06
„ February	283·0	195·3	12·3	27·48	21·15	78·0	66·9	4·7	+ 0·7	0·984	2·60	2·95
„ March	282·9	194·8	11·9	27·15	20·90	75·7	67·0	5·8	+ 5·9	1·053	2·51	2·86
„ April	282·0	194·3	11·1	27·33	20·91	77·4	66·8	5·3	— 2·5	1·011	2·47	2·85
„ May	...	...	...	...	...	...	...	...	...	0·782	2·52	2·88

(1) Fourth quarter. (2) Figures calculated on the basis of a new and larger sample. (3) 1939 figures not strictly comparable with rest of series; stocks are at end of period. (4) All commercial banks. (5) Annual figures are totals for the fiscal year ended June 30th.

Financial Statistics

EXCHEQUER RETURNS

For the week ended June 19th, there was an "above-line" deficit (after allowing for Sinking Funds) of £21,472,000 compared with a deficit of £35,162,000 in the previous week and a deficit of £26,716,000 in the corresponding period of last year. This raised the cumulative deficit to £127,239,000 (£144,691,000 in 1953-54). Net expenditure "below-line" absorbed £22,070,000, bringing the total cumulative deficit to £191,438,000 (£247,961,000 in 1953-54).

£'000	Estimate, 1954-55	April 1, 1953 to June 20, 1953	April 1, 1954 to June 19, 1954	Week ended June 20, 1953	Week ended June 19, 1954
Ord. Revenue					
Income Tax	1800,000	217,221	198,828	12,588	15,802
Sur-tax	132,000	19,700	19,400	1,400	1,100
Death Duties	164,375	41,300	38,900	3,400	3,700
Stamps	55,000	12,400	13,900	900	800
Profits Tax & EPT	172,000	37,500	26,200	4,500	1,500
Excess Profits Levy	60,000	9,250	13,400	400	1,000
Special Contribution and other Inland Revenue	1,000	280	350	...	...
Total Inland Rev.	2384,375	337,651	310,978	23,188	23,902
Customs	1062,500	232,721	243,851	20,589	19,546
Excise	719,000	149,790	153,790	3,500	3,450
Total Customs and Excise	1781,500	382,511	397,641	24,089	22,996
Motor Duties	77,000	7,346	8,067	...	...
				Dr. 4,500	*Dr. 4,300*
PO (Net Receipt)	...	...	...	...	...
Broadcast Licences	21,000	2,200	2,500	...	...
Sundry Loans	24,000	2,015	2,171	...	148
Miscellaneous	245,000	15,828	32,515	77	179
Total	4532,875	747,552	763,872	42,884	42,926
Ord. Expenditure					
Debt Interest	570,000	144,209	140,647	...	...
Payments to N. Ireland Exchequer	51,000	7,346	8,737	...	...
Other Cons. Fund	10,000	790	760	...	128
Supply Services	3855,399	733,635	724,563	69,000	63,850
Total	4486,399	885,980	874,706	69,000	63,978
Sinking Funds	36,000	6,263	6,405	600	420
"Above-line" Surplus or Deficit		144,691	127,239	26,716	21,472
"Below-line" Net Expenditure		103,270	64,199	41,280	22,070
Total Surplus or Deficit		247,961	191,438	67,996	43,542
Net Receipts from:					
Tax Reserve Certificates		47,078	96,807	1,678	4,737
Savings Certificates		8,400	3,500	400	600
Defence Bonds		−18,684	−7,239	−643	−53

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1953					
June 20	3,180·0	1,385·0	277·6	...	4,842·6
1954					
Mar. 20	3,100·0	1,359·7	369·6	...	4,829·2
„ 31	4,491·4		327·9	...	4,819·4
April 10	3,150·0	1,387·8	298·2	...	4,836·0
„ 17	3,190·0	1,382·7	308·3	...	4,881·0
„ 24	3,210·0	1,359·3	315·0	...	4,884·3
May 1	3,230·0	1,350·2	287·2	...	4,667·4
„ 8	3,240·0	1,272·2	266·9	...	5,134·2
„ 15	3,260·0	1,627·9	276·8	...	5,164·7
„ 22	3,290·0	1,595·7	305·0	...	5,190·6
„ 29	3,320·0	1,579·8	270·6	...	5,170·4
June 5	3,340·0	1,274·1	270·6	...	5,170·4
„ 12	3,320·0	1,332·8	274·6	...	4,927·3
„ 19	3,300·0	1,372·1	296·1	...	4,568·2

THE MONEY MARKET

THE Treasury bill rate fell for the third successive week at last Friday's tender. The offer of £260 million was again under-allotted by £10 million, and the market raised its bid by another 2d., to £99 12s. 1d. per cent. This reduction of $\frac{1}{32}$ per cent in the rate of discount was followed by an equivalent reduction in rates on bank bills. Total applications fell by £18 million to £400·4 million, but the market's allotment dropped from 57 to 56 per cent. The average rate of discount on all bills fell by a further 8d. to £1 1s. 7·57d. Yesterday the offer was again £260 million.

Conditions in Lombard Street have again been free from marked stringency. In the week covered by the Bank return official help was necessary on any scale only on Monday, when it was freely given through the banks. In the rest of the week normal credit supplies were generally adequate, and after the Treasury bill tender business was done in bills at $1\frac{11}{32}$ per cent. A few houses were, however, forced at times to sell bills to the banks at $1\frac{5}{16}$ per cent.

The gold market was active on Thursday and Friday of last week, but in the rest of the week covered by the Bank return demand gradually fell away. The price at the fixing accordingly fell steadily from 248s. 11d. on Thursday to 248s. 9½d. per fine ounce on Wednesday of this week.

The Bank return shows a fractional outflow of notes into circulation. Bankers' deposits fell by £3.7 million to £283.5 million.

LONDON MONEY RATES

	%		%
Bank rate (from 3½%, 13/5/54)	3	**Discount rates**	
		Bank bills: 60 days	1⅞
		3 months	1⅞
		4 months	1⅞
		6 months	1⅞
Deposit rates (max)			
Banks	1½		
Discount houses	1½		
Money—Day-to-day	1½–1⅝	Fine trade bills:	
Short periods	1½–1⅝	3 months	2⅛–3
		4 months	2⅛–3⅛
		6 months	3 –4
Treas. bills 2 months	1⅛		
3 months	1⅛		

BANK OF ENGLAND RETURNS

(£ million)

	1953	1954	
	June 24	June 16	June 23
*Issue Department**:			
Notes in circulation	1,540·2	1,640·7	1,641·5
Notes in banking dept.	60·1	34·6	33·8
Govt. debt and securities*	1,556·7	1,671·3	1,671·2
Other securities	0·8	0·7	0·8
Gold coin and bullion	2·9	3·4	3·4
Banking Department:			
Deposits:			
Public accounts	9·8	10·8	11·0
Treasury special account	44·5	4·6	4·6
Bankers	276·7	287·2	283·8
Others	68·2	66·2	67·2
Total	399·2	368·8	366·3
Securities:			
Government	333·1	326·8	320·9
Discounts and advances	8·1	9·4	13·6
Other	13·8	13·8	13·8
Total	355·0	350·0	348·3
Banking department reserve	62·2	36·9	35·1
	%	%	%
"Proportion"	15·5	10·0	9·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,625 million to £1,675 million on June 2, 1954.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment		Allotted at Max. Rate*
	Offered	Applied For	Allotted	s.	d.	%
1953						
June 19	270·0	350·1	260·0	47	4·22	63
1954						
Mar. 19	260·0	365·6	260·0	42	3·64	60
„ 26	270·0	405·2	270·0	42	3·62	62
April 2	270·0	399·0	270·0	42	4·01	58
„ 9	270·0	392·2	270·0	42	4·05	59
„ 15	230·0	417·2	230·0	41	7·41	44
„ 23	230·0	415·4	230·0	41	7·34	38
„ 30	230·0	437·5	230·0	40	11·36	38½
May 7	240·0	406·6	240·0	40	10·84	42
„ 14	260·0	391·7	260·0	34	1·76	60
„ 21	270·0	400·7	270·0	34	3·24	54
„ 28	270·0	426·8	270·0	34	3·33	49
June 4	270·0	414·3	250·0	32	11·61	58
„ 11	260·0	418·3	250·0	32	3·56	57
„ 18	260·0	400·4	250·0	31	7·57	56

* On June 18th tenders for 91 day bills at £99 12s. 1d. secured about 56 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	June 23	June 17	June 18	June 19	June 21	June 22	June 23
United States $	2·78–2·82	2·81 11/16–2·81 13/16	2·81 11/16–2·81 13/16	2·81 11/16–2·81 13/16	2·81 11/16–2·81 13/16	2·81 11/16–2·81 13/16	2·81 11/16–2·81 13/16
Canadian $	...	2·76 1/16–2·76 3/16	2·76 1/16–2·76 3/16	2·76 1/16–2·76 3/16	2·76 1/16–2·76 1/16	2·76 1/16–2·76 1/16	2·76 1/16–2·76 1/16
French Fr.	972·65–987·35	984½–984¾	983½–983¾	983¾–983¾	983¾–983¾	983¾–983¾	982¼–983¼
Swiss Fr.	12·15 9/16–12·33 9/16	12·21½–12·22	12·21½–12·22¼	12·21¼–12·22¼	12·22–12·22¼	12·21¼–12·22¼	12·21¼–12·22½
Belgian Fr.	138·95–141·05	140·40–140·50	140·40–140·50	140·40–140·50	140·40–140·50	140·40–140·50	140·45–140·50
Dutch Gld.	10·56–10·72	10·62½–10·63	10·62½–10·63¼	10·62½–10·63¼	10·62½–10·63¼	10·62½–10·63¼	10·62½–10·63¼
W. Ger. D-Mk.	11·67 8/16–11·84 8/16	11·74½–11·74¾	11·74½–11·74¾	11·74½–11·74¾	11·74¾–11·74¾	11·74¾–11·74¾	11·74¾–11·74¾
Portuguese Esc.	79·90–81·10	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05	79·90–80·05
Swedish Kr.	14·37½–14·55½	14·50–14·50½	14·50½–14·50¾	14·50¾–14·50¾	14·50¾–14·50¾	14·50¾–14·51	14·50¾–14·50¾
Danish Kr.	19·19½–19·45½	19·44–19·44½	19·44–19·44½	19·44½–19·44½	19·44½–19·44½	19·44½–19·44½	19·44–19·44½
Norwegian Kr.	19·85–20·15	20·01–20·01½	20·01–20·01¼	20·01–20·01½	20·01–20·01¼	20·01–20·01¼	20·01–20·01¼
One Month Forward Rates							
United States $		½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par	½c. pm–par
Canadian $		½–½c. dis	½–½c. dis	½–½c. dis	½–½c. dis	½–½c. dis	½–½c. dis
French Fr.		1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3¼ dis	1¼–3½ dis	1¼–3¼ dis
Swiss Fr.		1–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm	1½–1c. pm
Belgian Fr.		Par–¼ dis	Par–¼ dis	Par–¼ dis	Par–¼ dis	Par–¼ dis	Par–¼ dis
Dutch Gld.		1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm	1–1c. pm
W. Ger. D-Mk.		1pf.pm–1pf.dis	1pf.pm–1pf.dis	1pf.pm–1pf.dis	1pf.pm–1pf.dis	1pf.pm–par	1pf.pm–par
Swedish Kr.		10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par	10 pm–par
Danish Kr.		Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis
Norwegian Kr.		Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis	Par–20 dis
Gold Price at Fixing							
Price (s. d. per fine oz.)		248/11	248/10½	...	248/10	248/9½	248/9½

Abridged Particulars

THE ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

(Incorporated under the Companies Acts, 1862-1886.)

SHARE CAPITAL

Authorised.		*Issued or in course of Issue.*
£1,000,000	6 per cent. Cumulative Preference Shares of £1 each (now offered)	£1,000,000
£2,450,000	Ordinary Stock	£2,450,000
£1,550,000	Ordinary Shares of £1 each	£255,000
£100,000	"A" Ordinary Stock	£100,000
£5,100,000		£3,805,000

LOAN CAPITAL

Authorised.		*Issued and Outstanding.*
£400,000	5½ per cent. First Debenture Stock	£186,549
£500,000	5 per cent. First Debenture Stock, 1947-1967	£166,929
£1,000,000	5 per cent. First Debenture Stock, 1962-1967	£973,588
£1,900,000		£1,327,066

Apart from the above the Company has no Mortgages, Debentures or other loan capital outstanding, but on 11th June, 1954, had unsecured loans totalling £834,000 from its associated company, Telephone and General Trust Limited, which will be repaid out of the proceeds of the present issue.

The Subscription Lists will open and close on Tuesday, 29th June, for an

ISSUE OF

1,000,000 6 per cent. Cumulative Preference Shares of £1 each at par.

The full Prospectus states (inter alia):

1. The Company was incorporated in England in 1887 and under a contract granted in 1928 for a period of 40 years operates the telephone systems in the Cities of Lisbon and Oporto and surrounding areas. During the past five years the number of telephones connected to the Company's systems has increased by over 50 per cent.; despite this, applications for service continue to be received at the rate of over 1,400 each month. To meet the demand for service new exchanges are continually being constructed and brought into operation whilst at the same time existing exchanges are being extended.
   An 8 per cent. dividend has been paid on the Company's Ordinary Stock for the past 27 years.
2. Proceeds of the present issue will be applied :—
   (*a*) To repay temporary borrowing which has been largely used to expand the Company's systems by the purchase, in Great Britain, of plant and equipment.
   (*b*) To provide for further expansion of the Company's telephone systems.
3. The profits for the year ended 31st December, 1953, as shown by the Auditors' Report, amount to £465,966, and after deduction of £21,141, being the Debenture Stock Sinking Fund instalments for that year, cover the gross dividend (£72,000 inclusive of Profits Tax) on the Cumulative Preference Shares now being issued, six times. The Directors consider that prospects for 1954 are encouraging and anticipate that profits for that year will be not less than those for 1953.
4. Net available assets at 31st December, 1953, together with the net proceeds of the present issue and of the issue of 255,000 Ordinary Shares of £1 each at par to Ordinary and "A" Ordinary Stockholders, amount to £4,254,682 and cover 4½ times the nominal amount of the Cumulative Preference Shares now being issued.

Copies of the full Prospectus, on the terms of which alone applications will be considered, and Forms of Application are obtainable from:

Bankers :

MIDLAND BANK LIMITED, New Issue Department, Poultry, London, E.C.2, and Branches.

Brokers :

NORRIS OAKLEY BROS., Kent House, Telegraph Street, London, E.C.2, and The Stock Exchange, London.

This advertisement is published for information only.

The Application List opened at 10 a.m. on Thursday, 24th June, 1954, and closed at 3 p.m. on Friday, 25th June, 1954

STEWARTS AND LLOYDS, LIMITED

(Incorporated in Scotland under the Companies Acts, 1862 to 1886)

SHARE CAPITAL

Authorised £		*Issued and Fully Paid* £
5,000,000	in 5½ per cent. Redeemable Cumulative Preference Shares of £1 each	5,000,000
5,000,000	in 5½ per cent. Cumulative Preference Shares of £1 each	5,000,000
20,000,000	in Ordinary Shares of £1 each	10,000,000
£30,000,000		£20,000,000

LOAN CAPITAL

Authorised		*Issued and Fully Paid*
£10,000,000	4½ per cent. Unsecured Loan Stock, 1964	£10,000,000

ABRIDGED PARTICULARS OF OFFER FOR SALE

BY

THE IRON AND STEEL HOLDING AND REALISATION AGENCY

OF

10,000,000 ORDINARY SHARES of £1 each in STEWARTS AND LLOYDS, LIMITED at 35s. per Share payable in cash or by tender of 3½ per cent. Treasury Stock, 1979-1981 (formerly British Iron & Steel 3½ per cent. Guaranteed Stock, 1979-1981) as follows :

IN CASH	On Application	5s. per Share
	On 26th July, 1954	15s. per Share
	On 30th August, 1954	15s. per Share
		35s.

Payment in full may be made, after the issue of Letters of Acceptance, under discount at the rate of 1½ per cent. per annum.

BY TENDER OF 3½ PER CENT. TREASURY STOCK, 1979-1981 — Applicants may also or alternatively tender on the tender forms provided for that purpose an amount of 3½ per cent. Treasury Stock, 1979-1981, the value of which, calculated at the price shown in the Notice issued by the Bank of England and dated 18th June, 1954, is not less than the full amount payable, at the price stated above, for the Shares applied for by tender. Stock on registers other than the register of the Bank of England must be transferred to the Bank of England register before tender.

A Consortium (hereinafter referred to as "the Consortium") consisting of Baring Brothers & Co., Limited, Robert Benson, Lonsdale & Co. Limited, Hambros Bank Limited, Helbert, Wagg & Co., Limited, Lazard Brothers & Co., Limited, Morgan Grenfell & Co. Limited, N. M. Rothschild & Sons and J. Henry Schroder & Co., have agreed to put in or procure to be put in irrevocable applications on the terms of this Offer for the whole of the Shares now being offered. In making acceptances on this Offer such applications will be treated on the same basis as applications from the public.

Applications made on the special forms provided for use by former holders of stock of any class in the share capital of Stewarts and Lloyds, Limited, whose names were on the register of members of that Company on 14th February, 1951, will receive preferential consideration.

Each application on forms provided for use by former holders of Stock of any class in the Share Capital of the Company must be for 10 Shares or a multiple thereof : other applications must each be for 50 Shares or a multiple thereof.

The Offer for Sale shows (*inter alia*) that :—

1. The principal business of the Company and its subsidiaries is the manufacture of tubes and pipes. These products enjoy a high reputation and are known throughout the world. The Company and its subsidiaries in the United Kingdom, own materials for the manufacture of tubes and pipes, which render them largely independent of outside supplies, apart from coal and coke. With the plant now in operation the U.K. Group holds a pre-eminent position in the steel tube and iron pipe industries. Throughout its history the Company has been in the forefront of technical development and of schemes to improve quality and reduce costs.
2. At the 30th April, 1954, some £33,500,000 had been spent since the war on general modernisation, development and extension of the works in the United Kingdom, with a resultant substantial increase in the output of the main products. At that date the Directors had approved further expenditure over the next five to seven years amounting to £12,700,000 and it is anticipated that the whole of this amount should in the course of the next five to seven years be financed from depreciation provisions and profits retained in the business, although at the peak period of expenditure temporary facilities up to a maximum amount of £10,000,000 might be necessary. The Directors are satisfied that such temporary finance will be obtainable when required and in the light of this they are of the opinion that working capital is sufficient for the Group's present needs.
3. Profits have risen considerably since 1947, and for the 53 weeks ended 3rd October 1953, the combined profits of the Company and its subsidiaries, after depreciation but before United Kingdom taxation, amounted to £12,225,502. During the years from 1947 to 1953 the Company and its subsidiaries in the United Kingdom enjoyed the benefit of higher prices for exports than were obtainable at home. Since the summer of 1953 export prices have become less favourable and it may well be that once again conditions similar to those before 1939, when export prices were lower than home prices, will be encountered. Further, the major units of the U.K. Group which in recent years have been operating at or over their rated capacity have since the summer of 1953 shown a tendency to revert to more normal conditions of working. The Directors consider on the basis of the results for the current year to date that the Group profit for the 52 weeks ending 2nd October, 1954, will be in the neighbourhood of £10 million and that over the next few years Group profits may reasonably be expected to average approximately £7 million per annum before U.K. taxation.

From this figure of £7 million there would, on the basis of present rates of taxation, fall to be deducted :—

1. Interest on £10,000,000 4½ per cent. Unsecured Loan Stock—£450,000.
2. Income tax at 9s. in the £ and profits tax at 2½ per cent.—£3,111,250.
3. Net Preference dividend, including profits tax at 20 per cent.—£412,500.

leaving a balance of £3,026,250, out of which to provide Ordinary Dividends (together with profits tax thereon) and Reserves. On the basis of these figures it would be the intention of the Directors to recommend to the shareholders a dividend at the rate of 12½ per cent. on the Ordinary Capital which would require, including profits tax, a net amount of £937,500 per annum. A full year's dividend for the year ending 2nd October, 1954, will be payable in January, 1955. It is the intention of the Directors, provided profits permit, to pay in respect of the year ending 1st October, 1955, and subsequent years, interim and final dividends.

Copies of the Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application together with copies of the Notice issued by the Bank of England and dated 18th June, 1954, can be obtained from the Bank of England, Loans Office, 2, Bank Buildings, London, E.C.2, and any of the branches of the Bank of England, the Members of the Consortium, the Head Offices and branches of the London Clearing Banks and of the Scottish Banks, Banks in Northern Ireland, the Brokers and the Company.

Brokers :

CAZENOVE AKROYDS & GREENWOOD & Co., 12, TOKENHOUSE YARD, LONDON, E.C.2.

PANMURE GORDON & Co., 1, ST. MICHAEL'S ALLEY, CORNHILL, LONDON, E.C.3.

W. GREENWELL & Co., 2, FINCH LANE, LONDON, E.C.3.

ROWE & PITMAN, 43, BISHOPSGATE, LONDON, E.C.2.

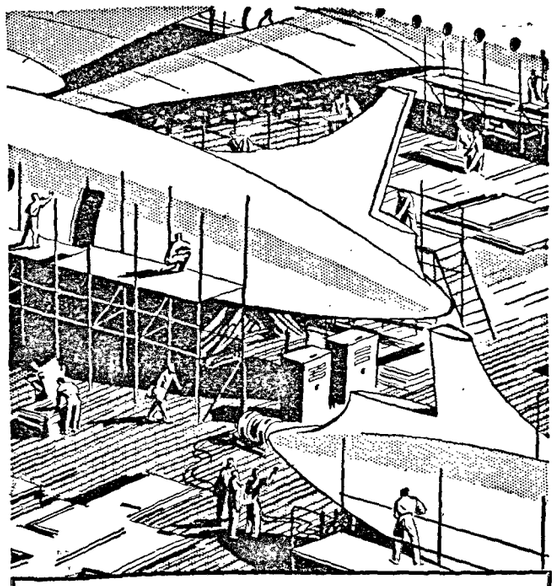
HOARE & Co., 4, CROSBY SQUARE, LONDON, E.C.3.

JOSEPH SEBAG & Co., 22, OLD BROAD STREET, LONDON, E.C.2.

ALL OF THE STOCK EXCHANGE, LONDON.

R. C. GRIG & Co., 29, ST. VINCENT PLACE, GLASGOW, C.1, AND THE GLASGOW STOCK EXCHANGE.

Registered Office of the Company :
41, OSWALD STREET, GLASGOW, C.1.



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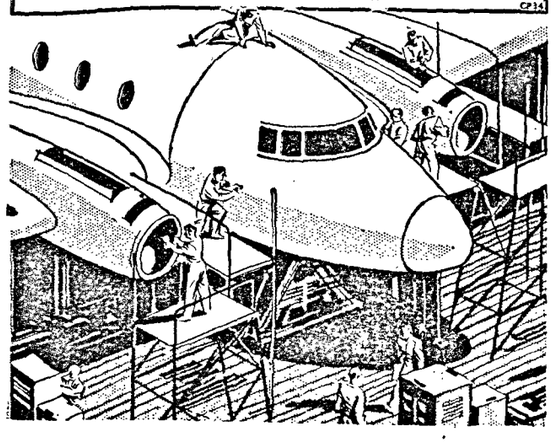

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BRANCHES AND AGENCIES THROUGHOUT THE UNITED KINGDOM

COMPANY MEETINGS

BRITISH CELANESE LIMITED

MR G. H. WHIGHAM'S STATEMENT

The thirty-fifth annual general meeting will be held at The Great Hall, Winchester House, 100 Old Broad Street, London, E.C.2, on Thursday, July 15, 1954, at 12 noon.

The following statement to stockholders by the chairman, Mr G. H. Whigham, has been circulated with the full report and accounts for the year ended April 3, 1954:

The accounts under review cover operations for a period of twelve months, whereas the previous accounts covered a period of only nine months.

The group net profit, before taxation, of £4,069,209 compares with £1,841,346 for the previous period of nine months only (which was equivalent to just under £2,500,000 for twelve months).

The net profit after taxation amounts to £1,777,236, from which £600,000 has been transferred to general reserve and £400,000 to reserve towards increased cost of replacement of property and plant. The aggregate of these reserves is now £6 million.

After providing dividends and interest on funding certificates and after transfers to reserves, the carry forward of the group is increased by £44,354 to £811,146.

£66,454 of debenture stocks were purchased and cancelled during the period.

DIVIDENDS

The final dividend now recommended on the ordinary stock brings the total for the year to 18 per cent, as compared with 12 per cent for the previous nine months (which was equivalent to 16 per cent for twelve months).

The recommendation of 0.7309 per cent participation dividend on the second preference stock brings the total dividend to the maximum of 10 per cent for the year to April 30, 1954.

Whilst the rate of dividend for the year on the ordinary stock may appear conservative, it is considered by your board necessary for a substantial part of the profits which remain after tax to be retained in the business for providing towards the increased cost of the replacement and modernisation of fixed assets, for new projects and the higher cost generally of providing the working resources of the business. In this connection, I would emphasise that there are payments to be made over the next two or three years amounting to approximately £5 million for capital expenditure already sanctioned by your board. In addition, it is anticipated that considerable further amounts will be required each year to provide for the continued development of the business, so it is important to maintain a strong financial position.

We welcome the introduction of the new investment allowance which will replace the initial allowance in respect of certain capital expenditure incurred from April 6, 1954. This allowance will be of material assistance to the company in view of its heavy capital programme.

The total dividend of 18 per cent on the ordinary stock is equivalent to 4.8 per cent on the issued ordinary capital plus reserves at the end of the year.

TRADING

The year under review was one of recovery from the recession which affected our results in 1952 and 1953. Turnover increased substantially though profit margins were not maintained at their previous levels. There is every evidence of the re-emergence of the normal prewar pattern of trade, which first became apparent in 1950, only to be interrupted by the abnormal buying due to the Korean war and subsequent stock-piling.

This means that throughout the trade there is no forward order position of any magnitude. Consequently, there are no large stocks in the hands of our customers, and the general position is healthy and liquid.

The absence of large stocks in the hands of our customers and the fact that orders are placed upon manufacturers for smaller quantities at more frequent intervals and for quicker delivery than was practised in the immediate postwar years entails the manufacturer himself holding stocks in greater amount and also involves higher handling and selling costs.

The prices of our main raw materials are now reasonably stable and we have no difficulty in obtaining adequate supplies. Wages and the price of fuel and power were higher than in the previous year.

Our increased rate of turnover is due not only to the recovery in long established lines, but also to intensified effort in cultivating new markets and in exploiting new developments. Our sales organisation has been adjusted accordingly and, at least until the full benefits accrue, the profit margins on many products are necessarily lower. Nevertheless, it is by building up turnover, albeit at a slightly reduced rate of profit, that the continuance of a satisfactory business is best assured.

The company's export turnover during the whole period under review showed an improvement over the previous twelve months, but the export markets remain difficult and a great deal of effort has to be applied to finding new markets to replace those from which we have been excluded for one reason or another. We have a substantial market for our products in Australia, and recently Mr G. H. Spilman, managing director, together with some of our senior executives visited that country and made an up-to-date and extensive survey of the market.

As you will no doubt have seen in the Press, we prepared a case and gave evidence before the Australian Commonwealth Tariff Board in opposition to proposals which could result in the imposition of substantial import duties on acetate yarn and flake. The result of the Tariff Board inquiry has yet to be published and no doubt will to some extent influence our future plans for that country.

In general, many countries which hitherto imported textile products are seeking to manufacture these themselves. Certain countries seem to be aiming at complete self-sufficiency. No doubt this is due to a great extent to the incidence of two wars during which international trade suffered and there arose in these countries acute shortages of various commodities and articles, some of them urgently required for war uses.

As a result, industries were initiated in these countries which can only be maintained behind high tariff walls. If such countries decide to produce and manufacture everything they need for their own consumption, how can they expect to dispose of their surplus commodities to countries which, in the past, have taken such commodities in exchange for goods produced by them?

FUTURE OUTLOOK

As far as the future outlook is concerned, at home there seems to be every evidence of the continuance of a good domestic market for textiles, although it will be highly competitive. Abroad the position is not so clear. At the moment we have on hand a reasonable amount of export business, but the long-term position is not very reassuring; competition is bound to be severe and will affect not only our own direct exports but indirect exports through our customers.

I have referred in previous years to the effect of the new types of man-made fibre upon your company's acetate products. I said I thought that these new fibres would gradually find their own niches for special purposes and would also be useful in the making of mixture fabrics. To some extent this prognostication has proved to be correct and there has been a considerable interest and experimentation in mixture fabrics with these new fibres, in many cases with a blend of acetate, and there is no doubt that this development is of advantage to us.

Expansion, even survival of fibres, depends on their fitness for purpose, the availability of the raw materials from which they are made and the price at which they can be sold. Fashion will from time to time play a part in increasing the popularity of one or another textile material. This popularity tends, moreover, to be a cyclic phenomenon. The recent popularity of cotton for fabrics in goods of the higher price categories illustrates this point. On the other hand, the increasing use of man-made yarns for tyre cords and in industrial fabrics has replaced cotton in one of its formerly established fields of use. So we shall see the field in which a particular fibre was apparently well established invaded by another fibre. Now that many of these new fibres are more freely available, the textile industry is entering into a period of sorting out or reassessment of the contribution that modern chemistry can offer in the way of textile polymers; and in our view, based on our considerable experience since the launching of acetate as a new fibre, there would appear to be reason for caution during this period of re-appraisement of values.

Our Wrexham buildings are nearing completion and the plant is now being installed. There have been some minor delays, but spinning is planned to commence early in 1955.

RESEARCH AND DEVELOPMENT

The results this year again show that we have every reason to be satisfied with the current position of acetate, our raw material for textile fibres and plastics. Our substantial research, particularly in the primary stages of manufacture, has paid handsome dividends in keeping down the cost of our resultant products and has enabled us to absorb a substantial increase in the cost of

labour and power as well as to meet price reductions in some of our products. It is our policy to maintain acetate on a strictly competitive basis.

Acetate continues to show itself capable of modifications which widen the technical possibilities as well as provide scope for manufacturing economies. Difficulties encountered in making such modifications in earlier days have, as a result of continued research, been overcome and these modified acetates have been brought within the sphere of practical application. As you know, our company were leaders in the development of what has become known as the dry spinning process for fibre forming. There already existed the wet or precipitation process. Later, with the development of the wholly synthetic polymer fibres, the method known as melt spinning is being practised on a large scale. All these methods have to be kept under continual study by us, both as a short term and long term policy, together with a study of materials of fibre- and plastics-forming characteristics, especially keeping an eye on their value from the point of view of our own manufacturing economy. It has become known, if only from our patents, that for some time we have been closely interested in the development of polymer yarns and to this end we have recently installed a small melt spinning plant.

In view of our diverse interests, we have thought it right to expand our research activities. For many years, our research and development as well as our production was centred at our Spondon factory. More recently, we have adopted a policy of a measure of decentralisation with regard to production, and this has entailed the movement of certain development sections to some of the new production sites. We now think it important to decentralise research as well, and to this end we have purchased a suitable building and site for new laboratories and for pilot plant work at Putteridge Bury, Herts, 35 miles from London, where we shall be able to extend our research and to undertake more work of a fundamental character, and where the research workers themselves will be freed from the day-to-day problems inevitably associated with production.

This new research centre, being easily accessible to our central direction, is also conveniently situated in relation to the specialised technical libraries in London and other resources necessary to the research worker.

INDUSTRIAL EFFLUENT

A further suspension of the injunction against the company was granted by the Court until December 31, 1955, the Court being satisfied that this was justified by the steps being taken and the progress already made. It having now been established beyond doubt that the most satisfactory way of treating our industrial waste is to treat it in combination with domestic sewage, Derby Corporation have agreed to accept it into their works. They will accordingly extend their Sewage Disposal Works to deal not only with the increasing amount of domestic sewage arising from their district, but additionally with our waste. The work on the extension, which will be considerable, is expected to start in April, 1955, and should be well advanced by the time the present extended suspension comes to an end. The cooling units, which we built to deal with the complaint of overheating the river, came into operation last November.

PERSONNEL

The provident fund, which the company set up in 1952 for the purpose of paying pensions to long-service works employees and making other payments of a benevolent nature, has been highly appreciated. To show our appreciation of those who give the company long service, it has been decided to increase the annual contributions made by the company to the fund in order to enlarge the scope of the benefits.

In our large and expanding business, which covers textiles, chemicals and plastics, there is plenty of opportunity, both technical and commercial, for talented and ambitious young men who wish to make their career with us.

I am sure the shareholders would like me to express thanks to all the company's employees for their loyal and able co-operation during the year, which has helped so much in the achievement of the results obtained.

INCREASE OF CAPITAL AND CAPITALISATION OF RESERVES

Substantial appropriations have been made to reserves out of profits since 1945, in addition to which the share premium account stands at £2,951,899, resulting in the capital employed in the business being greatly in excess of the issued capital.

In order therefore more closely to relate the share capital to the capital actually employed, you are asked to approve the capitalisation of certain reserves and at the same time to approve an increase in the authorised capital of the company. Full details of the directors' proposals appear in the accompanying report and the formal resolutions are contained in the notice convening the annual general meeting. It will be noted that approximately 80 per cent of the reserves to be capitalised is derived from the share premium account.

BANCA COMMERCIALE ITALIANA
HEAD OFFICE - MILAN
BALANCE SHEET DECEMBER 31, 1953

LIABILITIES			ASSETS		
Capital Stock	L. 2,450,000,000		Cash on Hand	L.	16,219,986,741
Surplus	„ 1,250,000,000		Due from Central Bank	„	28,806,201,098
Undivided Profits	„ 19,145,671		Government Securities and Securities guaranteed by the State	„	89,007,373,190
Net Profit 1953	„ 446,421,839		Bonds and Shares	„	4,414,857,007
	L.	4,165,567,510	Participations in Affiliated Foreign Banks	„	154,646,925
Deposits	„	478,047,894,995	Participation in Banca di Credito Finanziario	„	1,050,000,000
Checks Outstanding	„	19,218,729,094	Contango Loans	„	6,089,840,854
Liability on guarantees	„	41,189,211,494	Other Loans and Current Accounts	„	256,918,461,501
Liability on acceptances	„	8,182,591,175	Bills Discounted	„	117,536,576,812
Liability on letters of credit	„	27,620,798,325	Customers' Liability for guarantees	„	41,189,211,494
Bills for collection	„	12,104,199,306	Customers' Liability for acceptances	„	8,182,591,175
Unearned Discount, Interest, etc.	„	1,131,671,626	Customers' Liability for letters of credit	„	27,620,798,325
Sundry Items	„	5,689,286,568	Bank Buildings and other Real Estate	„	160,337,000
Other Liabilities	„	932,030	Furniture and Fixtures	„	1
	L.	597,350,882,123		L.	597,350,882,123
Depositors of Securities	„	217,179,625,106	Securities on Deposit	„	217,179,625,106
	L.	814,530,507,229		L.	814,530,507,229

TELEPHONE RENTALS LIMITED

DIFFICULT CONDITIONS SUCCESSFULLY SURMOUNTED

BROADENING BASIS OF OPERATIONS

PROVISION OF FURTHER FINANCE FOR EXPANSION

MR FRED T. JACKSON ON NEW ISSUE PROPOSALS

The twenty-fifth annual general meeting of Telephone Rentals Limited was held on June 21st at The Caxton Hall, Westminster, London, S.W.1, Mr Fred T. Jackson, OBE, CompIEE (chairman and joint managing director) presiding.

The secretary (Mr W. J. H. Ainley) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1953:

Once more I am pleased to be able to report that we have had a successful year, as you will see from the accounts before you, which show a further increase in profits. I feel this is a very satisfactory result, especially as the year under review has been very difficult and one which has called for a great deal of anxious thought and hard work by all concerned.

You will remember that in the period 1951-52 we were in considerable difficulties over finance owing to the then prevailing restrictions on capital issues and credit. In due course these difficulties were overcome, but those of you who are industrialists will realise that when the planned progress of a company of our size with an extensive organisation is interrupted in this way, through no fault of its own, it is a very difficult matter after the organisation has been broken down to a certain extent, to reconstitute and build up anew. I might liken this to the fly-wheel of a large engine which is able to put out a great deal of power before it is run down and stopped.

I would like to take this opportunity of paying tribute to the whole of our staff and employees who are members of our profits participation scheme, who on this occasion put their shoulders to the wheel and worked all hours. This is something that is rarely found in any industrial concern in like circumstances, and to my mind is a wonderful tribute to what I might call a partnership between the workers and the shareholders, and is something which cannot be recognised in terms of money.

WIDENING SCOPE OF OPERATIONS

Your board of directors always have in mind the broadening of the basis of your business which makes for stability as a profit-earning organisation. In this connection your directors have not been unobservant of the trend of industry to transfer some of their manufacturing activities to the Dominions, either as assembly or actual manufacture. That being the case, there is bound to be a demand for the services which we supply in this country. As an example of this growth we could quote South Africa, Canada and Australia. As you know, a few years ago we opened up business in Johannesburg and in Cape Town. I am very glad to be able to tell you that this business is now very successful and is in a position to pay us for its requirements in equipment and also is earning satisfactory profits and will be able to pay a dividend for the past year.

Based on our experience in South Africa, during the past year we have opened an office in Toronto. We intend to limit our activities there around Toronto itself, and later on, open up in other parts of Canada, as the distances in that country are so enormous it would not pay us to spread our activities over the whole country.

We have also acquired a half-interest in a business in Australia which has a quite substantial rental revenue. I might say that this was a business started by us before the last war, but at the outbreak of war we sold our interest to Australian industrialists. The acquisition of 50 per cent of this business has been financed from our own resources.

THE DIRECTORATE

During the year we have lost the services of one of our directors by death, Mr W. A. Jackson, who will be greatly missed at our regular board meetings. In his place we are fortunate enough to obtain the services of Sir Leonard Browett, KCB, CBE, who I am quite sure will be of very great value to us because of his unique experience of taxation problems and finance generally.

Your directors also have decided to exercise the powers they have under the Articles to appoint executive directors. We think that we should appoint two or three of our most promising managers, having in mind that possibly this will be a very good training ground for one or more of them to become directors.

During the past year my colleague, Mr Philcox, has visited Australia, Canada and, quite recently, South Africa. The work involved in dealing with our overseas interests is already considerable, and will become more so as each business develops. It is our intention to appoint one of our executives as manager of our overseas companies department, and thus relieve administration at head office.

PROPOSED NEW ISSUE

At the moment your company is quite well off for liquid funds, but it will be necessary to raise further capital to finance our overseas commitments and to provide us with a reasonable working capital at home. We accordingly submitted an application to the Capital Issues Committee, and it gives me great pleasure to be able to report that we have received their consent. We therefore propose to issue 640,000 ordinary shares in the ratio of one to ten at present held, at 7s. 6d. per share, which will realise £240,000 gross. The issue will be made direct to the shareholders for the proportionate number to which they are entitled and an application form will be provided to enable shareholders to apply for extra shares, should there be any not taken up.

HEAVY TAXATION BURDEN

You will have noticed from the group accounts before you that our liability for excess profits levy amounts to £85,750. This is a very heavy sum, and when it is added to income tax and profits tax, you are bound to realise what a brake provision for such large sums for taxation is on the development of the business, and it seems to me, that the heavy burden all industries in this country have to meet on account of taxation is such that in the long run it is bound to defeat its own ends, inasmuch as it prevents the earning of profits, which on a more reasonable basis of taxation would contribute very liberally to the revenue of the country.

ACCOUNTS

I will now refer to the accounts, which reflect one or two major changes as compared with the previous year.

Profit and Loss Account—The gross profit at £655,569 is another record and shows an increase of £38,683 over the previous year, but after deducting profits tax, excess profits levy and income tax totalling £458,779 the net profit is £196,790, which is £14,814 less than the net profit for 1952. This result will help you to appreciate the force of my remarks on the penal effect of the present level of taxation.

During the year we managed to secure repayment of the remainder of our war damage claims, as a result of which we received interest amounting to £8,643 which has been credited in the profit and loss account.

After providing for the transfer to general reserve of £100,000 and the dividends on both the ordinary and preference shares amounting to £97,900, we are left with an unappropriated balance of £121,575 to be carried forward to the current year.

BALANCE SHEET

The issued capital has increased to £2 million by virtue of the £280,000 bonus issue made in May of last year, and the share premium account has been reduced by £284,463 for the same reason. The only other movement in the capital reserves has been to increase the surplus on realisation of capital assets by the sum of £447, representing the profit on sales of company-owned houses.

The revenue reserves now stand at £800,000 after the transfer of £100,000 from the profit and loss account.

The shareholders' interests, consisting of capital, reserves, and the unappropriated profit balance, amount to £2,969,380 as compared with £2,874,506 at the end of the previous year, and this sum is fully employed, as you can well see, in earning what I think may justly be termed a most satisfactory profit.

Current liabilities reflect the substantial increase of £364,079 over the previous year, which is mainly accounted for by the increase in our liability for taxation.

Turning now to the assets side of the balance sheet, the net value of the revenue-bearing installations is £2,529,885, which is equivalent to just over 1.5 years' rent.

The cost of freehold and leasehold proper-

ties at £102,936 shows an increase of £9,470 due to the purchase of premises for our Newcastle branch, and additional house property we have been obliged to buy in order to enable us to transfer our managerial staff where they are most needed to further the profitability and efficiency of our business.

The amounts invested in our subsidiary companies, either by way of capital or advances, has increased by £76,450 to £501,316. This increase is mainly due to our Canadian venture which accounts for £52,531. The balance represents increases in advances to our two British subsidiaries to cater for their expansion, less a repayment of £25,000 received from South Africa.

Stock and work in progress shows the substantial reduction of £101,860, which enviable result has been achieved by our manufacturers reducing their delivery periods, thus enabling us to carry smaller minimum stocks.

We have increased our holding in tax reserve certificates by £350,000 in an attempt to provide for our comparatively huge tax liabilities, and we have since been obliged to surrender £200,000 to meet our income tax liability on January 1st last.

Cash in Australia has increased from £5,810 to £102,962 as a result of our remitting £100,000 at the end of 1953, as a first instalment towards the cost of purchasing our 50 per cent interest in an Australian company, which I have already mentioned. We have remitted a further £90,000 in February of this year, and these two sums, together with the proceeds from the sale of our quoted investments in Australian issues will be sufficient to purchase our share of the initial capital.

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The consolidated accounts having been prepared on an identical basis to that of the parent company, the material changes have already been dealt with in the foregoing remarks.

The net profit of the group before taxation is £702,430 compared with £667,068 for 1953. After providing for taxation, the transfers to reserves, and dividends, the balance of unappropriated profits carried forward and attributable to the holding company's shareholders amounts to £177,078.

SUBSIDIARY COMPANIES

All the subsidiaries of your company traded at a profit in 1953, with the exception of the two Canadian companies, which showed a combined loss of $24,926 (£8,934). This loss is incorporated in the figures shown in the consolidated accounts. The Canadian companies were only formed in September, 1953, and it is anticipated that we shall suffer further losses for the next year of two, until we are able to build up a reasonable rent roll, as this is an entirely new venture, and unlike our other Dominion subsidiaries where we were able to take over going concerns with existing rental contracts.

CONCLUSION

In concluding my remarks, I would venture the opinion that although business has hardened considerably in this country and competition has increased, we anticipate being able to obtain our fair share of orders in this current year. For the first four months of this year we have obtained the target figure which we set ourselves.

As far as our two latest ventures in Canada and Australia are concerned, it is too early to prophesy, as there is still a tremendous amount of spade work to be done, and training to be accomplished. To produce the necessary momentum to ensure the smooth running of a machine takes time, but we have little doubt that in due course we shall make these two latest recruits to the group as successful as the others.

The report and accounts were adopted and the final dividend of 6 per cent, making 10 per cent for the year, was approved.

The retiring directors, Mr C. H. Jackson and Sir Leonard Browett, KCB, CBE, were re-elected, and the remuneration of the auditors, Messrs Chas W. Rooke Lane and Company, having been fixed, the proceedings terminated.

THE CAPE ASBESTOS COMPANY

A HIGHLY SATISFACTORY ACHIEVEMENT

MR ROBERT WALKER ON TRADING CONDITIONS

The sixty-first annual general meeting of The Cape Asbestos Company, Limited, was held on June 21st in London, Mr Robert Walker, MBE (the chairman), presiding.

The following is an extract from his circulated statement:

While the activities of the parent company again yielded an improved profit, the group as a whole was less successful during 1953. The total volume of sales was actually higher than in any previous year, but the margin of profit suffered a sharp contraction. This was due almost entirely to difficulties encountered during the year in the milling of our crude asbestos in South Africa, difficulties which have to a considerable extent now been overcome. Competition in all markets both for crude asbestos and manufactured goods has intensified during the year and is especially keen in the export field, but I am glad to be able to say that the volume of exports secured by your company, particularly in the dollar area, is extremely gratifying.

FINANCE

The group trading profit amounts to £1,038,963, compared with £1,407,058 in 1952, and the net profit attributable to your company amounts to £668,611. Adding the amount of undistributed profits brought forward, £1,240,801, and an amount of £13,509 for taxation over-provided in earlier years, there remains £1,922,921 for disposal. This figure is a striking index to the internal strength which has been built up in your company.

From this sum the amount required for taxation is £414,234, compared with £586,380. It is proposed that £244,475 shall be placed to reserves and that £142,743 shall be distributed as dividend, leaving £1,121,469 to be carried forward.

Turning to the parent company alone, trading profit has risen to £551,960, compared with £506,645, which represents a highly satisfactory achievement in the face of the keen competition, which shows no sign of abating.

Adding the amount brought forward from 1952, £148,326, and an amount of £13,509 for taxation over-provided in earlier years, there is available the sum of £713,795. From this, £281,000 must be set aside for taxation. Your directors recommend that £150,000 be placed to general reserve and that a final dividend of 20 per cent be declared on the ordinary shares, making, as last year, a total distribution of 25 per cent.

CAPITAL EXPENDITURE

In the consolidated balance sheet the fixed assets have increased from £2,691,656 to £3,348,787 after allowing for depreciation of £371,597 written off during the year. The principal additions have been the erection and equipment of the new factory at Stirling, the erection of the new mill at Westerberg, Cape Province, and the completion of the equipment of the Marinite factory at Glasgow. These additional ventures, together with other improvements, have been financed out of cash resources which have been reduced during the year by £715,515. The planning of further expansion must involve consideration of the desirability of creating additional capital, and this is a matter which your board will keep under the closest review.

Current assets are lower at £3,257,396 compared with £3,778,721 last year, but still exceed current liabilities by £1,876,293. Reserves and surplus have again increased at £3,559,533 compared with £3,462,031.

FACTORIES

I am gratified to be able to report a year of successful endeavour in the home field. At Barking there has been a year of steady progress, with notable improvement in manufacturing efficiency. At Uxbridge the board section has provided a greater contribution to revenue, and at Kentmere increased efficiency has been reflected in a higher profit. Your company's new Rocksil factory at Stirling, erected and in production in less than nine months, represents the result of teamwork and drive of a high order. While there are yet difficulties to be overcome, we hope that this will become an interesting source of revenue in the near future.

SUBSIDIARIES

When I last addressed you, I indicated that while there had been a successful year's operations in South Africa during 1952, the situation left no room for complacency.

The great pressure for production during recent years had placed a serious strain on the milling plants, which, despite constant attention, could not be maintained in operation at the required efficiency. In order to achieve the more exacting standards of quality demanded by manufacturers, it became necessary to slow down the rate of through-put in the treatment plants, and this has had the result of reducing the profit from these operations very substantially. As a result of measures taken earlier, the first production line of a new mill at Westerberg, the largest so far erected by the company, began to run towards the end of 1953, and a second line is now also in operation. While this will provide greater milling capacity than we have hitherto enjoyed, some increase in the cost of treatment cannot be avoided.

On the whole, it can be said that the demand for the special types of crude asbestos which are derived from your company's mines, still shows a tendency to increase. I am hopeful that we can look for a marked improvement in the contribution to be made by the mines to the general trading profit of the group.

The statement concludes with a review of the progress of the other subsidiary companies, at home and overseas.

The report was adopted.

OTTOMAN BANK

TURKEY'S NOTABLE ECONOMIC PROGRESS

LORD LATYMER'S REVIEW OF WIDESPREAD ACTIVITIES

The eighty-seventh annual general meeting of Ottoman Bank was held on June 23rd 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: The figures for 1953 of Turkey's economic activity show notable progress. Important increases in production are shown especially in agriculture where there have been record harvests. The fall in the price of cereals, however, following excellent world harvests, unfortunately had a serious effect in Turkey. Considerable delays in remittance of cover for imports resulted in spite of the Government's vigorous counter-measures. Nevertheless, this situation has not had too discouraging an effect abroad; foreign countries continue to show confidence in Turkey, and to feel that the Government will be able to confine its foreign expenditure to those items which are necessary to the development of the country and to an improved standard of living. It is hoped that the measures taken to surmount these difficulties will soon prove effective.

A new law for the encouragement of foreign investment came into force in January, 1954. Of wider scope than the law of August, 1951, the new law invites foreign interests into all spheres of activity "which further the economic development of the country" and which do not involve special monopolies. Profits may be repatriated without hindrance, or may be reinvested in the same undertaking or in another concern which complies with the regulations. Proceeds of the sale of a part or of the whole of the business may be repatriated at any time.

Public finance continues sound: as in 1952, revenue actually exceeded budget estimates and this winter the Grand National Assembly was able to pass for the first time in twenty years, a balanced budget. This is a remarkable achievement for a country which is not only making a supreme effort to equip itself but has also to meet a very heavy defence programme.

EGYPT

During the year 1953 it was more to the political events in Egypt that attention abroad was attracted than to the general improvements in the economic position, which resulted from the country's real and successful efforts to stimulate the export of cotton, upon which her prosperity so largely depends.

I am confident that the standard of service we have set in Egypt is being well maintained.

SUDAN

1953 was a notable year in the history of the Sudan. An Anglo-Egyptian Agreement on the Sudan was signed in February and a few weeks later the Sudan Self-Government Statute came into force, providing a legal basis for the machinery of self-government in the country. In November, under the supervision of an International Commission, the elections were held for the first Parliament. The National Unionist Party obtained a substantial overall majority in both the House of Representatives and the Senate; early in 1954 they took over the government of the country.

For all our branches in the Sudan it was a busy time. The Ottoman Bank Kosti completed its first year. An excellent site has been obtained for new premises at Port Sudan and plans for construction are now in preparation.

JORDAN

In spite of the country's two pressing and permanent problems—frontier tension and refugee resettlement—there are signs of progress on many sides. The United Nations Relief and Work Association, the United States Operations Mission (formerly Point Four), the Jordan Development Board and the Jordan Development Bank have all contributed much goodwill and much practical help to the development of the country's resources, and the rehabilitation of the refugees who number over half of the population.

IRAQ

For Iraq, 1953 was a year of general stability and of progress. The new Civil code, drawn up in 1951, came into force. There was, throughout the year, a steady improvement in the cost of living index, which fell from 539 in January to about 470 in December.

Convincing evidence of the country's achievements may be found in the progress of many schemes adopted by the Iraq Development Board—itself reorganised in July—since the adoption of the Six-Year Plan in 1951.

Each of these schemes depends upon the steady flow of oil royalties. The oil output of Iraq for 1953 exceeded 27,900,000 tons, an advance of about 50 per cent on the 1952 figure. Royalties, said to be over ID.35 million, are mounting rapidly and are confidently expected to reach ID.60 million in the near future. Iraq, therefore, is well justified in pressing forward with her public works.

For your branches in Iraq it was an active year.

CYPRUS

In spite of keen competition and notwithstanding the conservative policy of your bank, our business in Cyprus shows encouraging development.

Our associated bank, the Agricultural Bank of Cyprus, maintained its policy of long-term accommodation to Cyprus farmers. It is interesting to learn that following excellent harvests, more than 99 per cent of all instalments due by farmers to the Agricultural Bank of Cyprus during the year were punctually paid.

MOROCCO

Our Casablanca branch had a satisfactory and active year although Morocco did not escape the general recession due to falling prices.

LEBANON

In the Lebanon in 1953 the citrus fruit crop was maintained and the apple crop increased. The disposal of the fruit, however, both on the home and foreign market, is already presenting something of a problem. The textile industry, the most important in the country, continued to work below maximum capacity; the cement industry, on the other hand, as there is much building activity, found an easy market.

SYRIA

The Banque de Syrie et du Liban continues to play an important part in Syria's financial economy. The activity of the branches equalled that of the previous year and satisfactory results are reported.

JUGOSLAVIA

The general meeting of shareholders of the Banque Franco-Serbe, which was held on April 27th, passed the accounts for the year 1953 and agreed the same dividend of Frs. 50 per share as for the previous year.

LONDON AND PARIS

The London and Paris offices have continued to make every effort to stimulate and foster trade between and with the countries of the Middle East, where our branches are established. For the branches in Marseilles and in Manchester also, it was a busy and encouraging year.

BALANCE SHEET ITEMS

The balance sheet totals show an increase over last year of more than £24 million, of which some £13 million is due to including this year for the first time contra accounts in respect of endorsements and guarantees, as well as acceptances which latter item alone has appeared in the past. The current, deposit and other accounts show an expansion of more than £11 million, which may be considered satisfactory, especially if the cessation of all our current banking activities in Israel is borne in mind.

We continue to maintain a liquid position with cash and money at call together showing a ratio to deposits of 27 per cent, bills receivable of 17½ per cent and investments of 16½ per cent. Advances show an increase of £8 million, most of which took place towards the end of the year.

It will be noticed that the figure of £238,122 included in the profit and loss account under the heading "Result for the year ended December 31, 1953" shows a substantial increase over the same figure for 1952, while the figure of £160,474 included under the heading "Remittances in respect of profits for previous years" shows a decrease.

It is our practice to include under the head "Result for the year" only those profits of the year under review which have been remitted into sterling before the accounts are made up. I have mentioned at former general meetings that it is often impossible to ensure that the necessary exchange for remittance of our profits from the various countries in which we operate is available in sufficient time to enable them to be included in the figures for the year in which they are earned. No particular significance must, therefore, be attributed to the variation which may occur from year to year in the relative size of these two items.

The total amount of profit available, including the balance of £30,459 brought forward from 1952, is £429,056, compared with £480,460 last year. The appropriation to "Reserve for contingencies" is reduced this year from £250,000 to £200,000, leaving a balance of £229,056.

The Committee propose that a dividend of 8s. per share be paid again this year, absorbing £200,000 and leaving £29,056 to be carried forward to 1954. The report was adopted.

LAMBERT BROTHERS LIMITED

EFFECT OF SERIOUS FALL IN FREIGHT RATES

The fifty-first annual general meeting was held on June 24th in London, Mr R. Rattcliff Steel (the chairman) presiding.

The following is an extract from his circulated statement: The consolidated profit and loss account shows a gross profit of £422,147. Taxation on these profits absorbs £215,347, leaving £206,800 as the net profit for the year after taxation.

The dividends on the preference stock and interim dividend on the ordinary stock already paid, plus the final dividend and bonus on the ordinary stock now recommended, absorb £83,016, leaving £173,784. The balance brought forward from 1952 is £791,016, making £964,800. A further sum of £200,000 has been put to fleet replacement reserve which will now stand at £1,200,000, so that £764,800 is left to the credit of the profit and loss account and it is proposed to carry this sum forward.

We also propose to repeat the payment of 2½ per cent on the ordinary stock out of realised capital accretions, which does not attract any form of tax in the hands of the stockholders.

The considerable reduction in profits is entirely due to the serious fall in freight rates, to which, as I have explained in the past years, most of our business is linked. Unfortunately there is no sign of early improvement and I should be wrong if I encouraged you to hope for any better results during the year we are now half way through.

I am glad to say that there has been no lessening of the activities of any of the departments or subsidiaries, apart from the falling off in the demand for bunker coal, which must continue.

Our oil department, which is progressively taking over the large bunkering business formerly handled by the coal department, has fully maintained its trade in all respects, notwithstanding the general recession. It also brings many reciprocal benefits to our other departments.

Our shipowning company—the Temple Steamship Company Limited—has naturally been affected by the fall in freight rates from the very high levels of 1951. Rates are now at levels which still show only a small margin over running costs, and then only for the more efficient vessels.

FLEET CHANGES

The first of the two new motor vessels, *Temple Hall*, was delivered in February, 1954, about 4½ months later than expected owing to the cumulative effect of steel shortages in the last two years. Her sister ship, *Temple Lane*, is expected to be delivered about the end of September, 1954, some 3½ months late for the same reason. In addition to our own Temple ships, our ship management department has operated vessels for clients during the year.

After reviewing in detail the departmental results, the statement continued:

From my recent statements, our stockholders will have appreciated that the altered methods of transport have necessitated the re-arrangement of many of our activities; nevertheless, for the most part our business remains closely related to ships. Although we are expecting another difficult year, we are fortunately well situated and feel confident of being able to secure our fair share of any business that may be obtainable to replace those activities which are lessening due to world changes. The report was adopted.

TIMOTHY WHITES AND TAYLORS, LIMITED

VOLUME OF SALES AGAIN INCREASED

The twenty-fifth ordinary general meeting of this company was held on June 24th in London. Mr G. I. Rushton, MPS (vice-chairman and managing director), in the unavoidable absence of Mr Louis Nicholas, JP, FCA (chairman), presided.

The following is an extract from the chairman's circulated statement: The accounts of the company for the 53 weeks ended January 2, 1954, show a continued improvement in the profits of the company and its subsidiaries. The total sales of the company and its retail subsidiaries for the period were higher than the high level of sales for the year 1952 but, in common with other businesses of a similar nature, expenses, particularly wages, salaries, rents and rates have continued to rise.

The trading profit and sundry income of the group for the period ended January 2 last was £1,373,558 (equated to 52 weeks £1,347,642) as against £1,247,365 last year.

The provision for taxation, including taxation due January, 1955, amounts to £654,994 equivalent to over 60 per cent of the profits. Your directors recommend a total dividend of 30 per cent, less tax.

The total reserves of the group, capital and revenue now total £2,800,975 as against a paid-up capital of £2,809,517.

With regard to the future, present sales are in excess of those for the corresponding period of 1953. I have every hope, subject to nothing unforeseen occurring, that the trading results for the current year will be satisfactory.

The report was adopted.

THE ARGUS PRESS HOLDINGS

EARNINGS WELL MAINTAINED

The twenty-fifth ordinary general meeting of The Argus Press Holdings Limited was held on June 23rd in London.

Mr F. R. Lewis, who presided, said: In his speech to the shareholders last year the chairman indicated the possibility of a fall in net profit. You will have seen that, in fact, the figures were almost identical with those of the previous year. The trading balance is £191,974, against £189,102 for the previous year. After deducting expenses, directors' fees and taxation, we have available £54,123. If you pass the recommendation of your directors that a final dividend of 10 per cent, making 17½ per cent for the year, be paid we shall carry forward a sum of £230,921, against £211,426 brought in.

A year ago shareholders were informed that we had made an offer for the entire share capital of Messrs Kelly & Kelly Limited, general printers, of Singer Street, Finsbury, E.C. That offer was accepted and Kelly & Kelly Limited is now a wholly owned subsidiary of The Argus Press. The profits of Kelly & Kelly subsequent to the date of acquisition have been included in the accounts.

Turning to the future, increases in production costs have not yet ceased but the demand for print is generally very satisfactory. In the field of magazines and newspapers, competition is strong. This year the figures so far are very encouraging and we are looking for further opportunities of expansion.

It may be necessary in the future to arrange for further finance for the provision of new plant. The report was adopted.

AMALGAMATED BANKET AREAS, LIMITED

MAJ-GEN W. W. RICHARDS'S SPEECH

The eighteenth annual general meeting of this company was held on June 22nd in London.

Major-General W. W. Richards, CB, CBE, MC, chairman, in the course of his speech, said: When I addressed you last year, I drew attention to the near completion of the last of our Ropeways and I suggested that the attainment of that goal should, after a reasonable interval, result in progressively smoother and more profitable operations. To our regret it is taking far longer to secure maximum tonnages from the Fanti Mine.

Notwithstanding the absence of any premium in the free market price of gold, which amounted during the year under review to no less than 14s. 6d. per ounce, the net mine profit last month amounted to the gratifying figure of £26,669; and this was achieved after charging development expenditure amounting to £7,561. These good figures were not, as may have been assumed, due to a better return from the Fanti Mine, but were largely attributable to our older and tried sections, Abbontiakoon, Mantraim and Pepe. The total tonnage mined and milled from all sections reached the record figure of 70,958 tons.

We must now enlarge development operations to ensure the future maintenance of the ore reserves. The present rate of 700 feet of development per month will accordingly be increased to 900 feet per month for the remainder of this year, after which the rate will be progressively increased to reach 1,200 feet per month by September, 1955. The report was adopted.

VAB PRODUCTS LIMITED

A FAVOURABLE RESULT

The seventeenth annual general meeting of Vab Products Limited was held on June 17th in London.

Mr Ivor Lloyd, AMIAE, FCS, MInstBE (the chairman), in the course of his speech, said: The profit of the group amounted to £54,103 for the twelve months ended December 31, 1953, which compares very favourably with the profit figure of £37,349 for the previous year. Taxation absorbs £35,854—almost two-thirds of the profit earned by the group. The sum of £8,500 has been retained in the accounts of the subsidiary companies, and the group profit and loss account balance carried forward is increased from £13,740 to £22,017.

Towards the end of the year we acquired Tupholmes (Sheffield) Limited, a well-known firm of hardware merchants. Your directors are of the opinion that during the current year this company will make a useful contribution to the group.

IMPROVED SALES SERVICE

During the year, part of the premises in Sheffield occupied by Royse Brothers Limited were brought into use as a Northern depot for the distribution of the products of Vab Rails Limited and Vab Plastics Limited, which has had the effect of improving the sales of these companies and their service to our customers in that area. The parent company has now acquired this leasehold property in order to ensure the continuity of this service.

Your board has continued its policy of increasing the efficiency of various subsidiaries by the installation of new plant wherever possible. Whilst conditions are still difficult, your board are optimistic with regard to the current year. Legislation has been introduced making the carrying of reflex reflectors compulsory on all vehicles, and I am confident that your subsidiary, Fairylites Limited, one of the oldest companies specialising in this type of accessory, will derive much benefit during the current year.

The report was adopted and the total dividend of 12½ per cent was approved.

SOUTHERN AREAS ELECTRIC CORPORATION LIMITED

YEAR OF FURTHER PROGRESS

The twenty-first annual general meeting of Southern Areas Electric Corporation was held at Caxton Hall, Westminster, on June 18th.

During the course of his speech to the shareholders, the chairman, Sir Arnold B. Gridley, KBE, MIEE, MP, said:

You will recall that a year ago I informed you that we had but recently agreed to purchase the whole of the share capital of Tyer and Company Limited, manufacturers of railway signalling and automatic train control apparatus. In the accounts before you is incorporated a satisfactory return on that investment and I would add that we have some interesting developments pending.

ANNUAL ACCOUNTS

Our capital reserve balance as at December 31, 1952, was £51,646. Of this sum £13,000 has been converted into bonus shares of two subsidiary companies and allotted to the holding company and we have added £6,568 which was the profit realised on the sale of some of our outside investments. Our capital reserve is now £45,214 as shown.

Referring now to our revenue reserves, the contingency reserve of £40,000 is unchanged, but the general reserve is increased by £37,750 (from £45,000 to £82,750) transferred from profit and loss account.

The third item of £215,348 is an increase of £87,422 on last year's figure of £127,926. Of this increase of £87,422, the major contribution is £68,533 from EPT postwar refund to which I have already made reference.

The net effect of all these changes is that our combined capital and revenue reserves now aggregate £383,312 as compared with £333,105 a year ago, an increase of £50,207.

We have to make provision for income tax liability in respect of the trading results for the year 1953 of no less a sum than £145,182, which is nearly four and a half times the dividend distribution of £32,319 which we are proposing today.

You will observe next that our bank overdraft has been reduced by no less than £107,309, viz. from £361,442 at December 31, 1952, to £254,133 at December 31, 1953. At our meeting a year ago a shareholder enquired how we intended to finance our various capital commitments and other needs. We have spent on extensions and additions to land, buildings and tool equipment of subsidiary companies no less than £160,000. We also completed during the year the purchase of the Tyer Railway Signalling business, and provided additional working capital for subsidiary company needs. We have achieved all this by turning into cash £109,000 of our last year's stocks and work in progress, by selling some of our outside investments for £44,568 cash at a satisfactory profit, and by ploughing back undistributed profits of subsidiary companies. I trust shareholders will agree that our financial policy has been sound and prudent.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In the consolidated profit and loss account we start off with profits, including dividends on our outside investments, of £284,781, compared with £265,600 in the previous year, an improvement of over £19,000. Depreciation requires nearly £10,000 more, due to the additional expenditure on fixed assets. We have also deemed it prudent to write £16,699 off our patent rights, etc., as compared with £109 last year. We next have to provide £131,252 to meet our tax liabilities, which include £27,700 for Excess Profits Levy, which is a non-recurring item. For this relief in our subsequent accounts let us be thankful.

I turn now to the profit attributable to the Holding Company's interest, which this year is £92,157 compared with £82,460 last year, which gives you the true net profit comparison. We show a sum available, adding in last year's carry forward of £127,926, of £288,616. After providing for the proposed dividend and bonus, transferring £37,750 to general reserve, and writing off formation expenses already referred to, we have a carry forward to our next year's profit and loss account of £215,348, as compared with £127,926 brought in, an increase of £87,422.

STOCKS WRITTEN DOWN

Before computing the profits of the subsidiary companies incorporated in the group consolidated accounts, those companies in the aggregate wrote down the value of their stocks, tools and other smaller items by approximately £83,000.

To summarise briefly the net effect of the group figures I have commented upon, it is this: Stocks, etc.; have been written down by £83,000 and patent rights by £16,000, fixed assets have been added of the value of £150,000, balances carried forward are up by £87,000, and capital and revenue reserves are increased by £50,000. Yet we had reduced our bank borrowings by £107,000. I think I may let these figures speak for themselves.

I should mention that as Colonel Hardie is no longer resident in London and wishes to be relieved of a portion of his responsibilities as joint managing director with me, the board have asked him to continue to serve as technical director. He will also retain his directorship of some of the more important subsidiaries while resigning from others.

I hope that the results for the year 1954 will, in the uncertain world conditions which unhappily still prevail, be at least as good as those which we now present to you.

The report and accounts were adopted.

THE UNIVERSITY OF HULL

DEPARTMENT OF ECONOMICS AND COMMERCE

Two graduate Research Assistants required: one appointment is for research on regional industrial problems and will be within the salary range of £400 to £650 per annum; the other, for work on bulk import of foodstuffs, will be for a period of two years with salary £550, £600 per annum. Superannuation benefits under the F.S.S.U. and children's allowances.—Further particulars from the Registrar, to whom applications (four copies) should be sent not later than July 19th.

GROUP of expanding companies seeks executive capable of co-ordinating the activities of the various companies with a view to streamlining and economy in the various basic operations. Knowledge of accountancy, buying, sales, advertising, administration, systems and methods, production. The position calls for someone capable of examining the various departments of the group, interviewing and engaging staff and representatives and bringing in new ideas. Applicants must have a strong personality and must have held top executive positions recently. All replies will be treated in strict confidence.—Write, stating full details, age, experience and salary required, to Chairman, Box 594.

THE British Transport Commission invite applications for a position of Statistician-Economist, Statistics Division, B.T.C.HQ., the salary range for which is £1,200-£1,700 p.a. Good University degree required preferably in economics. Sound knowledge, theoretical and practical, of statistical method, of current economic statistics and of principles and practice of economic surveys. Candidates should be between 26 and 40 years of age and will be eligible for membership of a Superannuation scheme subject to the requirements of the fund. Applications, giving full particulars of education, experience and age, should be sent within 14 days to the Chief of Establishment & Staff, B.T.C., 222 Marylebone Road, London, N.W.1.

GENERAL SALES MANAGER required by well-known engineering group near London to take charge of division handling mechanical components and equipment for the aircraft and automotive industries. Applicants must possess recent and first-hand knowledge of the requirements of these industries and be competent to conduct top level negotiations at home and abroad. Salary up to £3,000 p.a. and excellent prospects to the right man.—Please send full details to Box 601.

FOR Sale, complete sets *The Economist*, 1947 to 1953.—Offers to Box 590.

WYE COLLEGE

(UNIVERSITY OF LONDON)

The Governing Body of Wye College invites applications for the post of Agricultural Economist in the Agricultural Economics Department. Applicants must be graduates, preferably with qualifications in Economics and Horticulture or Agriculture. The appointment will be made in the A.E. scale (£676-£949, consolidated) with superannuation under the F.S.S.U.

Further particulars may be obtained from the Registrar, Wye College, Nr. Ashford, Kent, to whom applications should be forwarded by July 17, 1954.

AN INVITATION TO INDUSTRIALISTS

Small French town (Normandy), entirely reconstructed since 1947, invites inquiries from British/American firms seeking factory-space in France. Efficient modern services, reliable non-Communist labour, generous municipal facilities.—Please write Mairie, Aunay-sur-Odon, Calvados.

CONTINENTAL Department of internationally known company requires a Manager. A versatile and capable man who has a first-rate knowledge of French and/or German and is an able negotiator should find this a congenial and progressive position.—Applications should give details of age and experience.—Box 603.

AN EXCEPTIONAL OPPORTUNITY occurs for woman graduate with good honours degree. London office controlling European network of world-wide advertising organisation offers a position of unusual interest with every chance of rapid advancement. Essential qualifications are: good spoken and written French and German, a clear concise prose style, pleasing personality, energy, initiative, organising ability and an analytic mind. Experience in any of the following fields will prove useful: economics, statistics, social studies, library work (indexing, extracting, precis, etc.), journalism, public relations, market research, advertising.—Write Box 588.

BIOGRAPHER required to write history of a business, including life and background of its founder. Should appeal to young English, History or Economics graduate aspiring to be an author. Will those interested please write, giving brief details of their qualifications and other relevant information.—Box 593.

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 Services, you may wish to sell (*periodicals excluded*).

VICTORIA UNIVERSITY COLLEGE
WELLINGTON, NEW ZEALAND

The Council of Victoria University College proposes shortly to appoint a SENIOR LECTURER IN THE DEPARTMENT OF ECONOMICS, and invites applications from suitably qualified persons for this post.

The salary will be £1,092 8s. per annum, rising by annual increments of £50 to £1,292 8s. per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

Approved fares to Wellington will be allowed for the appointee, his wife and his children.

Duties to be assumed on September 1, 1954, or as soon thereafter as may be agreed upon.

Further particulars and information as to the 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, in New Zealand and London, is *July* 31 1954.

MARKET RESEARCH

A company of high national repute, engaged in the large scale manufacture of consumer goods, invites applications for a most interesting appointment. The successful applicant will be responsible to the Chief Market Research Executive for the continuous study of consumer wants in relation to the company's products, the regular scrutiny of specifications and quality through sample surveys, and the interpretation of statistical data to provide a basis for the company's product development and marketing policies. Candidates should be under 35, have a university standard of education and a wide experience in the field of market research. A knowledge of distribution problems embracing the wider issues of marketing and product presentation is especially important. Initial salary will be commensurate with the candidate's breadth of experience in this field and a figure not less than £1,500 is in mind. In addition, the company offers a non-contributory pension scheme, life assurance and other substantial benefits.—Apply in confidence, giving full details of age, education and career to date, to Box 609.

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES. The Civil Service Commissioners invite applications for pensionable appointments. Applications may be accepted up to December 31, 1954, but early application is advised as an earlier closing date may eventually be announced. Interview Boards will sit at frequent intervals. The Scientific posts cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. In biological subjects the number of vacancies is small; individual vacancies exist at present for candidates who have specialised in palaeobotany, foraminifera, malacology and lichenology. The Patent posts are in the Patent Office (Board of Trade), 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 1954 may apply before the result of their degree examination is known.

Age Limits: Senior Scientific Officers, between 26 and 31, but specially suitable candidates under 26 may be admitted. For Scientific Officers and Patent Classes, between 21 and 28 during 1954 (up to 31 for permanent members of the Experimental Officer class). Salary (London) Senior Scientific Officers: (men) £975-£1,150; (women) £845-£1,025. Scientific Officers: (men) £470-£855; (women) £470-£750. Patent Examiner and Patent Officer Classes: (men) £440-£760 (rates under review). Women's rates somewhat lower. 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.53/54 for Senior Scientific Officers and S.52/54—S.128/54 for the other posts.

OLD-ESTABLISHED firm of Engineers and Machinery Merchants, with ample technical and financial resources, are interested in acquiring complete Works, Industrial Installations and large ranges of Machinery of virtually every type—either in GREAT BRITAIN OR OVERSEAS. Notable purchases in recent years include plants for the manufacture of Chemicals, Heavy and Light Engineering Products, Iron, Steel and N-F. Metals, Artificial Fibres, Machine Tools, Hydraulic, Plastics and Rubber Machinery, Cement, Radio and Gramophones, etc.; also redundant Railways, Mines, Electric Generating Stations, Breweries, Distilleries, Boilers. The advertisers have highly qualified technical staffs and every facility for the expeditious dismantling and removal of large industrial equipment. All replies will be treated in the strictest confidence.—Box 606.

SALES MANAGER with a sound grasp of technical aspects of electronic materials, including ceramics, required by Midlands branch of large industrial group. Applicants, preferably metallurgists or chemical engineers, having ability to anticipate and develop the uses of the materials and competent to negotiate, with customers respecting commercial applications to products are invited to apply for this position. Good salary and prospects.—Please send full details and indication of salary desired to Box 598.

MARKET RESEARCH ASSISTANT required by large industrial company near London. Pensionable post. Applications are invited from graduates, preferably in Economics, who have a minimum of three years' experience in market research work.—Apply, stating age, qualifications and experience, to Box 592.

SALES MANAGER required by large organisation to take charge of a group of miscellaneous products supplied to the electrical and radio industries. Specialised experience in this field is of less importance than the ability to appreciate the potentialities and exploit the commercial and other applications of the products. Ability to conduct negotiations at top level is absolutely essential. A substantial salary is offered and prospects are excellent.—Please send full details of age, experience and salary desired to Box 595.

LARGE Industrial Group, leading in its own field, with Headquarters near London, invites applications for position of Chief Accountant, who must be chartered accountant with industrial experience and able to assume responsibility for subsidiary and consolidated accounts, taxation, costing, finance and organisation of accounting methods. Age 37 to 45 years. Considerable prospects for applicant with right experience and personality. Commencing salary at least £2,000. Only applicants of outstanding ability can be considered. Full details of education, career, qualifications, age, etc., should be sent to Box No. T.3966/3, Foster Turner & Everetts Ltd., 11, Old Jewry, London, E.C.2.

UNIVERSITY OF BIRMINGHAM

Applications are invited for a Grade I lectureship in the Faculty of Commerce and Social Science (salary £1,100 to £1,600, depending upon qualifications). The principal duties of the post will be to pursue research into and lecture on Employer-Employee relations. It will be an advantage if candidates, besides holding a good degree in commerce or economics, have had some experience in industry. The lectureship is tenable under a deed of gift and is established for a period of seven years.

Applications, with the names of three referees, should reach the Registrar, The University, Birmingham, 15, before July 12, 1954. Further particulars may be obtained from the undersigned.

C. G. BURTON, Secretary.

The University, Birmingham, 15. June, 1954.

THE DURHAM COLLEGES
in the University of Durham
BOARD FOR EXTRA-MURAL STUDIES

Applications are invited for the post of Temporary Staff Tutor for Extra-Mural Studies. The appointment will date from September 1, 1954, or such other date as may be arranged. The salary attaching to the appointment will be £500 per annum, together with the benefits of the F.S.S.U. Scheme and Family Allowances.

The Staff Tutor will be required to teach one or more of the following subjects :—

Economics.
Industrial Relations.
Sociology.

Applications (three copies), stating subjects offered and giving the names of three persons to whom reference may be made, should be sent not later than July 10th to the Secretary, 38, North Bailey, Durham, from whom further particulars may be obtained.

GENERAL MANAGER

Required by West African trading company. Experienced in wholesale and retail trading in building materials, hardware, cycles and accessories, provisions, etc. Company operates its own stores in the principal British territories. Applicants must possess leadership and must be industrious, fit and between the ages of 35 and 45 and able to produce impeccable references. Permanent position offering considerable scope for a man with sound merchandise knowledge, sales and administrative ability, and capable of taking full control of European and African staff. Knowledge of budgeting, stock and financial control essential. Free furnished accommodation provided, first-class passages, 12-18 months' tours with good leave periods. Pension, generous salary and bonus terms; Colonial rates income tax. All applications will be treated in confidence.—Apply, own handwriting, giving full details of past experience, educational and other qualifications, to Box 610.

THE MARKET RESEARCH DEPARTMENT of a Midland company requires a Male University Graduate aged 20-24, trained in economics and statistics (the latter preferably to more than elementary level). This is a new post, demanding an alert man, capable of setting down the results of his work adequately, yet concisely. Salary in accordance with age and qualifications.—Apply, giving details, to Box 586.

PRODUCE OFFICER required for NIGERIA in the MARKETING and EXPORTS DEPARTMENT for 18 to 24 months in first instance. Salary, etc., according to experience in scale £807 rising to £1,631 a year. Gratuity of £100/£150 a year. Outfit allowance £60. Free passages for Officer and wife. Assistance towards the cost of children's passages or grant up to £150 annually for maintenance in United Kingdom. Liberal leave on full salary. Candidates, under 40, must have a University degree in Commerce, Economics or Agriculture, and should possess administrative ability. Experience of inspection and grading of agricultural products an advantage.—Write to the Crown Agents, 4, Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience, and quote M1/33943/EN.

SALES DEVELOPMENT, U.K.-U.S.A. Highly qualified Executive seeks appointment. Sales Manager and Sales Promotion Manager with important National and International Companies, experienced in planning and organising major sales development campaigns. Has had general business experience including administration and accounts. Has lived and travelled extensively Canada and America.—Box 591.

SALES MANAGER with experience of transformers and coil winding or other specialised field of electrical components, required for important department of large organisation. Must be fully accustomed to controlling a sales organisation, able to conduct negotiations at highest levels and technically conversant with current developments in electronics. Substantial salary and excellent prospects.—Please send full details and indication of salary desired to Box 596.

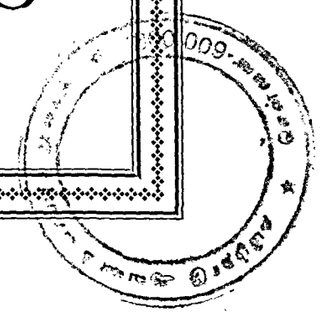
GENERAL SALES MANAGER required by important engineering group in South West to develop and expand existing large sales of mechanical components and general engineering work. Applications are invited from persons holding similar appointments in the machine tool or mechanical engineering fields, possessing a wide circle of trade contacts and able to negotiate at highest levels. Salary up to £3,000 p.a.—Please send full details to Box 599.

TECHNICAL SALES MANAGER required for important company near London to expand existing large turnover with particular emphasis on the technical development of mechanical components for the electrical and allied industries. A wide experience coupled with ability to conduct negotiations at Director level and direct the technical development into the most profitable fields are essential qualifications. Substantial salary and excellent prospects.—Please send full details and indication of salary desired to Box 597.

GENERAL SALES MANAGER required by well-known company to develop and expand existing large turnover in electrical components and equipment for Aircraft. Applicants must possess up-to-date experience of requirements and be connected at high level in this field and be able to conduct surveys and negotiations at home and abroad. This is a senior appointment, which will be well paid, and demands wide experience and administrative ability.—Please send full details and indication of salary desired to Box 600.

FOREIGN SALES MANAGER required by old-established company; age preferably 30-40. First-class references essential. Position would necessitate foreign travel for approximately six months annually. Fluent French essential, German and/or Spanish advantageous. Minimum commencing salary £1,500 p.a.—Box 589.

SPRING BOOKS 1954



Captain and Cassandra

SIR WINSTON CHURCHILL'S fifth volume ended on the eve of D-Day: the sixth* and last therefore covers a period of uninterrupted military victory for the Allies. That is the Triumph in the title he has chosen. The Tragedy, of course, lies in the politics of the Allies, or at least of the Western Allies. For in the year between June 6, 1944, when the British and Americans landed in Normandy, and July 26, 1945, when Mr Churchill, defeated in the General Election (a defeat which he still ascribes to mere technical unreadiness), resigned his office, the fruits of victory in Europe—and in Asia, though he deals much more sketchily with that—were being cast away. That they were cast away we now know only too well. Mr Churchill's defence is that they were not cast away by him. He was the realist of the West, he was betrayed (though he never uses such a discourteous term) by the illusions of Washington. This view is now generally admitted, and Sir Winston does not need to press it. He allows it to emerge from the documents which he prints. Indeed, in some instances, his personal friendship for Roosevelt seems to make him over-indulgent: he ascribes the Russomania of the period before and after Yalta partly to the fact that Roosevelt was first ill, then dead, and that he had not properly briefed his successor to resist the pressure of the State Department. This is difficult to square with some of the evidence recently published in America, which clearly shows that Roosevelt's personal friendship merely papered over the wide gulf between his own positive policy of indulging Russian ambitions and Sir Winston's far sounder and more historically minded realism.

The Anglo-American differences in this crucial period were almost all concerned, even if only indirectly, with this political problem: the central problem that Sir Winston consistently, if somewhat pessimistically, saw and the American statesmen spasmodically glimpsed and optimistically disregarded. Even when their divergence seemed strategic, its significance was political. Thus the landing in the south of France was opposed by Sir Winston not only because, by the time it was carried out, it could no longer fulfil the function for which it had been designed, but also because, by weakening General Alexander's armies in Italy, it ruled out that dash through the Ljubljana gap to Vienna that might have forestalled the Russians; and in March, 1945, Sir Winston protested against General Eisenhower's undertaking, in direct and unauthorised correspondence with Stalin (as Generalissimo), to leave Berlin to the Russians because "I do not consider that Berlin has yet lost its military and certainly not its political significance." Similarly he urged Eisenhower to advance to Prague—*in* vain, for Eisenhower, in deference to the Russians, halted and left Prague to be cleared by them.

But the crucial diplomatic struggle was, in Europe, over Poland: Poland, in whose defence Britain had declared war in 1939, to which Britain was bound by honour, and which had provided Britain, even though defeated, with so many fighting men, but which also lay militarily helpless before the Russian armies. The principal charge against Britain and America at Moscow and Yalta will always be the surrender of Poland; and it is on this subject that Sir Winston, in this volume, most constantly dwells. On other countries he was able to conceive a *modus vivendi*. In spite of American suspicions, he allowed—and demanded—"spheres of influence." He granted Bulgaria and Rumania to Russia and asserted British authority fortunately and decisively (against the virtuous protests of *The Times*, the *Manchester Guardian* and the Americans) in Greece; and Stalin, in return for a free hand in Bulgaria and Rumania, and because he, too, had to temper political ambition with the military necessities of the alliance, did not interfere while British troops destroyed the Communist forces in Greece.

But over Poland there could be no such agreement. Sir Winston could not say of it, as he can of Rumania and Bulgaria, that "I had never felt that our relations with them in the past called for any special sacrifices from us." On the other hand he could not, as he could in Greece, send in British troops and force the exiled King, by an ultimatum, to accept the Regency which, in the end, saved his throne. All he could do was to bargain at the council table. For this he required bargaining-counters. Fortunately, such bargaining-counters, once the Anglo-American armies were sweeping across Europe, might easily be acquired elsewhere than in Poland. Unfortunately the American statesmen, distrusting "imperialist" Britain and eager to appease the Russian government about which they entertained such

*THE SECOND WORLD WAR, Vol. VI: *Triumph and Tragedy*. By Winston S. Churchill. *Cassell*. 734 pages. 30s.

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confident illusions, positively refused to pick up such bargaining-counters. They halted armies that might have gone on and withdrew from areas that they might have continued to hold until the Russians had fulfilled some of the promises which they had already made and have never fulfilled even to-day

Such is the argument of Sir Winston's narrative, which is documented throughout with inescapable evidence. The result was the tragedy we know: that communisation not only of the Balkans, which he foresaw in 1944, but also of Poland, East Germany, and China which might perhaps have been prevented had he received American support. Could he perhaps have prevented it even without that support? The Grand Alliance was committed to military co-operation even without further concessions to Russia and America. Supposing Sir Winston had felt less bound to acquiesce in American decisions, to grant Russian demands? This is a hypothesis that he does not consider. Perhaps he is right when he says "it is difficult to see what more we could have done."

It is now nine years since the war ended in this triumph and this tragedy. In those nine years Sir Winston's stature, as the architect of the Triumph and the Cassandra of the Tragedy, has, if possible, been enhanced. The other great international figures of those years are all gone, some severely, some indulgently judged by history. He remains, nearly eighty, Prime Minister of Britain once again, vindicated once again by his prescience in the wilderness, and, on top of all that, he has completed, in the intervals of this enormous septuagenarian activity, the six stout volumes of his Memoirs. It is an astonishing feat, and the result is in itself astonishing. In an age when every politician writes his memoirs, these stand out not only for their substance—for what other statesman could have covered, from so central a position, the whole crisis of the age of Hitler?—but also for their style. The rhetoric has subsided a little in the course of them, the narrative has taken on a faster pace; perhaps, and not surprisingly, the personal part of the author is less apparent; but the orderliness, the lucidity, the unmistakable if sometimes ponderous personal touch is still there; the six volumes are a single work.

They are also a majestic and important work. It would be reasonable if Sir Winston were now to take leave of them with something of a flourish, as Gibbon took leave of his "History." In fact he does not. The great work ends without a peroration. But then Gibbon's "History" was a life's work, Sir Winston's Memoirs are a parergon.

A Man Who Got Away

THE AGE OF SUSPICION.
By James A. Wechsler.
André Deutsch. 348 pages. 16s.

MR JAMES WECHSLER has the distinction of having escaped from two American nets—that of the Communist Party and that of Senator McCarthy. What is even more unusual he made his escapes without being swept over the weir of reaction; he is still swimming hard and effectively with the liberal stream. As editor of the *New York Post* and as a leading member of Americans for Democratic Action, he is doing his best to fill the "vacuum of the left" with an acceptable alternative to Communism.

It was the existence of that vacuum in American political life, he believes, that explained the appeal of Communism for young Americans in the prewar years and its revival in the immediate postwar years. An interesting sidelight is his account of the Communist capture of Mr Henry Wallace's campaign for the presidency in 1948, and of how at that time middle-aged men went through the same process of sympathy with Communism, turning to disillusionment, that Mr Wechsler and many of his young friends had gone through earlier.

Mr Wechsler had the advantage that when disillusionment came he was young enough and able enough to build himself new ideals and a new life. The story of how he and his wife consolidated their escape into liberalism is the most instructive part of this well-written book, although it is not this middle section, but the beginning and the end, that have aroused comment.

The beginning and the end tell a story that applies to most of the intellectuals of the nineteen-thirties who became victims of McCarthyism in the nineteen-fifties. Mr Wechsler tells of a boy who thought he had discovered in Communism the answer to economic depression and approaching war, who realised his mistake sooner than did many others and who found himself called to account, fifteen years later, by a Senator who obstinately refused to admit that Mr Wechsler had ever ceased to be a Communist, in spite of all the evidence to the contrary. It was, however, that evidence which made Mr Wechsler's case different from those of most of Mr McCarthy's victims. For the evidence was Mr Wechsler's record as an outstanding liberal journalist, who had attacked threats to freedom whether they came from the left or from the right, from the Communists or from Senator McCarthy. And it became clear in the course of the Senate Committee's examination of Mr Wechsler that Mr McCarthy's design was to intimidate one of his most outspoken critics.

To make sure that this attack on the freedom of the press would be exposed, Mr Wechsler struck a bargain with the Senator and revealed the names of those whom he had known in the Communist Party. This is something that other victims of Mr McCarthy have refused to do, even though such refusals have pulled a cloud of suspicion over the witnesses themselves. Whether or not these others did right or wrong, there can be little doubt that Mr Wechsler did right. For a refusal would have obscured the issue which, in his case, was not the liberty of a single individual, but that of the whole American press.

Mr Morrison on the Constitution

GOVERNMENT AND PARLIAMENT.
A Survey from the Inside.
By Herbert Morrison.
Oxford University Press. 363 pages. 21s.

MR HERBERT MORRISON has not hitherto enjoyed the reputation he deserves for moderation of mind and judiciousness of temperament. The teasing manner he affects in the House of Commons and the perky partisanship he so often shows in small matters have obscured the fact that of the leaders of both parties, he comes closest to having a cross-bench mind. This book will serve to enhance his reputation in this respect at least. For it is fair almost to a fault. He does not conceal the fact that he is a man of the Labour party. The reader will be left in no doubt that, in Mr Morrison's view, it is better for the country for Labour to be in office than in opposition. But he will gather it by inference, not by statement. In this book Mr Morrison is not arguing, he is describing how the system works. And in this he shows himself to be a true conservative. He loves the parliamentary system. There is very little in it—if indeed there is anything—that he would change. And if he mentions other systems of government it is only to point out their infinite inferiority. (Indeed, the iteration becomes almost tactless. If an ex-Foreign Secretary cannot find anything to commend in other people's forms of government perhaps he should not mention them at all. There is also a small error in one of these references: confirmation of the President's nominations in the United States requires only a simple, not a two-thirds majority of the Senate.)

There are not many active front-bench politicians who could command the detachment and tolerance to write a useful book about the workings of the constitution. Indeed, after reading Mr Morrison's book, one wonders whether there is any active politician at all who can really do full justice to the subject. For it is precisely the issues that are still controversial that are likely to be the most interesting, and it is on these that a man who has recently been Leader of the House of Commons, and may be again, must watch his step most carefully. For example, is party discipline overdone; is the tyranny of the Whips excessive? Mr Morrison contents himself with saying that nobody would want the indiscipline of the French Assembly—which is hardly the point. But could he safely discuss the real issue, without running the risk of having what he writes quoted against him in some future argument?

For this reason, those who search this book for striking expressions of opinion will be disappointed. Mr Morrison is very discreet. The nearest he comes to an opinion on a current controversy, curiously enough, is on the House of Lords, where he comes down quite strongly in favour of its retention, always provided that it makes no more trouble for Labour governments than it did between 1945 and 1951. In some of his other opinions—in what he calls his "Parliamentary Secretaries' Charter," for example—he is disappointingly imprecise. And in others, such as the relative roles of ministers and civil servants in making policy, some people will beg leave to doubt whether Mr Morrison has not unduly generalised from his own rather unique instance.

There are also some strange gaps even in the purely descriptive parts, where one might have hoped that Mr Morrison's experience would have illumined dark places. The section on the monarchy, for example, contains no reference to the Private Secretary. It is clear from a number of recent books, notably from Sir Harold Nicolson's life of King George V, that the Private Secretary plays an important part in the constitution. But we still know little or nothing about how he does it. What is the nature and extent of his contacts with ministers? Does he ever meet other politicians? Mr Morrison could have answered these questions. Again, in a book on "Government and Parliament," it is strange that nothing should be said about the way in which candidates are selected—another subject on which Mr Morrison must know as much as any man alive.

Perhaps the strangest omission of all is that there is nothing about politics. Legislation and administration are here—but not the endless adventure itself, the ceaseless struggle for power. Mr Morrison knows about this, too. But in the academic atmosphere of Nuffield College, he—like other political scientists—evidently thinks it improper to describe the fighting that goes on in the arena. He sets the stage, but there is no Prince—either of Denmark or of Darkness. Lord Campion is in the index; but not Mr Aneurin Bevan.

But for all this, the verdict on the book is thumbs up, not thumbs down. It was a brave venture and it has been well carried out. In the words that Mr Morrison himself uses of the ideal Cabinet paper, it is "understandable, honest, persuasive and clear." When Mr Morrison is reminiscing, when he is drawing on his long parliamentary and administrative experience, even those who think they know the workings of the constitution will find a great deal to learn. And when he comes to describe the way in which the Labour Cabinet operated, and particularly the way in which it prepared its very heavy legislative programme, he breaks into entirely new ground. There is, it is true, a great deal of "what I did." But that is justified; Mr Morrison was the hinge on which that very busy government turned, both in its administration and in its approach to Parliament. If the book has defects, the fault is, in a sense, the sponsor's rather than the author's. For it was the unaccustomed academic atmosphere of Nuffield College presumably which made him think that he had to produce something systematic and scholarly. Others can do that. Mr Morrison has done it well, but in the effort to do it at all, he has somewhat cramped the parts that only he can do. Let us hope that he has found authorship so attractive that he will go on to write his annotated parliamentary memoirs.

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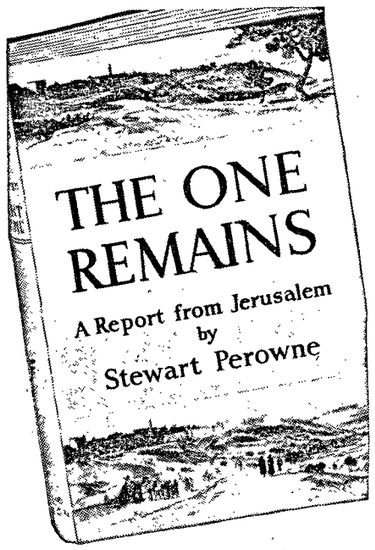

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Period Piece

SUDAN DAYS AND WAYS.
By H. C. Jackson.
Macmillan. 262 pages. 18s.

JUST now, when Cairo Radio is spitting forth allegations of what Britain did to poison the life of the Sudan, and when even Sudanese have caught the habit of belittling everything done under administration by Britons, a book about the Sudan at the turn of the century is opportune. When Mr Jackson arrived there in 1907, less than ten years had passed since the end of the oppressive Dervish Empire, and only twenty-two since Gordon's death and the end of the cruel and inefficient Turco-Egyptian administration. Men still showed the dreadful scars of Turkish punishment; whole tribes almost annihilated by Egyptian slave-dealers numbered as few as forty or fifty survivors; and villagers in the south, seeing no difference between people with light skins, thought that young men fresh from Balliol, Lords and Henley had come to requisition them as slaves. As the Nuer put it to Mr Jackson: "We don't want a government of any kind. We don't want what you Turks call progress. All we want is to be left alone."

Year by year and province by province these young men restored confidence in government. They checked crop returns, passed judgments fit to be Solomon's, controlled cattle plague, and twitted tax-evaders in their good Arabic. Their secret weapon was the habit of authority, selflessly wielded, and on their second visit to some new district, trust in them was already such that they were expected to kill a lion with a .256 rifle. ("Sir, are you not an Englishman; of course you can do it with whatever gun you have.") Within a few years, the security that they organised was taken so much for granted that it is wholly undervalued today.

This book gives a good idea of what their life was like. The climate was bad; quarters were poor; government revenue was so low that convenient office equipment could not be afforded. As the book's title suggests, it is written in a conventional vocabulary; a crocodile is "the brute" and the Upper Nile province a "glorious place for the big game hunter." Yet it is agreeable to read because of its humanity, good humour and sense of a useful life well led.

> First impressions of a new country are the most lasting. I call to mind the sweltering heat in the desert, the light at sunrise and sunset, the barbaric cruelty of some of the people matched by the goodness and sympathy of others, the hostility of the natives in the south and the gratitude of the Berberines in the north for any little thing we could do for them. But more vivid than anything else will always be the remembrance of the extreme poverty of the people in those days, and the kindliness, friendliness and generosity of most of those we had come so far to help.

At present the Sudanese does not reciprocate this tolerant attitude. But he is broadminded by African standards, and some day he will do so.

A Deep Gust of the Worl

ECHOES.
By Compton Mackenzie.
Chatto & Windus. 188 pages. 10s. 6d.

IS it true that "they don't make the like that any more"? Eve generation, looking appreciatively at i veterans, has shaken its collective hea over the degeneracy of the times. Loo at the unquenchable gusto of A, th exquisite urbanity of B, the seren detachment of C, the furious energy D; who, among their effete juniors, wi be found worthy to rank with thes magnificent octogenarians? The bree is dying out. . . . And then, odd enough, the effete juniors of fifty yea ago have achieved magnificence in the turn; a new vintage has matured, as full flavoured, nutty and subtle as its pre decessors; and a new set of *laudatore temporis acti* mutters sadly that "the don't make them like that any more."

Sir Compton Mackenzie's "Echoes —a collection of twenty-eight broadcas talks, mostly in reminiscent vein— prompts these reflections all the more powerfully because its author, whose vintage quality is unmistakable, has barely entered his eighth decade and may be thankfully expected to go on maturing for a good time yet. The kind that they don't make any more can be discerned, as it were, in the making. "In seventy years"—Sir Compton quotes Sir Thomas Browne on his last page—"a man may have a deep gust of the world; know what it is, what it can afford, and what 'tis to have been a man."

Typically, this splendid affirmation is cited *à propos* that little-realised privilege of advancing years, freedom from seasickness—typically, because a "deep gust" and an affectionately astringent appreciation of the ridiculous are repeatedly blended in these wonderfully durable little ephemera. The account of Henry James—unmistakably a revered and reverend figure—ordering six jars of marmalade from the Army and Navy Stores is at once drily and outrageously funny. "The China Cockatoo in Piccadilly," perhaps the best of the lovingly savoured London reminiscences, is both a sunlit evocation of the past and an occasion for quite unsentimental anecdote. "People," "Things," "Old Snapshots," "In Praise of Cricket," are no more than anecdotal soufflés, but their lightness of texture and excellence of flavour derive from the same "gust" that gives the tributes to Cunningham Graham and Ellen Terry their moving warmth and vividness.

Enjoyment of retrospect does not mean discontent with the present. In "The Festive Spirit," in "A Passage to India," in "The Nineties," above all in "Living," Sir Compton makes it plain that despite some robust dislikes he prefers the world of today to that of yesterday, finding it kindlier, juster, and less humbug-ridden. A long memory can provide, in fact, not only entertainment but a salutary corrective to discontent.

Armchair Fairway

GOLF.
By Bernard Darwin.
Burke. 222 pages. 21s.

THIS is a notable addition to the "Pleasures of Life" series. It puts golf at par with the pleasures of food, drink, gardens and cricket. Of these there could never be question; apart from over-indulgence, no one could possibly fail to take pleasure in them. But how does infuriating and demeaning golf come to qualify as a pleasure of life? And for whom—the championship player, all nerves and ulcers, or the amateur ridiculously struggling against his years to keep his low handicap or, even more pitifully, to get one? If these are pleasures, golf must be a funny game —against which there is the sour authority of the Scottish caddie "Aweel, it's no meant to be funny."

Mr Darwin resolves the point with penetrating charm at the outset of his apologia. "We want" he says, "to return thanks for much more than the playing of golf; for the good companionship it gives in beautiful places, for the friendliness of club houses and conviviality of golfing dinners, for the traditions of old courses, for the exploration of fresh ones." To this list, all golfers would add the writings of Mr Darwin himself, for he has the magic to restore the mutilated ego, to encourage the ordinary golfer to forget his folly and go out yet again with self-respect instead of misery.

In his anthology *cum* commentary, Mr Darwin has gathered together much good writing, culled from days when golf was the game of the few and also from more recent times. His own urbane introduction and asides are as engaging as the extracts he has chosen. He is old enough to enhance for the reader the savours of past times, and young enough to share with him the excitements of the present. He is historian, technician, reporter, psychologist and good companion. He can recall the venom of "blood matches" of the last century, the subtlety to be employed fifty years ago in cajoling a clubmaker to produce the putter of one's heart, and the brusque independence of caddies of the old Scottish persuasion. The two chapters on temperament and cures are worth the price of the book to all golfers who strive to integrate their puny personalities and their clumsy physique in perfect swing, precise timing and machine-like accuracy. Few of them, alas, will succeed; but they will have enjoyed reading of the struggles of others greater than themselves.

For those who care to mix their golf with economics, there is the terrible demonstration of the ever falling value of money in a letter written by Old Tom Morris, about sixty years ago, in which he put the cost of laying out a golf course at about £200; that was indeed on austerity lines, before golf courses had become "architectooralooral" (after golf, Mr Darwin's second love is surely Dickens) but would anyone like to take on the same job today for ten times the money? At the other end of the scale is the story of Mr Charles Blair Macdonald who pumped in sand and created alps on 115 acres of marsh on Long Beach to make a golf course costing $800,000. Something of the same order of comparison, perhaps, exists between golf club subscriptions in this country and in the United States. Perhaps the golf standard would do better for the pound than the gold standard. Yet on second thoughts there would be the familiar trouble, for American productivity excels on the golf course as elsewhere. It may, after all, be better to fumble round the course in the usual British way—at least so long as Mr Darwin is ready with entertainment and tonic after another round of disaster.

Thought for Food

FOOD IN ENGLAND.
By Dorothy Hartley.
Macdonald. 676 pages. 30s.

"TAKE the umbilical cord of the calf" . . . few people will relish muggety pie if they have to do this, and Miss Hartley admits that she has not made it herself. But it was apparently a traditional dish in some parts of the country, and it is only one of the hundreds of local recipes that Miss Hartley has gathered in this enterprising and entertaining book.

It is indeed far more than a recipe book. Drawing on her historian's knowledge, Miss Hartley has interspersed her recipes with notes on fuels and fireplaces, on the economy of the country household, on feasts and famines—on almost everything pertaining to food before and after it reaches the table. The reader will learn not only all about the different joints of the cow, pig and sheep—very useful knowledge for those brought up on rationed meat—but also the origin of odd customs, such as why bread is broken at table and not bitten. The whole of this vast feast is flavoured liberally with quotations—though one looks in vain for Trollope's description of the archdeacon's stupendous breakfast in "The Warden"—and garnished with hundreds of the author's own drawings: of fish, flesh and fowl; of cooking utensils, old and new; of cheese presses and butter churns; of kitchens and bakehouses. The whole is pounded out with zest and served up most appetisingly.

Amid so much good fare, one hesitates to ask for more. But the author has dealt rather cursorily with the English tea—whether high or afternoon. This is such a peculiarly English meal that Miss Hartley might have given us more recipes for jams, cakes and scones; for instance she does not mention the north country rum butter spread on bread at teatime instead of jam. Nor, and even more surprisingly in a Yorkshire woman, does she mention the Wensleydale in her chapter on cheeses. Like everybody interested in good food, she laments the sacrifice of local farmhouse cheeses imposed by milk marketing policy. The French, one feels, would not have allowed such a national asset to disappear. Does the different attitude over here explain, or does it merely exemplify, the present decline in English cooking?

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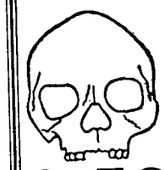

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Heinemann. 344 pages. 21s.

ANY novelist would delight in a situation so rich in possibilities, comic and other, as that treated in Mr Coward's account of his wartime activities. Take a successful, versatile, personally charming, brilliantly cosmopolitan social and theatrical celebrity; give him a full share of patriotic enthusiasm and a few promising but fragile personal wires to pull; see to it that he is above military age, but not so far as to make him quite safe from spiteful imputations; turn him loose on the eve of Armageddon; and let the story take its course. It should be a honey.

It is. Its entertainment value can be taken for granted; Mr Coward could not be dull if he tried. The episode of the Russian hotel manager and the tadpole; the telegram from Miss Rebecca West about the Nazi "black list"; dozens of thumbnail portraits sketched in five continents; even the horrid effects on Mr Coward's digestion of a motor smash in India; all are conducive to anything from appreciative chuckles to uninhibited rib-aching laughter. It is as a self-portrait, however, that "Future Indefinite" scores highest; as a character-study, executed in all honesty and with no more egotism than is—one must surmise—a necessary ingredient in the entertainer's make-up. The portraiture is not always deliberate. Mr Coward reconciling himself to the fact that he is an incurable sentimentalist about his country, confessing to emotion—grief, irritation, frank enjoyment, anger—is explicit enough. But there also constructs itself, touch by touch, a picture less consciously painted; of an individual who, gifted with an extraordinary ability to reflect and personify the values and characteristics of a particular period, finds that the *persona* built up in the public eye has become inappropriate, distasteful, not himself—but not entirely alien.

The chameleon whom some unkind experimenter put down on a piece of tartan is reported by legend to have promptly exploded. Mr Coward, who embodied so delightfully and wholeheartedly—as far as his public could see—the sparkling flippancy of the twenties and the sophisticated *gemütlichkeit* of the thirties, manages not to explode against the lurid background of the forties. But he is painfully expatriated. He works like a black—propagandist, unofficial envoy, one-man Ensa, lightening war weariness and heightening morale from Auckland to Imphal and from Cape Town to Scotland. He makes *In which We Serve.* Success faithfully attends him, the eminent appreciate him, Royalty thanks him, audiences applaud him. He remains, somehow, uneasily not "in," not orientated, uncertain of his proper rôle; a figure at once more complex and more sympathetic than one would conjecture him to realise. Perhaps, after all, in this groping for a satisfactory *persona,* for continuity between the disintegrated past and the enigmatic "future indefinite," Mr Coward embodies a prevailing mood as accurately as ever he has done in the past.

The Riddle of Swift

JONATHAN SWIFT.
By John Middleton Murry.
Cape. 508 pages. 30s.

IN his preface Mr Murry defends himself for having attempted "at once a life of Swift and a critical study of his works." But, while the book does give both these abundantly, its main concern is with neither. Mr Murry, like many before him, has been fascinated by the riddle of Swift's personality; and it is in considering this against a thoroughly mastered and vigorously delineated biographical, political and literary background that the excellence of his study consists.

How widely Mr Murry has ranged, and how profitably he has pondered, is thrown into odd relief by the index. This is simply to "the writings of Swift discussed or mentioned in the text," and affords no ready guide either to the liberally provided formal biography or to the development of Mr Murry's reading of the man. It is a reading, certainly, much more widely and securely based upon Swift's own works than has been apparent in many recent interpretations; and we are continually made aware that the highly perceptive literary critic who once predominated in Mr Murry is still vigilantly at work in the service of the present student of human nature. This is at once apparent in the attention given to Swift's early poems. These, commonly passed over as inept exercises in a moribund form, are shown to be intensely personal and very revealing. "To the Athenian Society" is the work of one who declares himself to be the enemy of censure and the modern cynical wit, more apt to praise than to blame. A year later, in the poem "Occasioned by Sir William Temple's Illness and Recovery," there is sudden and complete revolution. His affection for his patron has been slighted (or so he feels) and the Swift we are to reckon with has appeared. The change has as its first major issue, "A Tale of a Tub," which Mr Murry calls "a prolonged whoop of laughter over a dead self"; and it is continued and deepened by the failure of his courtship of Miss Jane Waring.

Here indeed was the definitive point in his life. "The proud man had humbled himself in love to a woman, and his gift of himself had been refused. He withdrew into the citadel of his pride and remained there for ever." From this everything followed—even down to that phase of "Excremental Vision" of which Mr Murry does not spare us very much. It is a coherent interpretation of a terrifying spectacle. But one feels that Swift must have been largely born what he became, and that Miss Waring would have had much to face had she married him.

Travellers' Joys

FROM AN ANTIQUE LAND. *Ancient and Modern in the Middle East.*
By Julian Huxley.
Max Parrish. 310 pages. 25s.
THE ONE REMAINS. *A report from Jerusalem.*
By Stewart Perowne.
Hodder and Stoughton. 192 pages. 20s.

FOR an odd reason, these two very different books make a good pair. Dr Huxley, in the course of two journeys in the Middle East in 1948, covers, either personally or by hearsay, nearly all its most beautiful and famous antiquities. But, strangely, he leaves out Jerusalem. His reason, no doubt, was that in 1948 it was a seat of war; even so, the omission would have been worth a word of regret. Mr Perowne fills this huge gap.

"From an Antique Land" is proof of what even lightning travel can do for an enquiring mind already furnished with scholarship and world wide experience. Dr Huxley freely admits that he saw "improbably much" in "an impossibly short time." He was Director-General of Unesco and, everywhere, archaeologists sprang out of the ground to point his way, and governments to proffer permits and transport. But he made the utmost of these advantages; and he will be the envy of many a more footsore writer for his happy gift of catching in a phrase the essence of what he saw. Baalbek gives an impression of "disciplined luxuriance"; Lebanese terracing, seen from an aeroplane, looks "like part of an enormously enlarged finger print"; the first pink view of a temple seen through the dark crack of the gorge into Petra reveals "instead of shadow, sunlight, instead of nature, art." Anyone who has seen these places must admire his way with words. This is amplified by superb colour photographs.

Another asset is the Huxley family capacity for packing in stores of unusual information. Coming from a Fellow of the Royal Society, much of this will please amateurs, from birdwatcher to anthropologist. Pelicans are spotted in the wilderness. The rift valley and Dead Sea are geologically and scientifically explained; Tyrian purple is described chemically, and historically until it is abandoned and cardinals take to cochineal; words like bible and parchment are followed to their roots.

There is not room in a book of 300 pages for comprehensive modern as well as comprehensive ancient lore, and the former suffers badly from subjection to speed and hearsay. Some comments are out of date, such as that it is impossible to stay at Petra; others were never exact, such as that Iran in 1948 had "no money" for development. But these flaws are trifles in so rich a treat.

Mr Perowne is the antithesis of Dr Huxley in that he is a resident and not a traveller. He knows the stones and speaks the language. He has not quite so great a gift with words, nor can he, while serving the Arab refugees, enter Jewish Jerusalem. A truly moving and comprehensive picture of Divided Jerusalem in all its tragedy has therefore yet to be painted. Here and there, he strikes a discordant note: who wants to be reminded of the foxhounds of mandatory days in the middle of a moving description of the crowded and pitiful frontier villages? But he makes up for this by his love for the Old City, and by his ranging knowledge of the Bible, and of writers about Palestine from Isaiah to St. Jerome and Edward Lear.

He writes at his best when he describes the work on which he is now engaged—the building of new villages for refugees with the money subscribed to the Anglican Bishop in Jerusalem. His analysis of why the refugees would not settle, of how to defeat the politician who from a limousine adjures them not to let down the Arab Cause by leaving lice-ridden caves, and of how to initiate settlement without offence to the existing inhabitants, ought to be studied by every United Nations delegate who casts a half-informed vote on their fate. For this piece of wisdom alone the book is worth a far wider circulation than that simply of a traveller's companion.

Worm's Eye View

THE ADVENTURES OF JOHN WETHERELL.
Edited by C. S. Forester.
Michael Joseph. 18s. 275 pages.

DR JOHNSON used to say that a ship was worse than a gaol because there was the added danger of drowning. The author of these memoirs certainly found it to be true, because the happiest ten years of his life were spent as a prisoner of war in Napoleonic France. Prison life, learning arithmetic, ship modelling, the violin, was a relief after the treatment he received on board one of H.M. frigates. From the day when he was pressed from the merchant service to that a year later, when HMS *Hussar* ran on the rocks, his life was one of unrelieved brutality and hardship.

It would be quite unfair to judge life at sea from his evidence alone, for such records are mere vehicles of personal rancour; but they do give a picture of conditions prevailing on board a man-o'-war very different from the politer reminiscences of officers of the Nelsonian epoch. Mr C. S. Forester, the obvious choice to introduce such a manuscript, has made some attempt to punctuate his author's rugged sentences, but he has taken his editorial duties somewhat lightly. A similar journal published last year under the title of "Landsman Hay" gives a juster and more reliable picture of life at sea.

On the other hand, the part of the book describing prison life is unique and altogether delightful. When Napoleon's regime began to collapse, the prisoners were sent out of reach of the invading armies, to wander about central France with their band playing "Begone Dull Care" to the delight of villagers bored with eternal warfare. Wherever they halted for the night "we play'd several favourite airs, and young girls and boys were hopping around the square like poppets." At last they encountered Wellington's troops marching up from the south and hailed them with a spirited rendering of "Britons Strike Home!"

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HOLLIS & CARTER

Octogenarian Essays

CATHERINE THE GREAT AND OTHER STUDIES.
By G. P. Gooch.
Longmans. 303 pages. 21s.

IT would be difficult to name anyone who has, during a long and mainly academic life, contributed more to English political and historical thought than Dr Gooch. Older than Sir Ernest Barker by one year and than Dr Trevelyan (to name only comparable Cambridge worthies) by three, he has celebrated his eightieth year by collecting and republishing two volumes of essays, mainly dealing with the European history of the eighteenth century. The central figure in each was a woman and a German—first, Maria Theresa, now Catherine the Great. Ever since his classical work on "History and Historians of the Nineteenth Century" Dr Gooch has been specially interested in the reactions of Germany to the ideas of the French Revolution—he has indeed written a book directly on the subject; and the last pages of the study that gives the title to his new volume deal with the inevitable clash between Enlightened Despotism and Enlightened Democracy. Catherine would have treated Danton and Robespierre as she treated Pugatcheff, and she went into mourning for Louis XVI; but she took the opportunity, while inciting Austria and Prussia to intervene on the Rhine, to employ her own troops in Poland.

From 1792 Dr Gooch looks back to pre-revolutionary France, and forward to post-revolutionary Prussia. The essay called "Four French Salons," reprinted from the *Contemporary Review,* deals with Mme. Geoffrin, Mme. du Deffand, Mlle. de Lespinasse, and Mme. Necker—ladies well enough known from the gossip of Walpole, Gibbon and other English travellers, but always worth restudying for the influence of their circles on the literary men and politicians who did not make, but directed, the Revolution. This is even truer, of course, of Voltaire, the subject of the next essay. "Voltaire the Historian" never ceased to be Voltaire the philosopher and satirist, the author of the *Dictionnaire philosophique* and the *Essai sur les moeurs,* and his influence had as much to do with the "ideas of '89" as Rousseau's had to do with the "facts of '92-4"; both influences to be blended in the rational-romantic mind and policy of Bonaparte.

The short concluding essay, "Bismarck's Legacy," was evidently written soon after the publication of the evidence about the negotiations with Madrid preceding the Hohenzollern candidature in 1870, and the truth about the "Ems telegram." Without defending Bismarck's sharp practice, Dr Gooch evidently thinks French policy was principally to blame for what happened.

All through these essays there is apparent the same solid learning, good judgment, and (what does not always go with them) ability to put a point clearly. It is a book of reprints; but there is evidence in the bibliographies at the end of each that Dr Gooch has kept his reading up to date. He is a model to some younger and more hasty historians:

For the Young

ENGLISH CHILDREN'S BOOKS, 1600-1900.
By Percy Muir.
Batsford. 256 pages. 42s.

THE number of children's books grows year by year; in 1953 1,590 new titles were published. Mr Muir shows us the source of this vast flow, in the puritan tracts and the chapbooks sold at fairs, and traces its course until it had become a well-established stream by the turn of the century.

By taking his survey up to 1900 Mr Muir is just able to include in it Beatrix Potter, whose early books were written—though not published—before that date, and E. Nesbit, whose families of children continue to ring true fifty years after they first appeared. In sharp contrast to the Bastables, the Fairchild family must, one feels, have been little horrors in any period. Yet the "History" of these priggish and sanctimonious children, first published in 1818, went, Mr Muir tells us, into innumerable editions throughout the century. He explains its success and that of others like it by the general scarcity of children's books. But there may be more to it than that. Death was a fairly common event in the average Victorian family, and religious beliefs were much more strictly inculcated than they are today. The ghastly piety of the Fairchilds was probably not so alien to Victorian children as it would appear to our own. Moreover, they had their defences. In one mid-Victorian family, the boys used to beg their parents to read aloud "The History of the Fairchild Family" because they secretly delighted in its effect on their susceptible elder sister, who could always be relied upon to cry before the end of the first chapter.

Perhaps the real test of a good book for children is whether their parents enjoy reading it aloud to them. By this standard most of the present huge output fails lamentably. One wonders indeed whether the banal stories which children's minds are so often fed on today are not more harmful than the pious moralisings of early Victorian authors. Being plentiful and easy to read they obscure the few excellent new books and make it less worth while for publishers to reprint the classics. A glance at Mr Muir's lists of books at the end of each chapter shows how much there is that would merit reprinting, and even the authors whose tales are best forgotten had a feeling for words that is usually lacking in the most popular authors for children today.

Mr Muir's survey is admittedly only a bird's-eye view; nor does it claim to be an original piece of research. But he has an interesting chapter on the illustration of children's books, which came into its own in the last century, and this has given the publishers a chance which they have seized to the full. Examples of the work of Tenniel, Randolph Caldecott and Kate Greenaway—to name only three of the many who excelled in this sphere—will be found among the profuse and beautiful illustrations that enliven the rather pedestrian text.

A Monument to English Craftsmanship

THE DICTIONARY OF ENGLISH FURNITURE.
Revised and enlarged by Ralph Edwards.
Country Life. Three volumes. 30 guineas.

HERE is one of those noble undertakings on the part of publishers, editors, and authoritative contributors, which result in national monuments. Exactly thirty years have elapsed since the first volume of the first edition (1924-27) appeared. Its re-appearance, much revised, should be warmly welcomed by all who appreciate English craftsmanship.

Furniture stands foremost among the domestic crafts because it is more closely allied to architecture, the design of a building wherein to house them. Percy Macquoid, who died in 1925, was largely a pioneer in the historical study of English furniture and became joint editor, with Mr Ralph Edwards, of the first edition. Only two of the ten original contributors are now living. They were associated pioneers, and to their researches among inventories, accounts and other documents and their scrutiny of constructional techniques, makers' catalogues, and books of designs, we owe the wealth of further knowledge embodied in this new edition. One of them, the late Miss Margaret Jourdain, devoted many years of a long life to research among records of a craft in which English achievement ranks high. The uninitiated need look no further than the present display of English furniture at the Victoria and Albert Museum in order to understand why this splendid facet of English culture deserves such a dictionary.

Chippendale, Hepplewhite and Sheraton tend perhaps to float vaguely in the minds of people able to associate these names with furniture, but how many know, for example, that Thomas Sheraton's fame rests solely on his published designs? There is no evidence that he ever "possessed a workshop of his own or executed the designs illustrated in his books." An economic historian might be tempted to assume that the eighteenth-century cabinet-maker's trade approximated to that of a cottage industry. In point of fact, the Industrial Revolution, even more a process of organisation than of technical invention, embraced this craft. The London firm of George Seddon employed four hundred journeymen in 1786,

> including in their ranks joiners, carvers, gilders, mirror-makers, upholsterers, workers in ormolu and locksmiths. No other cabinet-maker is known to have owned a business on so great a scale. Some idea of the size of Seddon's establishment may be gathered from the annual stocktaking in December, 1789, when carpets alone were entered at £9,069, the contents of the upholsterer's warehouse and wood in hand at £3,293 and £21,702 respectively; while the total amounts to no less than £118,926.

The illustrations to these handsomely produced volumes are lavish and sumptuous. Recent improvements in half-tone reproduction have done much for the rendering of surface textures. The coloured plates serve as reminders of the extent to which the beauties of mahogany and satinwood depend on an element lost in monochrome illustrations.

Philosophy of Couture

JUST SO FAR.
By Hardy Amies.
Collins. 256 pages. 15s.

MR HARDY AMIES, the London couturier has written a pleasant little autobiography. He is evidently modest, serious, good-hearted and unpretentious. He has great professional pride, not least in his roots in the court dress-making establishment for which his mother worked before the first world war. But he is no snob. The characters in this book are the tailors, cutters, fitters and stockroom keepers who worked with him and for him as he progressed from the house of Lachasse to his own establishment in Savile Row. It is a pity that much of this story makes such banal reading.

The most interesting chapters are those dealing with the economics of this business that is more than a trade and yet less than an art. Couturiers are chronically short of capital. To start a business of any size you need at least £30,000. You are always owed about a third of your year's turnover; a dress which may contain as much as £50 worth of material can be a month or six weeks in the making; and during January, July and August the house must run at a heavy loss while the collections are being made. You do not, says Mr Amies, become extremely rich, even if, like himself, you avoid the extravagancies that make news but not sales.

Let Paris startle the world; let New York dress for one season only. Mr Amies wants to make clothes—particularly suits—that his English ladies, and his customers abroad, will find wearable and durable. But not too durable. He is designing for an ideal woman who is constantly changing—"she has put at least three inches on her hips in the last fifteen years." She is changing, Mr Amies believes, not because the couturier decrees it but because women will it. It seems that to attract men (Mr Amies will not allow that they dress for other women) they have unconscious mass urges to have, say, flat bosoms, padded hips or rounded shoulders; and the designer's job is to find out what shape they want to be at any particular time and "interpret it artistically." It is true that the changing line of fashion over a period reflects deeper trends—even the fashions of the nineteen-twenties made sense in terms of the *Zeitgeist.* But this modest view of the couturier's role will surprise women who, as they threw away the perfectly good dress that suddenly seemed all wrong, had always thought themselves more designed against than designing.

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Single-minded Woman

PORTRAIT OF JOSEPHINE BUTLER.
By A. S. G. Butler.
Faber. 222 pages. 21s.

THIS is the biography of a sensitive woman with a passion for justice, a fine brain and a pleasant aptitude for writing. It is presented through the medium of letters, reported conversation, the reminiscence of friends and the loving—sometimes too loving and therefore insufficiently ironic—memory of an admiring grandson.

The most remarkable attributes of Mrs Butler were courage and singleness of mind, and the most astonishing circumstance of her career was the forbearance of her husband. Here was a carefully nurtured lady of delicate health, born early in the last century, married to a scholarly English gentleman who was "almost the archtype of what the public schools aim at." She became the indefatigable and impassioned campaigner against the horrors of prostitution, and he became a Canon of Winchester. He supported her in what was generally considered her outrageous procedure even to the length of sacrificing his career, but the couple remained ideally united. Indeed, they must have been the most untypical of typical Victorians.

Mrs Butler ascribed prostitution to the exclusion of women from many suitable kinds of employment. But her most relentless attack was against the Contagious Diseases Act. Disregarding the censure of friends and insinuations of enemies she rampaged through Britain and Europe, lecturing, addressing conferences, witnessing before Royal Commissions, writing letters of appeal, interviewing hostile officials, buttonholing influential ministers, until gradually the opposition quailed and many of her stoutest critics became convinced supporters. She even abashed Mr Cavendish Bentinck.

Nevertheless, her goal was not achieved until many years after her death, for her ideas were in advance of her time. She advocated the raising of the age of consent above twelve years, the responsibility of both parents for bastard children, and equal laws for both sexes against soliciting. She urged the moral reclamation of fallen women, instead of punishment and moral ostracism, and she took the outcasts from brothels into her own home to end their broken lives in peace.

There can be no doubt that she was a remarkable woman, but her admirable enthusiasm did sometimes wax to fanaticism. Her fight against the compulsory examination of suspected harlots attacked a great and pitiful evil, but scarcely "the typical crime of the universe"; nor could her contemporaries accept her declamation that not only England but also Europe was in imminent danger of self-destruction by debauchery. Even the author eventually escapes from his familiar bondage and admits with an overdue concession to the comic that there must have been times "when Mr Gladstone wished she was less intense" or that "George Butler must sometimes have sighed."

Great Revivalists

A TALE OF TWO BROTHERS.
By Mabel Richmond Brailsford.
Rupert Hart-Davis. 301 pages. 16s.

MISS BRAILSFORD has chosen ground already well cultivated, but she has undersown it with another crop. She has not attempted any consecutive or complete history of the Methodist revival, but rather a study of the two Wesleys in their relationship with each other, particularly in regard to Charles's intervention which ended in separating John from Grace Murray. Hitherto John Wesley's several love affairs had blossomed and then been blighted. Miss Brailsford speaks of his having a mother fixation, which is easily said of any man who had, as Wesley had, a remarkably able mother. It may be that it was Wesley's work that was his "fixation," and that he feared that marriage would conflict with it. He had seen the unhappiness of his own home and the burden of the appallingly large families of his day—he was one of nineteen children, his mother one of twenty-five. He knew that his constant travelling forbade home life in the usual sense. On the other hand, many of his friends, including Whitfield, urged him to marry, if only to escape the attentions thrust upon him by embarrassingly enthusiastic women disciples.

Finally came the tragic affair of Grace Murray, a widow of thirty-three who had devotedly nursed Wesley through illness, and with whom Wesley was undoubtedly in love. But his vacillation and the bitter opposition of his brother succeeded in throwing Grace into the arms of John Bennet, one of Wesley's helpers, and he, on the rebound, made a disastrous marriage with the widow Mrs. Vazeille. Miss Brailsford gives a sympathetic and well-balanced judgment of the whole tangle.

There are a few slips. Methodist ministers still "migrate," but not necessarily triennially now. The hymn which is said to celebrate the conversion of the brothers was "Where shall my wondering soul begin?" not that given by Miss Brailsford. One may think that the reference to the early Methodist chapels as "repellent Houses of God set up in the shadow of the ancient Norman churches" is somewhat less than fair. It suggests a rivalry which Wesley, stout Churchman to his dying day, would never have tolerated. Moreover the ugliness was not part of the "curse" left by Puritanism, but the fact that the poorest gave of their poverty, and the meanest building meant a sacrifice.

The eighteenth century has been called a bankrupt century. One must thank Miss Brailsford for this renewed reminder that a century that produced the personality and preaching of John Wesley, the hymns of Charles Wesley and the revival, which more than anything else saved England from revolution, paid a dividend. As Augustine Birrell said of John Wesley

> You cannot cut him out of our national life. No single figure influenced so many minds, no single voice touched so many hearts. No other man did such a life work for England.

The France of Louis XIV

AN INTRODUCTION TO SEVENTEENTH CENTURY FRANCE.
By John Lough.
Longmans. 314 pages. 21s.

THE need for an informed account in English of the society and institutions of France in a period that witnessed the rounding off of the frontiers, the creation of Versailles and the flowering of the French classical genius has long been felt. Professor Lough insists that his book is only an introduction, intended for those who "approach seventeenth century France through the great works of its literature." But it fulfils more than this modest ambition and should attract a wider audience. Two-thirds of the book is devoted to the political and social structure of France. The final section, the fruit of Mr Lough's own research, is a lively discussion of the effects of the social climate upon the literature of the period, together with some interesting evidence on the social status and earnings of writers.

The historical chapters are not merely a summary of existing knowledge. The treatment of political history and foreign policy is perhaps conventional, but the social analysis is shrewd and distinguished by telling quotations. In particular, Mr Lough has a far more thorough knowledge of the literary sources than have most historians, and he uses this most effectively. He treats of Versailles not by giving a conventional description of court life but by using contemporary letters to show how an extravagant nobility, unable to squeeze more from the peasantry, was forced to jostle and beg for the patronage of the state. The financial and social weaknesses of the French state lay in an inequitable system of taxation. The reports of the intendants, cited extensively by Mr Lough, show clearly why the century was punctuated by peasant revolts. Resort to the sale of offices resulted in an inflated bureaucracy and a haemorrhage of capital from trade. French society was caste-ridden, but the wealth of the tax-farmers and office-holders overcame aristocratic scruples. The marriages of indebted nobles to bourgeois heiresses give Mr Lough the opportunity for telling some charming stories.

Mr Cyril Connolly in *Horizon* once enquired of a selection of writers what they considered a reasonable income. Mr Lough's researches explode the myth that the France of Louis XIV provided either security or ease for its writers. Since there was no copyright, publishers paid very little; illiteracy severely restricted the market; state patronage was undiscriminating and private patrons uncertain. Richelieu was a genuine patron of the arts, but Louis XIV paid for little but eulogies, and the pension lists shrank rapidly before the demands of war. Although the writers were mostly of middle-class origin, they were highly orthodox in their acceptance of the social prejudices of the Court. Indeed the rigid social hierarchy was mirrored even in their vocabulary, for whole classes of words were eliminated from the accepted literary language because of their middle and lower class associations. Mr Lough is to be congratulated upon a stimulating book, its value enhanced by the admirable illustrations and marred only by the surprising lack of an index.

Spain Revisited

THE SPANISH TEMPER.
By V. S. Pritchett.
Chatto and Windus. 219 pages. 15s.

MR PRITCHETT lived in Spain in the twenties, knew it in the thirties and has revisited it in the fifties. His aptly titled, exquisitely written book begins as if it was going to be a traveller's tale of his postwar visits, but by the second page this pedestrian idea is abandoned; either defeated or inspired, certainly intoxicated, by his new encounter, he is at grips with the polemical spirit and generalising as freely as any native of the country of "all or nothing"—*todo o nada.* Mr Pritchett knows as well as anyone that he is exposing himself to attack; Spain is the finest of battlefields on which to deploy that classic gamesmanship gambit for travellers' talk: "Yes, but not in the south." But his readers will bless him for his boldness. Its result is a book as sparkling as the best of that Andalusian conversation which it praises.

In the Talgo train to Madrid, Mr Pritchett's real fellow travellers are not dry Gallegos and ridiculous Brazilians, but Sancho Panza, Loyola and Ortega y Gasset. His thought plays backward and forward in time between Moorish Granada and General Franco's hopes of American aid. He is repetitive to an extent that would be irritating if the eye were not always charmed by the restless liveliness of his words. Politics, architecture, religion, and rural economics serve him in turn as new approaches to the theme he cannot and will not break away from—the Spanish character and, more precisely, the character of Castile. Against the bleak background of this "bare, military country, frugal and hard" he builds up the familiar but never more vivid picture of an anarchic, insulated, austere and uneconomic people, which to him is not so much non-European as anti-European.

> . . . Spain is the old and necessary enemy of the West. . . . All the hungers of life are blankly stated there.

In the Escorial, "its appearance as of an infantry regiment drawn up in stone in the mountains," Mr Pritchett sees the symbol of all the attempts ever made to grip Spain's natural anarchism in a hand of iron authority. And, recalling how Philip II forbade Spaniards to study abroad because contact with foreigners was inherently dangerous, he adds the shrewd comment that to Spaniards this restriction seemed "positive, progressive and the very expression of Spanish enlightenment," an assertion of the superiority of the Spanish way of life. King Philip's point of view is still upheld today—and at both ends of Europe.

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Self-Effacing Revolutionary

CARNOT, 1753-1823.
By S. J. Watson.
The Bodley Head. 223 pages. 18s.

LAZARE CARNOT figures in most histories of the French Revolution and Napoleon as a member of the Legislative Assembly in 1791, as the man who recommended arming the defenders of Paris with pikes, as the military expert on the Committee of Public Safety who reorganised the republican armies and was the "architect" of their victories in 1793-94, as Bonaparte's supporter in the Directory, as the almost solitary opponent of his assumption of Life Consulship and Empire in 1802-04, and as his Minister of the Interior in 1815. Yet he is little known to French historians, except by his *Correspondance* (and that only covers the years 1792-95), the two partial *Mémoires* of his son Hippolyte, and the recent life by Reinhard; he has never yet found an English biographer. Here, then, was Mr Watson's opportunity. How has he used it?

He has conscientiously covered the ground, especially the military history, piecing together the printed material, and making use of Jomini, Phipps, and some other expert studies; and he leaves the reader with the conviction that Carnot was not only a skilful engineer and organiser, but also a strong-minded patriot, who broke both with the Revolution and Napoleon when national interests seemed to be threatened by the ambitions of dictatorship; risking his career, and perhaps his life, for a principle to which most of his contemporaries paid lip service. Unfortunately Mr Watson has too little understanding of the complicated history of the Revolution to be always a safe guide. Apart from a few mis-spellings and his classing together of Santerre, Simon, and Hébert as "the Ne'er-do-wells," he misunderstands the September massacres, the *armée révolutionnaire*, the Hébertists, Robespierre, and Sieyès' part in Brumaire; nor is he quite at home with the Constitution of 1799 or the politics of the Directory. This makes it doubtful whether the last word has been said either on Carnot's responsibility for the terrorist policy of the Committee of Public Safety (though full weight may be given to his evidence at the trial of Billaud and Collot) or on his relations with Bonaparte in 1796-97 (Mr Watson seems to underrate both his original opposition to Bonaparte's plans and his subsequent championship of them). On the other hand we are given frequent and important extracts from the *Correspondance* and *Mémoires* illustrating Carnot's opinions about nationalism, dictatorship and education; analyses of his writings (though the system of fortification expounded in the *Traité de la défense des places fortes* may still puzzle a layman); and neatly translated examples of his occasional verse. Thus the personality of Carnot emerges pretty clearly from the complicated and sometimes rather confused background, and we follow him with increasing respect into exile and retirement.

It is too easily forgotten that Carnot was an older man (already 36 when the Revolution began) than most of those he worked with, and made his way without any advantages of birth, favour or showmanship. He was a silent self-effacing worker, but also a convinced revolutionary and republican, who did not scruple to vote for the death of Louis XVI any more than he shrank from inscribing his solitary *Non* against Bonaparte's Life Consulship; both decisions sprang from the same conviction that "it is less difficult to establish a republic without anarchy than a monarchy without despotism." History has in the long run confirmed this judgment, and with it the greatness of the man who backed it with the devotion of a lifetime.

Raking Over the Ashes

THE ASHES CROWN THE YEAR.
By J. H. Fingleton.
Collins. 320 pages. 16s.

THE 1953 Test Match series against Australia was one of the happiest, one of the most exciting, and one of the least skilful on record. On the various grounds and on television it was watched by more people than ever before, and if the flow of runs often slowed to a trickle, the torrent of written and broadcast comment never ceased to gush forth in unprecedented volume, alternately uplifting and tormenting the hearts of the cricketing faithful.

To this torrent Mr Fingleton contributed, as an Australian journalist covering the tour. Now, after returning home to think about it all for a while, he has delivered himself of a book—and a very good book it is, from a cricketer's point of view. A critic's job, says Mr Fingleton, is to "describe, analyse and, where necessary, criticise." The author is unusually well qualified to do all these things, having himself played a great deal of Test cricket for Australia before the war. This, combined with his journalistic training and his very real understanding and love of the game, gives him a considerable edge over most of his journalistic colleagues. His descriptions of the Tests, and of the tour generally, are fair and accurate; his analyses are sound and often highly illuminating; his criticism, when it comes, is free from shrillness or partisanship and one feels that he makes it only when it is in the interests of the game to do so.

If Mr Fingleton's command of English were as outstanding as his command of cricket, he would indeed be a paragon among cricket writers. His book consists partly of a diary written during the tour, and partly of reflections written considerably later; but, as no attempt is made to separate the two, the reader is apt to find himself wondering whether the author's undoubted cricket wisdom is being displayed before, during or after the event. The style, too, is often clumsy and is by no means free from such blemishes as mixed metaphors, misquotations and grammatical mistakes.

Apart, however, from those who have been brought up exclusively on the works of the "masters-of-English-prose" school of cricket writers, there will be few enthusiasts who will regard these reservations as important or even relevant. And, as the book is likely to be read exclusively by cricket enthusiasts, it would perhaps be wiser to recommend it wholeheartedly and without any reservations at all.

The English Village

THE SECRET PEOPLE.
By E. W. Martin.
Phoenix House. 319 pages. 21s.

THIS is "an account of English village people, their lives, work and development" since 1750. The book is simply constructed with successive chapters on squire, parson, farmer, labourer, gamekeeper and poacher, rural industries, education, and so on. Nevertheless it is not a book for beginners. Plainly the author has a deep knowledge of the literature of the countryside, and he quotes extensively and interestingly from a wide range of sources. Unfortunately he does not elucidate his subject matter, and each chapter is an unresolved discussion with no clear continuity or conclusion. Part of the difficulty lies in the style, which is sometimes wordy and involved although there are many felicitous passages. But the basic obscurity arises from the fact that the author himself has not yet found a thread to guide him through the labyrinth of his subject.

Although discursive in method, Mr Martin's real strength lies in his intuition. He is keenly and intuitively aware of the cultural decline of the countryside, due to the break-up of rural society under the impact of agrarian and industrial revolution. In particular he deplores the disappearance of the peasant-craftsman, less for his economic than for his spiritual worth. In this he follows H. J. Massingham, but without fanaticism and with more sense and persuasiveness. He sees hope in village colleges, in better parsons, in small industries, but above all in a state-assisted peasantry.

Mr Martin is at his best in writing about people. Some of his portraits are excellent, especially those of the parsons: Charles Kingsley and F. W. Tuckwell, the reformers; R. S. Hawker of Morwenstow with his tame pig; Sydney Smith, the wit—all virile and true friends of the countryman, in an age when friendship was often inexpedient. He writes well, too, of William Cobbett, Arthur Young and Joseph Arch. It is here that he shows real sympathy and understanding. The book is handsomely produced, with good print and illustrations, although the jacket is prettily misleading. The photographs of Victorian farm-life are excellent, likewise the line drawings and tail-pieces. There is a bibliography, and J. W. Robertson Scott, venerable founder of *The Countryman*, has written a foreword.

V. S. Pritchett

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EDWARD ARNOLD

Eccentric Traveller

THE TORRINGTON DIARIES. Edited and introduced by C. Bruyn Andrews and abridged by Fanny Andrews.
Eyre and Spottiswoode. 535 pages. 30s.

THE Honourable John Byng was born in 1743, the second son of the fourth Viscount Torrington. He succeeded to the title on the death of his brother in 1812, but died a few weeks later. His wife bore him at least thirteen children, but she seems to have shared none of his tastes. The truth is that Byng did not really care for female company; and when Mrs Byng, an irritating frivol, set out with him in her carriage, he deposited her at one of the fashionable "spaws" as soon as he decently could, and rode off alone, or with one or two gentlemen who liked him well enough to fall in with his eccentricities. But his friends seldom stayed the whole course. This is scarcely surprising, for it required a thick skin as well as a tough physique to ride in the Colonel's "Cavalry"; after jogging along breakfastless, you might find yourself facing an irritated peer upon whom your intrepid leader had called uninvited. For Byng was a sort of a "National Trustee" born before his time; he was driven by an insatiable curiosity to inspect other men's possessions—a curiosity only equalled by the lack of restraint with which he criticised them.

His dislikes were catholic. He disliked what he called "Venetian" architecture—a distaste possibly due to his childhood visits to palladian Mereworth; he scorned the attempts to improve nature's scenery made by the Duke of Devonshire, Lord Lyttelton, the poet Shenstone, and the noted landscape gardeners they employed. He felt happier in the presence of ruins, new or old—though he grumbled at a cell or grotto which did not provide the tourist with comfortable seats; and he dismissed the great Norman pillars of Gloucester Cathedral as "gouty."

But he was no modernist. Unlike Miss Fiennes, who had toured England a hundred years earlier, and who appreciated the industrial revolution of the sixteen-nineties, Byng mistrusted both the agricultural and industrial revolutions of the seventeen-nineties. He is no "fellow-traveller" with Arthur Young—indeed it is typical of his contradictory nature that he accuses English land-owners of the absenteeism that Young deplores in France; while he bitterly complains of the up-to-date agricultural methods that many of them initiated and personally supervised.

To his grouses about turnpikes, the growth of towns, tree-felling and, in fact, changes of any kind, Byng's riding companions no doubt became inured; and they probably agreed with his frequent criticisms of contemporary parsons and church services. Mr Bryant's introduction rightly praises him as a "character"; and despite Byng's crusty prejudices, his diaries vividly describe places and people as he saw them. But what would Lord Acton have thought of a diarist who barely noticed the American and French Revolutions?

This collection of the many journals written by John Byng, amassed with such pertinacity by the late Mr Bruyn Andrews and his daughter, deserves to be popular enough to go into another edition; in that case, the publishers, who are to be congratulated on their enterprise in producing a single volume edition of the journals, might consider using a type and paper that make for more comfortable reading.

Mexican Journey

TEMPLES OF THE SUN AND MOON
A Mexican Journey.
By Michael Swan.
Jonathan Cape. 288 pages. 21s.

MR SWAN has an excellent tale to tell. He is young enough to travel rough and old enough not to boast about it. Indeed, one of the minor charms of this book is the wry humour with which he decorates his uncomfortable encounters with bad food and lodging, rickety buses and truculent mules. While giving himself to Mexico with infectious enthusiasm, he remains implacably honest about such unappetising things as *tortillas*. He is equally honest about his own objectives. A tour originally intended to end in the north-west of Mexico, in Southern California, was brusquely reshaped as soon as he had been warned that the north-west was overrun by tourists and the Californian peninsula an arid waste. Turning back from Mexico City, Mr Swan plunged happily eastwards into the forest country of which he had already seen the fringes, and his journey resolved itself into a pilgrimage to such Maya and Maya-Toltec sites as Palenque and Chichen Itza. Of these fantastic places he writes vividly and without pedantic pretensions (most readers will be grateful for the potted accounts of Mexican history and art, with special reference to Yucatan, which he includes as appendices).

But the best of the book is its series of glimpses of more or less obscure places in southern Mexico. Unashamedly using his hesitant Spanish, making the most of every chance of a little contact with the people of these towns and jungle villages, willing to change his plans whenever an intriguing diversion presented itself, Mr Swan has collected a rich haul of anecdote and characterisation. He saw at close quarters the cruel streak that survives in Mexican life, and scenes of degradation, fanaticism, and ugly erotic fierceness. But it is the smiling moments that linger in the memory, the kindness of the poor, the rural *fiestas*, and the touches of quiet humour.

To a lively narrative Mr Swan adds two bonuses: thirty pages on his characteristically unplanned detour into British Honduras, which shed some interesting light on a subject more topical now than at the time of his visit; and some thirty-five photographs, which complete an exceptionally well produced book.

Capitalist Realism

EXECUTIVE SUITE.
By Cameron Hawley.
Hammond and Hammond. 304 pages. 12s. 6d.

THIS novel has a certain curiosity value because it is about businessmen by one. It is some years since Mr Luce's magazine *Fortune* first drew attention to the tradition that decrees that in American fiction the businessman is generally depicted as a bloodsucker, a bully or a bore; but it cannot be recorded that since then American professional novelists have noticeably mended their manners towards the boss. Their unkindest attentions, perhaps, have since been directed towards advertising executives, Hollywood producers, radio sponsors and even, be it said, towards the publishers of news magazines; but most of them keep a spare snook to cock at any stray captain of industry. In Britain Mr Balchin continues to explore the emotional inadequacies of Managerial Man, and Mr Scott follows the new careerists up the technocratic ladder, but the attention is still clinical, if a little more sympathetic.

It seems, therefore, that professional novelists cannot or will not think themselves into the boardroom. Mr Hawley has, however, set out to rehabilitate the businessman as hero, and this book is the crude but interesting result.

Mr Hawley has taken what might, but for the prejudices of novelists, be a stock situation of the contemporary novel—the problem of succession in a business. His novel opens with the collapse and death of a dominating industrialist, and describes the manoeuvres of his associates to obtain the presidency of the company. This is an adequate frame for a novel, and as contrasting types, if hardly as human beings in the round, the characters are credible; moreover, the incidentals of this tale of what makes the boss work, the appurtenances of a way of living rather unlike any outside America, are themselves of interest to a European. It is true that the book resembles nothing so much as those painstaking essays in Socialist Realism with which Soviet novelists fulfil the directive to glorify a cement-mixer; and that it seldom exceeds the level of, say, the *Saturday Evening Post* and translation into celluloid—but that presumably was its aim.

In demonstrating to the professionals that business is a whole new environment awaiting the understanding pen, Mr Hawley may partly have proved his point. But the businessman in action, the man taking risks and making decisions, still awaits a novelist. At this level, few modern novelists have ever essayed the character—except, on occasion, Dreiser, and oddly enough, in one glancing sketch, Scott Fitzgerald. "The Last Tycoon" was a novel of Hollywood, where business is half art and a quarter exaggeration; but the film producer Stahr caught something of the essential quality of the American businessman, the part that deserves writing about, that hardly any other novelist has ever set down on paper.

Within the Ring

SCHOOLMASTER'S HARVEST.
By J. H. Simpson.
Faber. 224 pages. 18s.

THAT Mr Simpson has a nice sense of humour is shown by the first chapter of his book—a most entertaining account of his own preparatory school days in the nineties. It is the more the pity that he has not allowed this humour to overflow into the subsequent chapters, which, full though they are of humanity and good sense, could do with a little sparkle.

The impression left by Mr Simpson's fifty years' experience is reassuring. Most of it was spent within the public school system, at Rugby, Gresham's, back to Rugby, followed by Rendcomb, and finally as the head of a teachers' training college. He had only the briefest excursion into the state school system, in the days when its prestige was very low. Nevertheless, even within the public school ring, Mr Simpson shows not only how far the good orthodox public school has travelled since the beginning of the century, but how much unorthodoxy could march under the same umbrella. Gresham's in 1908 and Rendcomb in the nineteen-twenties were astonishingly different in atmosphere from the conventional public school, but sufficiently in touch to make the blood-relationship admissible. English education has been extraordinarily fortunate in the influence of its experimenters. Perhaps the greatest debt that the English owe to their public schools is this vigorous tradition of independence that has permitted the newcomers to graft fresh ideas on to the existing system. In the fifty years covered by Mr Simpson's experience the change has been remarkable. No doubt some of the less satisfactory public schools still ape the traditions of forty years ago—the cult of athleticism, the authoritarian aloofness of masters and prefects, the narrowing influence of rigid taboos—but broadly speaking the change of atmosphere has been remarkable.

Not all of this transformation can be attributed to the more experimental schools, important though their influence was. The political climate has also forced a change of attitude. The lesson of Mr Simpson's book is how well orthodoxy can adapt itself, and how high are the standards of education presented by the home of privilege.

Potted Palmerston

LORD PALMERSTON.
By W. Baring Pemberton.
Batchworth Press. 375 pages. 25s.

PALMERSTON was a member of every government from 1807 to 1865, except those of Peel and Derby; he was foreign secretary for more than fifteen years, prime minister for nearly ten; and died, in office, two days before his eighty-first birthday. Un-Victorian in his habits, save in his passion for hard work, he dominated the first third of the Queen's reign. His gay manners are as well known as his lack of punctuality; but behind the celebrated jauntiness lay the gravity of a statesman and his judg-

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ment on foreign affairs was—for a time—as sound as any man's in Europe. By slaving at his papers, he mastered the details of his problems; and for principles of action he relied on a buoyant confidence in his country and himself.

Mr Pemberton has succumbed to the fascination of Palmerston, and has written an agreeable short life which holds closely to the main printed sources. The compression has been skilfully done; room has been found for many insertions based on wide reading in the treasure-house of early Victorian biographies; and the characters in the story are brought alive by good writing and a score of excellent illustrations.

There is much in Palmerston's career that retains a permanent interest, for the principles on which foreign policy ought to be conducted vary much less than do the circumstances of relations between the powers. Moreover, some of the comments recorded in this book are by no means devoid of topical interest (not least when another patriot of Palmerstonian eminence is approaching his eighty-first year). This remark of Palmerston's in 1839 may serve as an example:

> Russia does not, I believe, wish to go to war with us, but is always trying to push on just to the extreme point of encroachment and aggression to which she may be allowed to go without war. She then halts to take breath and waits till people are looking another way to make another step or two forward.

Indecisive History

THE DECISIVE BATTLES OF THE WESTERN WORLD. Volume I.
By Major-General J. F. C. Fuller.
Eyre and Spottiswoode. 616 pages. 30s.

MAJOR-GENERAL FULLER has planned a trilogy. It has a grandiose title: "The Decisive Battles of the Western World and their Influence on History." His theme is imperialism, his first hero Alexander. The first volume is dominated by the rise and fall of the Roman and Byzantine empires. The second, apparently, will be linked to the "emergence" of the British Empire. The third will lead up to "the supreme political event" that "has still to appear." The battleground shifts from the Mediterranean basin to the shores of the Atlantic. After Waterloo the world is the field. The romantic is left wondering what comes next. Perhaps a new imperialism in space?

The first volume, the only one yet published, begins in 1479 BC with the battle of Megiddo, the battle that Allenby and his staff studied in 1918, and ends in AD 1571 with the battle of Lepanto, when as all Chestertonians know Don John of Austria rode to war. Not content with selecting and describing many of the innumerable battles and campaigns fought in these three thousand years, Major-General Fuller has tried to weigh their influence on political, social and economic history. Gibbon is added to Fortescue, with Western Europe as the theme.

Paring the complex tissues of history to the bone, Major-General Fuller tags on his generalisations to his battle pieces. But his skeleton is not articulated. At the worst the reader can expect such sentences as these:

> Had the north-eastern frontier rested on the Elbe, instead of on the Rhine, the next chapter in this book could not have been written, and because of it every other chapter would have been different. . . .
>
> Had Italy never been invaded; had the battle of Taganae never been fought; and had the Ostrogoths continued to rule in Italy, medieval history would have been different. . . .

The standard is often higher than this. And if Major-General Fuller had left well alone and forgotten all about influences on history he would have written a popular account of important, but dimly remembered, military campaigns. That story by itself is worth telling; if the reader acts as his own censor Major-General Fuller has told it.

Ocean Racing

PASSAGE EAST.
By Carleton Mitchell.
John Murray. 248 pages. 21s.

TAKING part in a sailing race across the Atlantic, according to Mr Mitchell, is really neither a technical feat nor an adventure in the classic sense; but any armchair reader would find it difficult to choose apter words to summarise such a 3,000-mile voyage in a vessel no longer than Threadneedle Street is wide. Nine men, two professional sailors and seven "amateurs"—if that is the right word for such yachtsmen, one of whom was crossing the Atlantic by sail for the third time in twelve months—made up the crew.

The trip from New England to old took a month, including a few days between races at Bermuda. Mr Mitchell's *Caribbee* finished the course first of the five competitors in twenty-one days; but the smallest yacht, just over half the *Caribbee's* size, reaching Plymouth four and a half days later, won on handicap this eleventh trans-Atlantic race since 1866, the fastest crossing having been made nearly half a century ago. Altogether, perhaps as *many* people have crossed the Atlantic for pleasure by sail during this century of steam as Europeans have crossed Arabia by motor car in the age of the camel.

Although Atlantic crossings under sail are by no means unusual, books are still surprisingly often written about them. This one has the usual accounts of complaints about calms, difficulties with chafing gear, friction on food problems and bright remarks about other members of the crew; but there is little about storms simply because there was not one during the race. For the fanatical yachtsman there is little of specialised detail of sails and stores; for the general reader the paraphrase of the ship's log is broken up by slices of knowledge about sea and wind, the abyss and currents. Now and then Mr Mitchell throws a fine sentence worthy of either Rachel Carson or Henry de Monfreid. But like most other yachting writers, he forgets in an idealistic haze about past navigators that their crews came more often by press gang than for romance. Ocean sailing, whether racing or not, is, as Mr Mitchell says, an almost infallible escape from boredom; the escape would be less certain without canned food, radio direction finding, the auxiliary engine and that extraordinary combination of aerodynamic knowledge and practical seamanship that makes the modern ocean racing yachts capable of surviving most gales and keeping going in almost flat calms. Those were the very real turbulations in the historic era of the sailing ship.

Italy Without the Mandoline

MANZONI. (*Studies in Modern European Literature and Thought.*)
By Bernard Wall.
Bowes and Bowes. 64 pages. 6s.

THIS little volume works out at about a penny a page; yet it is well worth buying by anyone who wants to know whether or not to read Italy's one great nineteenth century novel "The Betrothed," to use the English title given by Mr Archibald Colquhoun in his recent translation. The author, Mr Bernard Wall, belongs to that small band of studious Englishmen, unbyronic, unshelleyan in their affection and study of things Italian. In their company people travel farther and better in Italy than ever before.

This wisp of a book is an introduction to Manzoni's work. It describes his poetry and his only novel. Mr Wall finds the characters and the setting of this novel richer and more interesting than anything he has read in Walter Scott, with whom Manzoni was once fleetingly compared—by Edgar Allan Poe. He finds Manzoni a realist such as would please the present impatient age; also he finds the great book (which took its author nearly twenty years to write and re-write) inspired by a "Virgilian sense of faith and reverence and *pietas*, by nature linked up with the seasonal round of labour."

This sentence shows how concentrated Mr Wall's writing is; it also reveals what he especially likes about "I Promessi Sposi." "Manzoni's novel is only understandable," he writes,

> if we can view Italians as ordinary people, whose problems are very similar to those of ordinary people in other countries; if we can imagine Italy without the mandoline.

And again;

> We are only just recovering today from the romantic vision of Italy, thanks partly to the very unromantic experience that hundreds of thousands of common soldiers had of that country during the war, and partly to the new Italian novel and cinema.

At the end of Mr Colquhoun's edition of "The Betrothed" there is a brief essay that gives a more detached and speculative picture of Manzoni's mental activities. Mr Colquhoun's essay raised several questions. This one achieves something else, which is to send the reader out in search of a copy of this long neglected novel.

TURKEY

The Westward Course

CELAL BAYAR is again to be President of Turkey and the Democrat Party which he helped to found eight years ago is launched upon a second four-year term of office. In 1950 the Democrats were an unknown quantity; they were swept into power not because of anything they had said or done, but because the Turkish elector was determined to enjoy the novel sensation of turning out the men in power. This month the elections were equally free. But the voters decided not to indulge again in the pleasure of putting down the mighty from their seats; they evidently thought they were on to a good thing and they intended to hang on to it. The People's Republican Party (PRP) can fairly claim that owing to the workings of the electoral law its 30 seats do not properly reflect its voting strength; nevertheless, it is also true that its share of the popular vote suffered a substantial decline.

In the election campaign no basic issues of principle divided the contending parties. Both the Democrat Party and its principal opponent, the PRP, are determined to preserve Atatürk's reforms and to develop their country along western lines (although they may differ as to whether constitutional changes are necessary to achieve this purpose). Both have firmly set their faces against any revival of religious reaction. Both are firmly committed to a foreign policy based on active membership of the United Nations, of Nato and of the Balkan Pact. The issue of state versus private enterprise which bulked so large in the 1950 elections is now more apparent than real; in effect, both parties accept a judicious mixture of both.

It is perhaps this lack of anything really solid for the politicians to get their teeth into that makes Turkish politics sometimes so bitter and so personal. Yet as far as the ordinary voter is concerned it is unlikely that any issue of principle would have seriously distracted his attention from what touched him most nearly—the outstanding increase in the country's material prosperity since 1948, and especially over the last four years.

ELECTION RESULTS

	May, 1950		May, 1954	
	Seats	Percentage of Votes	Seats	Percentage of Votes
Democratic Party.....	408	53·6	504	63.0
People's Rep. Party....	69	40·0	30	35·0
Nation Party.....	1	3·0	...	...
Rep. Nation Party	...	...	5	1·5
Independents.....	9	3·3	2	0·5
National Uplift Party ..	...	0·1	...	...
Total.....	487	100	541	100

Turkish statistics are still in their infancy, but according to a reliable estimate the national income rose from TL8,998 million (at current prices) in 1948 to 8,771 million in 1950 and to nearly 12,000 million in 1953. This is equivalent to a *per caput* increase between 1950 and 1953 of 21 per cent measured in constant prices. The concrete and visible results of this expansion are to be seen most clearly in the countryside. By a variety of means (described in an article on page 4) an outstanding increase in agricultural production, particularly of wheat and cotton, has been achieved, and the farmer finds himself with more money in his pocket than he has ever had before. More and better roads and more radio sets are breaking down the centuries-old isolation of his village; while electrification and better water supplies are adding to its amenities.

These results would certainly not have been achieved—at any rate not nearly so quickly—without generous foreign aid. In particular, by the end of last year, in addition to military aid, Turkey had received from the United States $277.5 million in economic aid and about $6 million in technical aid; and loans from the World Bank amounted to over $60 million. Yet it is fair to add that the Turks are determined, as far as they can, to pull themselves up by their own bootstraps. And fundamentally the Democrats have gone about this in the right way: above all they have realised the importance of more investment in agriculture, and in industry of encouraging private enterprise.

Where the Turks have gone wrong is in failing to plan and co-ordinate their investments and in trying to do too much too fast, thereby encouraging inflationary forces and piling up a formidable trade deficit. It is true that most economic planning

in Turkey will tend to be rather a hit-and-miss affair until the present grave dearth of trained and experienced administrators can be made good. But at least there is no need, especially for a government with such a huge majority, to let politics intrude into economic planning as the Democrats have sometimes appeared to do.

The Opposition has no doubt exaggerated the extent to which political opportunism has influenced economic planning. They have also made the most of the rising cost of living. But the election results seem to show that inflation has not yet become a burning issue ; if it is causing serious trouble to the townspeople, it does not yet seem to have made much impact on the villagers, who form 80 per cent of the electorate. All the same, inflation is clearly becoming a serious problem for Turkey ; and although the government has to some extent been the victim of circumstances beyond its control—such as the post-Korean rise in world prices and the need to devote sums equal to half of the budget to defence—yet its over-ambitious policies must bear their fair share of the blame. The central budget has been running at a loss. The method of financing the wheat subsidy and the considerable stockpiling of cereals have both increased the inflationary pressures. There has been a tremendous expansion of credit, especially for agriculture ; in 1951 bank credit increased by 32 per cent, and in 1952 by a further 46 per cent. This has been part of a large increase in the currency supply ; according to an index compiled by the International Monetary Fund, by the end of 1952 this was 62 per cent above the 1949 level.

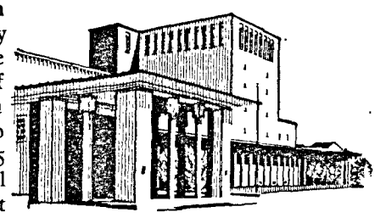
In the current financial year the government is planning for a balanced budget. But otherwise it has not made much effort to deal with an inflationary tendency that can hardly fail to grow worse if present policies are continued, especially as the growing trade deficit has made drastic import restrictions imperative. However, now that the elections are safely over the Democrats may steel themselves to deal with the situation—to scale down their over-liberal distribution of agricultural credits, especially the proposed new ones for farm-buildings ; to raise the bank rate (which has remained at 3 per cent since February, 1951) as a prelude to a tighter credit policy ; and to put into temporary cold storage some of their more ambitious projects, such as some of their irrigation schemes. They may even find the courage to reduce the agricultural subsidies a little and to tax at least the richer farmers who at present get off practically scot-free as far as taxation is concerned.

Credits for tractors and the price of wheat are the kind of topic that is most anxiously discussed in the village coffeehouses. This is inevitable ; but the question of constitutional reform is also important. During the election campaign the Opposition parties did their best to keep this in the public eye—obviously not without ulterior motives. They proposed a second Chamber, a constitutional court and a new electoral law providing for single-member constituencies. Under the present constitution (which was drawn up during a period of revolutionary change when a strong hand was essential) a great deal of power is placed in the hands of the ruling party. With no second Chamber and

no constitutional court, with a President elected from the ranks of the majority party and with a judiciary nominally independent, but in fact vulnerable to government pressure, the only effective check on the government is a strong opposition in the Grand National Assembly. And this is just what the present electoral law tends to prevent ; it allows a party with only a small lead to romp away with the representation of an entire province.

By western standards the arguments for constitutional reform are strong, and by any standards it is a pity that the voice of the Opposition in parliament should be as weak as it now is. But there is a good deal to be said for the Democrats' argument that Turkey is not yet ready for constitutional change, that it cannot afford the luxury of a parliament on the French or Italian model, and that it is better to have some ill-judged and hasty legislation rather than frequent deadlocks and delays. Their argument assumes that the Turkish citizens' rights and liberties can be safely entrusted to the care of the Democrat Party. Opposition politicians, of course, would hotly deny this ; but on the whole it is probably fair to say that the assumption is justified. It is true that the government has sometimes been guilty of distinctly high-handed behaviour ; in particular, its confiscation of the PRP's assets only a few months before the elections is hard to justify—as many of its own supporters felt. But the administration of the new Press Law, which the Opposition maintained was designed to stifle free speech, has on the whole been fair and restrained. And most impartial observers agree that the government was amply justified in suppressing the reactionary right-wing Nation Party last year.

Indeed, the possible danger to Atatürk's Republic from this right-wing reaction forms the chief argument against constitutional change. It is probably true that the major division in Turkey today is never ventilated in parliament, or on the hustings or in the press ; it is the division between those who want the country to continue its present liberal westward course and those who have never become reconciled to the Atatürk reforms. But it is becoming abundantly clear that the latter are fighting a losing battle. The government responsible for suppressing the reactionary Nation Party has just been given an overwhelming vote of confidence. And the Republican Nation Party (RNP) which rose out of the ashes of the Nation Party a few months ago only received 1.5 per cent of all votes ; although it stood on a liberal platform, most people were firmly convinced that it was in fact reactionary in its aims.



Now that a tide of material prosperity is slowly flooding the countryside those who want to turn the clock back in Turkey could hope for some success only if religious intolerance were to create serious discontent and frustration. But the present government has clearly demonstrated that it has no quarrel with religion as such ; on the contrary, new mosques, built at the expense of the state, are a common sight in many towns. A regime which provides both new tractors and new mosques is unlikely to be seriously threatened in Turkey.

Allies and Soldiers

FOR Turkey foreign policy is a matter of clear choices, simple methods and resolute mien. Russia is still the main enemy. Russia's friends are Turkey's enemies and those who stand up to Russia are Turkey's friends. Where the issue is in doubt, as in neighbouring Persia, Turkey is calm and cautious. Friends must be powerful, efficient and reliable—and preferably able to give credit. At the moment the roll of favour is the United States, Britain, Western Germany, France, Greece, Jugoslavia. The Arab states come low because they seem to offer as allies neither military power, nor administrative efficiency, nor that self-confidence that is so strong in the Turks themselves.

That Turkey should think of itself as a European and not as a Middle Eastern power is part of the western reorientation that has been going on for thirty years. It recognises that it has a political and strategical function to perform in the Middle East, which is to provide a buffer between Russia and a divided, backward region of the world where Europe and America have great interests. But it will do that job as a European power acting first and foremost through its alliance with the Atlantic powers. Turkey struggled hard to join Nato for just this reason ; it felt itself to be the hinge not only between two worlds and two civilisations, but also between a hemisphere tightly organised for defence and a region where conflicting interests made an effective defence organisation impossible. It is a sign of realism in the men of Ankara that they preferred the role of a small power in Nato to that of a big power in the Middle East. So Nato comes first ; and it is difficult to imagine a change in Russian policy so radical that it could tempt Turkey back to neutrality. Turkey's economic future, too, depends on aid and co-operation from the West.

Next to Nato comes the Balkan pact, the grouping with the neighbours Greece and Jugoslavia. The pattern is complicated by the fact that Greece—like Turkey—is a member of Nato whereas Jugoslavia is not, and is not likely to be. But there is a common strategic interest to make up for this. If these three nations act together, their power of defence is immensely greater. Jugoslavia guards one approach to Greece ; and Greece guards the European flank of Turkey. With the three standing together there is just a chance of holding Thrace against a Soviet-Bulgarian attack and of maintaining for the Nato powers an area between the enemy and the sea deep enough to make possible the reinforcement of these allies. It is doubtful whether the Turks—whatever the others may think—have more than military hopes of the Balkan pact, for they have only one foot in the Balkans.

The latest addition to Turkey's allies is Pakistan, with whom a pact was signed seven weeks ago. This does not mean that Turkey favours or would hope to lead a grouping of Moslem powers. The heirs of Mustapha Kemal's revolution are the last men to base foreign alliances on religious sympathies. But it does mean that they are interested in Mr Dulles's idea of a northern tier of Middle East states that would do something together to resist the expansion of Russian influence towards India. Behind the pact lies the hope that in time Iraq, Syria and Persia may seek membership ; but it is not thought of as an alternative to a proper Middle East defence organisation under American and British leadership or sponsorship.

Interested in neither neutrality nor Third Force ideas, Turkey none the less takes seriously the duties arising out of its membership of international organisations. It is proud of the record of its contingent in Korea, where its soldiers had their first taste of modern warfare for thirty years. It is perhaps less proud of its association with such bodies as the OEEC and the EPU, whose techniques and principles call for greater experience and skill in economic matters than the Turkish statesman and civil servant can normally command.

One quarter of the total divisions claimed by Nato is provided by Turkey. These 22 infantry divisions, 3 cavalry divisions, 3 armoured brigades, and the nascent air and naval forces that support them, make an annual claim equal to about half the national budget. This burden is in no way resented or deplored. Indeed, any suggestion that the Turkish army should be reduced—as the Greek army is about to be—would be greeted with scepticism, if not incredulity. The gravity of the economic burden is recognised ; but it is argued that security comes first, that Turkey's strongest claim to respect lies in its military strength, and that national service in the ranks gives young men a technical and general education.

There are three weaknesses in the Turkish forces that modernisation is trying to remedy. The first is lack of experience of modern warfare. Some observers maintain that their infantry tactics and their use of supporting arms are out-of-date, and that their undoubted capacity for defensive action is not matched by an ability to take the offensive against modern forces. Others—notably American advisers—will maintain that Turkish military methods are under regular Nato inspection and are being brought up to the best western standards. The fact remains that conservatism is strong in the officer corps.

The second weakness is the lack of cadres for training. Too often the conscript in his second year is teaching the conscript in his first year. Turkey needs a small regular army around which to group its hundreds of thousands of peasant footsoldiers ; but political resistance to any revival of the power of the janissaries is too strong to allow the idea even to be discussed.

The third weakness is the dependence of Turkish forces on weapons from abroad. Until Turkish industry can do more for its forces, costly foreign equipment—and costly maintenance of it—will have to be begged or borrowed or bought. The effectiveness of Turkey's forces must depend in wartime on the Mediterranean supply routes.

Of the reputation of these forces there is no doubt. Some good judges consider the Turkish infantrymen the most dogged and most reliable soldiers in free Europe. They are also by the standards of Nato the easiest and cheapest to maintain in the field. Unfortunately, the more they are modernised and mechanised, the more they will cost. Further progress along present lines can be maintained only if American aid is indefinitely continued and if Turkey can tolerate a growing claim on its real resources.

The Boom in the Countryside

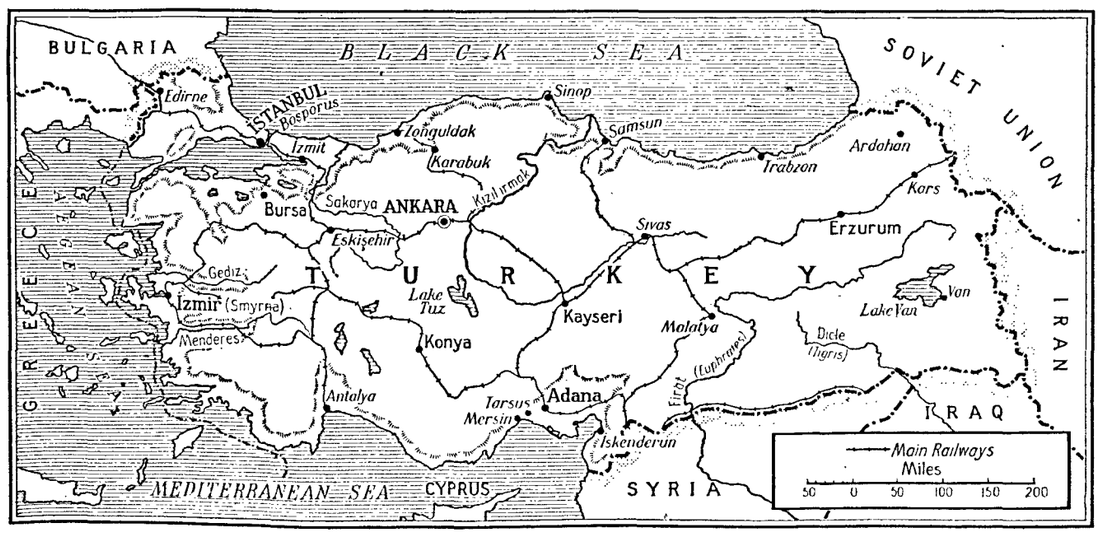
IN the streets of Ankara there are always plenty of country people mingling with the more prosaically dressed office workers and civil servants ; and in most government offices the man at the door is a sturdy countryman who has clearly not long left his Anatolian farm. This encroachment of the country on the capital is natural ; for 80 per cent of the people of Turkey are peasant farmers. It is in their hands above all that the economic future of the country rests ; and the most formidable task confronting the men behind the desks in Ankara's smart new government offices is to provide the country people with the equipment, the knowledge and the incentives needed to turn them from subsistence farmers, employing the most primitive techniques, into modern farmers anxious to get the most out of their land because they have markets for their produce and a growing appetite for the amenities of life.

There is no doubt that an impressive start has been made with this task. Since 1948 the area under cultivation has increased by at least 40 per cent and an outstanding increase in agricultural production has been achieved, especially over the last three years. Last year total cereal production alone amounted to over 14,000 tons, more than double the prewar average ; and Turkey, which used to import cereals, has become the fourth largest wheat exporting country in the world. It has achieved this by a mixture of good luck and good management. The good luck has come in the exceptionally good weather over the last three years ; according to one crude estimate this has been responsible for one-third of the agricultural expansion. The good management has been shown in a variety of government measures, many of which have been greatly helped by American aid—guaranteed high prices, easier credits, imports of farm machinery, irrigation works, more and better roads, the dissemination of seeds, fertilisers and technical knowledge. It would be misleading to single out any of these measures as much more important than any of the others. Turkey's agricultural stagnation has been blown away not by a single whirlwind but by steady breezes from several different quarters.

If a choice between measures must be made, perhaps the policy of subsidising cereal prices, originally introduced in 1938, has given the largest single fillip to production. Between 1948 and 1952 the prices paid by the official purchasing organisation, the Toprak Office, rose steadily ; in particular between 1951 and 1952 the basic price paid for wheat was stepped up quite sharply—from 28.8 kurus per kilo to 30.3. This wheat subsidy has played a vitally important part in supporting the market, especially in the last two years when export prices have been falling ; it has made the farmer feel that it is well worth his while to produce more, and it has given him confidence that he will go on getting high prices for his produce. This is the overriding justification of a policy which on other grounds can be criticised for its inflationary effect. But however open to criticism the agricultural subsidies may be, it is fairly clear that to remove them, or even to reduce them steeply, might bring the country's agricultural expansion grinding to a halt. In any case it is unlikely that any political party would consider it politically possible to do anything drastic about them.

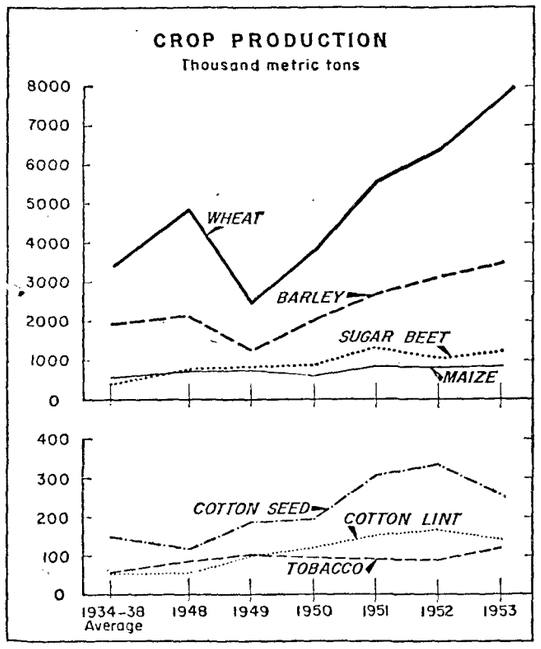
The huge increase in the credits extended by the Agricultural Bank has also played an important part in the agricultural revival. At the end of 1948 the credits outstanding to the bank amounted to TL242 million ; at the end of 1950 to 412 million ; at the end of 1952 to 1,068 million.* This liberal extension of credit has also not been without its inflationary effects, but without it the Turkish farmer could never have obtained the implements, the improved seed and all the other things that he had to have if he was to make progress. Some of these credits have, it is true, gone astray ; they have been spent on badly needed stoves, suits and suchlike things. Of course, a suit improves a man's morale and a stove his comfort and the Turkish farmer would have been more than human if he had not sometimes succumbed to this temptation.

* The Turkish lira (100 kurus) is officially valued at 7.8 to the pound sterling.

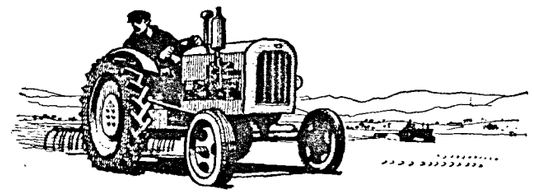


The bank, which has over 400 agencies and branches throughout Turkey, as well as over 800 credit co-operatives, does what it can to keep a check on the use of its credits. In some cases this is feasible ; the long-term (6-8 year) improvement credits are given by instalments, and the man who is being helped in this way, say, to irrigate his orchard, must, in theory at least, show some practical progress before he receives each successive instalment. But it is not easy to supervise the use made of the short-term production credits which, together with other short-term credits, make up by far the greater part of the bank's credit activities. This excessive concentration on short-term credits, which the farmer often has difficulty in repaying and which do not really go far to build up his permanent productive capacity, has perhaps been the major weakness in the bank's activity. But it is a weakness that has been recognised and is now being gradually overcome ; whereas in 1948 96.4 per cent of the bank's credits were short-term, in 1953 the proportion had dropped to 76.7 per cent. There has also been an encouraging increase in the proportion of credits paid when they fall due ; this rose from 40-45 per cent in 1947-8 to 84 per cent in 1952.

The most spectacular increase in agricultural credits has been in medium-term (4-6 year) credits for the purchase of tractors and other agricultural machinery. This increase in mechanisation has played an important part in increasing both the area under cultivation and the productivity of the land. But perhaps mechanisation could have achieved even more if the glamour of the tractor had not tended to distract attention from the farmer's more basic needs. In 1948 Turkey had less than 2,000 tractors ; today it has over 35,000, of which about 7,500 have been brought in under Marshall Aid. This great influx of tractors has become the symbol of the country's agricultural renaissance. But it is a somewhat misleading symbol. Tractors are a boon to those blessed with many acres, provided of course they know how to mend them when they break down. But in Turkey those



with large farms, except in certain regions like the Adana plain, are few and far between ; only one-tenth of the farmers have more than ten hectares ; over two-thirds have less than five hectares. Many of the tractors imported into Turkey, therefore, in spite of all the efforts of the Agricultural Bank, have not been adequately utilised, either because the farm to which they belong is too small, or because the farmer has failed to buy the necessary equipment such as ploughs and seeders to go with the tractor. It is not uncommon to find a tractor, perhaps with a trailer hitched on behind, being used purely as a means of transport. In theory the formation of machinery co-operatives should provide an answer to this problem. In practice, however, this does not work, because the independent Turkish farmer, like his British counterpart, prefers to go his own way and



is either unable or unwilling to fall in with co-operative arrangements.

But the arrival of the tractor in the Turkish countryside has not done away with the small farmer's more basic mechanical needs. There is, for instance, a long way to go before the primitive wooden plough is replaced by even a simple iron plough ; there are nearly 2 million of the former still in use, and 900,000 of the latter. Again, a great advance could be achieved by substituting simple animal-drawn drills for the old method of ploughing in broadcast seed. These drills both reduce the amount of seed required and make it much easier for the farmer to get his sowing done on time ; but only about 6 per cent of the 1953 small grain crop was seeded by grain drills.

No amount of mechanical equipment, however, will help the Turkish farmer if he remains ignorant of modern farming techniques. It is not enough to provide him with an iron plough ; he must be taught the use of fertilisers and persuaded that it would be to his advantage to introduce a fodder crop into his traditional crop rotation of one year wheat and one year fallow. It is not enough to provide him with a grain-drill ; he must have good seed and if he lives in, say, the drier parts of the Anatolian plain he must have a variety that can stand up to prolonged drought. It is not enough to give him the benefits of a regular water supply ; he must be taught the different techniques that are needed with irrigated land or else he will be caught dry-farming right beside his new stream.

A good beginning has been made with this immense task of adapting modern agricultural techniques to the widely dissimilar regions of Turkey (which range from the arid Anatolian plateau to the lush Mediterranean coastal plain and the hill valleys of the eastern provinces) and of transmitting this knowledge to the men on the land. In over half of the country's 64 provinces there are extension offices which keep in close touch with the farmers and provide them with free fertilisers and improved seeds which they can try out for themselves. There are a number of agricultural research stations which try to devise the best type of seed and the best methods of cultivation for each particular region. In 1952, for instance, the research station near

Ankara was responsible for 800 experimental fields scattered throughout Central Anatolia in which improved seeds and methods of cultivation were demonstrated, so that the conservative Anatolian farmer could see their advantages with his own eyes; last year the number of these fields was increased to 2,000.

It is easy enough—and true enough—to say that in spite of generous American aid and their own energetic efforts, the Turks have not got very far with the task of modernising their agriculture and educating their farmers. In particular, they have scarcely even begun to modernise their livestock farming, which, as they themselves recognise and as an article on page 10 shows, could become an even more valuable and steady source of foreign exchange than their surplus cereals. But it must be remembered that the task is a vast one and that in agriculture as in every other field Turkey is gravely handicapped by its lack of trained technicians. Thanks to American technical aid a stream of young Turks are going to the United States to receive every conceivable form of agricultural training. Unlike most of the peoples farther to the east they come back with a real urge to build up a great country. But it will take time for the fruits of their training to be visible in the Turkish countryside, just as it will take more than a few years to begin to satisfy the need for modern equipment, fertilisers and all the rest. What is really surprising is not the magnitude of the task ahead, but the amount that has been achieved, with so comparatively little, in so short a time.

Roads for the Villages

ANYONE who has flown over the high plateaux of western Asia has had an impression of busy roadlessness. Beginning in Bulgaria and lasting until Pakistan there is a tract of country in which land is to all appearances tilled by unseen hands. Villages are too small and mud-coloured to be visible from 10,000 feet, and there is no discernible way in which man or plough travelled from stable to furrow. This is still the impression given by most of Anatolia, but there are more roads there today than six years ago.

The Turks approach their road-building with the zeal of crusaders. They have, moreover, received substantial American aid in the form of both mechanical equipment and technical advice. In 1948, when the present programme was begun, there were rather less than 44,000 kilometres of Turkish roads including barely passable tracks. When the programme is eventually completed—no one quite knows when—there will be a total of about 200,000 kilometres of roads in Turkey—about 24,000 of "national highways," 26,000 of provincial roads and 150,000 of village roads.

The greatest effort so far has naturally been concentrated on the network of national highways. Expenditure on these (exclusive of American aid) has steadily risen—from TL28,861,000 in 1948 to 61,879,000 in 1950 and to an estimated 150,000,000 in 1953. By far the greater part of the national network actually exists today in a more or less serviceable form. But by the end of last year only about one-sixth had reached the official standards set for surface, width and gradient; while a further 5,500 kilometres had been improved to "tolerable" standards.

The Turks are building their roads for use and not for show. They are not interested in constructing a few spectacular *autobahnen*, but in linking as many places as possible, as quickly as possible, by safe and serviceable roads; and if this means that the motorist's life is made miserable by occasional potholes and ubiquitous clouds of stifling dust, then he must just put up with it. In general a Turkish road must prove its worth by the volume of traffic it carries before it can graduate to the luxury of a macadamised surface. But whatever their surface, the greater part of the Turkish national highways are now being adequately maintained; three-quarters of them are getting mechanised maintenance.

Last year the improvement of provincial roads made a big step forward; but a great deal remains to be done and even more so in the case of the village roads. The value of the progress so far achieved, however, can be judged by the impressive increase in freight and passenger traffic carried on Turkish roads. Freight transport, which in 1949 amounted to 620 million ton-kilometres, rose to 1,166 million in 1951 and to an estimated 1,500 million in 1953; while the number of passenger-kilometres travelled increased from 1,229 million in 1949 to 4,670 million in 1951 and 6,370 million in 1952. The greatest handicap to further rapid progress is not so much lack of mechanical equipment as lack of trained personnel of all kinds, and particularly of trained engineers.

New Chapter for Industry

BY western standards the greater part of Turkish industry is still in its infancy, and still having its fair share of teething troubles. But it is beginning to grow up and in the long run its future prospects look bright. On the whole, these lie not in foreign markets—the Turks cherish few, if any, illusions about that—but in meeting the growing and insatiable demands of the domestic market for consumer goods of all kinds, from radio sets to electric light bulbs, from textiles to pots and pans.

The present agricultural boom, in fact, is providing Turkish industry with the most powerful stimulus and the greatest opportunity it has ever had. And it has not failed to respond; the share of industry, including mining and construction work, in the increase in the national income rose from 13 per cent in 1952 to 28 per cent in 1953. There is, it is true, a gloomy side to this picture: there is the large trade deficit, to which the imports of capital goods for industrial development have made a formidable contribution. Above all there is the shortage of workers, especially—in spite of the enterprising development of technical education—of trained workers. According to the 1950 census, only 6.3 per cent of the population were then engaged in manufacturing, mining and utilities; since 1950 the number has gone up by roughly 7.5 per cent. It is not that the Turks cannot turn themselves into good industrial workers; it is just that on the whole they do not want to. The girls in traditional peasant dress who tend the most up-to-date textile machinery do their work well enough; but many of them will not stay on the job. Sooner or later they will take up their savings and their traps and walk back

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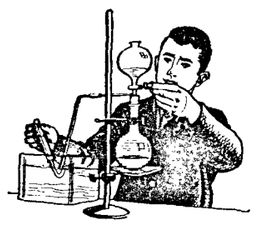
to their villages. It is true that in some of Turkey's most important industries, such as tobacco and dried fruit, seasonal labour does not come amiss ; but obviously in many factories a high labour turnover causes low productivity and greatly complicates the task of the management.

One answer to the problem is to disperse industries, especially light industries, as widely as possible throughout the countryside. Another is to make life in the factory so attractive that the countryman will want to stick to it. This has always been the policy of the Sümer Bank, which is responsible for most of the state industries ; indeed, in the past it has sometimes gone too far and provided housing, hot meals and other welfare amenities with reckless disregard for cost. But most private manufacturers have not the capital to put into such non-productive investments. Moreover, a great many workers are simply not interested in good houses and hot meals ; they are interested only in amassing as much hard cash as they can before returning to their village. Fundamentally, of course, what is needed is a change of attitude by the Turkish peasant ; and although over-population in the villages and shortage of land are gradually pushing him into making this change, the process can be only a slow one. Meanwhile, the Turks can at least congratulate themselves that they have not to grapple with the social and political problems posed by the sudden growth of a large urban proletariat. Ankara is not cursed with the city mobs of Cairo or Teheran.



The development of Turkish industry during the last few years has been a combined effort by both state and private industry. When the Democrats first came to power in 1950 a major item in their programme was the abandonment of the *étatiste* economic policies pursued by their predecessors and a new deal for private enterprise. (*Etatisme* had not eliminated the private investor but was Atatürk's far-sighted answer to Turkey's lack of capital for investment in industry. The trouble was that the private investor had come off badly in competition with the privileged state industries.) The Democrats were even rash enough to promise to transfer existing state industries to private hands ; it is now widely recognised, however, that in spite of the undoubted weaknesses of many state industries, this would have been an unwise step even had it been practicable. But the Democrats' first four-year term in office has at any rate seen the private Turkish industrialist beginning to play a much more important role.

It has been estimated that last year, when private investments made during 1951 and 1952 were beginning to bear fruit, the increase in output was greater in the private than in the state sector. Although the increase was modest, it is encouraging. There is no industrial tradition in Turkey ; there is a grave shortage of both entrepreneurial skill and private capital. There is no equity capital market, and a study group which, at the suggestion of the Industrial Development Bank, recently investigated the possibility of establishing one in order to assist in the financing of private industry, has held out no hope of any rapid development in this direction. To a people whose forebears suffered the confiscations of the Ottoman Empire and who may themselves have been hard hit by the notorious Capital Levy of 1942 it still seems foolhardy to advertise and expose one's wealth by investing it in bonds and shares. The notion is alien to many far more sophisticated rural communities. In 1950, moreover, many people assumed that few of those with money to invest would put it into industry when commerce and building promised much quicker and higher returns and allowed the money to remain under the investor's control. This assumption has not proved entirely incorrect ; all the same, the private investor in Turkey has gone far to confound those gloomy prophets who in 1950 maintained that the government, in putting its money on him, was making a bad bet.

It is, however, hard to estimate exactly how large a part the private sector has played in the industrial expansion of recent years. No comprehensive indices of industrial production exist ; those published include only a limited number of private firms. But the activities of the Industrial Development Bank give some idea of the directions in which private industry is developing. This bank was set up in 1950, with capital provided from private sources, from the World Bank and from Marshall Aid funds, with the object of making it easier to set up private industries primarily to meet the growing domestic demand for consumer goods of all kinds. Each loan approved by the bank covers about half the investment cost of the project concerned ; and the total value of the loans approved up to the end of last year was over TL100,500,000. The largest volume (over TL42 million) went into textiles, the second largest (21,650,000) into stone, earthenware, cement, glass and ceramics and the third largest (17,870,000) into food and food products.

Private enterprise has not had enough capital to risk in heavy industry. The Karabük iron and steel works, which, like almost all the state-owned manufacturing industries, is controlled by the Sümer Bank, is responsible for by far the greater part of Turkey's iron and steel products. Nor has the state yet had to face much serious competition from private enterprise in the mining industry. The state-owned Eti Bank is responsible for the whole of Turkey's production of coal, copper and sulphur, for 90 to 95 per cent of the iron ore production and 70 to 75 per cent of the lignite.

PRODUCTION BY STATE INDUSTRIES

Description of Product	1949	1950	1951	1952	1953
Cotton yarn (tons) ...	15,073	16,609	17,768	18,678	19,849
Cotton cloth (metres) .	1,286,335	190,554,407	106,495,368	116,094,563	118,051,303
Woollen yarn (tons) ..	4,512	4,534	4,384	4,176	4,270
Woollen cloth (metres)	5,058,397	4,445,371	4,219,630	4,139,087	4,381,886
Rayon (kgs.)	302,388	322,062	380,487	442,354	442,568
Footwear (pairs)	798,773	681,547	820 264	894,133	895,601
Paper and cardboard (tons)	17,943	18,195	22,886	27,008	27,272
Coke and coke breeze (tons)	299,836	314,762	314,270	413,475	548,688
Molten metal and pig iron (tons)	114,206	113,483	153,392	196,085	212,523
Steel (tons)	102,995	90,786	135,409	153,465	162,641
Rolled products (tons)	72,849	78,466	105,448	115,875	136,158
Pipes (quality 1) (tons)	10,889	8,592	8,858	7,096	6,792
Cement (tons)	100,043	86,172	81,500	171,734	178,196
Firebricks and fire-clay (tons)	3,088	7,279	7,874	7,827	7,448

(*Source :* Sümer Bank.)

MINERAL PRODUCTION BY STATE ENTERPRISES
(In tons)

Year	Coal	Lignite	Chrome	Iron Ore	Copper	Sulphur
1938.....	1,744,196	76,064	95,010	72,898	2,840	3,806
1945.....	2,524,056	523,194	69,869	125,708	9,544	3,779
1953.....	3,664,314	942,321	174,244	342,192	23,757	9,775

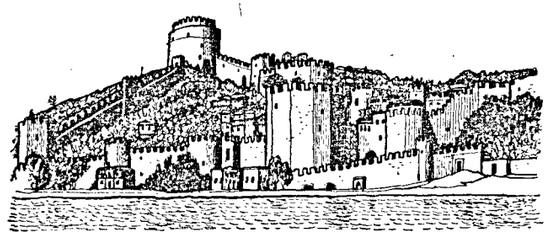
(*Source :* Eti Bank.)

Only in the mining of chromium, Turkey's most valuable mineral export, does the bank play second fiddle to private enterprise, which is responsible for at least 70 per cent of production. But after a period of steady expansion in most of its enterprises, which has been financed partly from its own resources and partly from substantial American aid, the Eti Bank is preparing to rest on its laurels and lend a hand to its potential rivals in private industry.

What opportunities does this development of industry and mining offer to foreign capital? The state mineral research institute (MTA) hopes to complete the first broad geological survey of the whole of Turkey by the end of next year. The results of its researches, which used to be treated as strictly confidential, are now open to all, and requests by private individuals for permission to develop mineral resources are now treated on the same footing as those of the Eti Bank. The recently enacted Petroleum Law, which gives foreign firms the right to prospect for and exploit oil in Turkey, has been drawn up on sound and progressive lines, in the realistic belief that the state possesses neither the financial nor the technical resources to extend its own activity in this field much beyond the small oilfields that it already operates in south-eastern Turkey.

It is still too early to say whether either the Petroleum Law or the Law for the Encouragement of Foreign Investment passed last January will succeed in attracting to Turkey the foreign capital that it needs. There is a great deal of leeway to be made up because of foreigners' memories of the ruthless expropriations of Atatürk. The Foreign Investment Law is a tremendous improvement on a previous law passed in 1951 which allowed only 10 per cent of profits to be exported and offered the foreign investor hopelessly inadequate inducements. The new law recognises that the latter must be wooed if he is to be persuaded to put his money into foreign countries; it puts no limit on the net profits that can be exported, gives foreign investors the right to export profits and capital if their concern should be liquidated and allows them to employ foreign specialists and technicians on satisfactory terms.

It is probably safe to say that investment in Turkish industry seems to be a good proposition for any foreign firm that is prepared to wait for a return on its money and to put up with the inconveniences and irritations inevitably caused by the inexperience of Turkish administrators. In the long run the foreign firm which is prepared to import capital and build a factory for, say, the manufacture of chemical fertilisers inside Turkey will probably do better than the firm that sticks to the less imaginative course of importing fertilisers manufactured in its home country. Few people in Turkey today, however, are suffering from the illusion that foreign firms are queueing up eagerly to break into the home market. It is realised that, seen from the outside, various snags, such as Turkey's shortage of industrial manpower and its large trade deficit, with all the dislocations that they cause, loom a good deal larger than the country's huge potentialities for economic expansion. And understanding is the first step towards a remedy.



Turkey's Trade Troubles

UNFORTUNATELY—but understandably—to many outside observers the trade deficit bulks so large that it obscures almost everything else in the rapidly developing Turkish economy. In fact in ordinary circumstances trade is less vital to Turkey than it is to many other countries, such as Britain; even last year foreign trade was only 23 per cent of the national income. If the Turks had been content to jog along in their old ways they could have kept their economy pretty well self-balancing. But they want to develop their potentially very rich country and improve their standards of living as quickly as they can. It is this that has caused them to run up so many bills; for they have not been able to build up exports of the quality and quantity that are necessary if they are to develop their country quickly without getting into debt.

In 1951, Turkey's trade deficit rose to about TL247 million; and in 1952 it soared still further to about 540 million. In September, 1952, the government was forced to abandon its trade liberalisation programme, and this, combined with an increase in exports, brought last year's deficit down to the still formidable figure of about 382 million. Turkey's trade troubles are largely concentrated in the European Payments Union; with the rest of the world it has a surplus. Its original quota of 50 million EPU units of account was used up long ago, in August, 1951; and at the end of last February its net cumulative deficit, taking into account the special resources granted by the United States, was 172.8 million EPU units of account; current debts are settled 100 per cent in gold.

Capital equipment and materials have played the major part in piling up this deficit. Imports of non-essential consumer goods have also helped, but their importance is often exaggerated. Between 1951 and 1952, when the deficit made its most spectacular leap upwards, imports of machinery rose almost twice as steeply as imports of manufactured goods. In 1952 investment goods and raw materials accounted for 68.25 per cent of imports and consumer goods for 20.18 per cent; in 1953 the comparable figures were 67.15 per cent and 19.68 per cent.

In the past the important Turkish exports have been limited to certain minerals, particularly chrome, and certain agricultural products, particularly dried fruits and tobacco. But the boom in the countryside during recent years gave rise to the hope that other surpluses, especially of wheat and cotton, would play a large part in solving Turkey's foreign trade problem. These hopes have been only partially realised. Sales of wheat and cotton have, indeed, risen

sharply; wheat exports, which in 1948 (a good year) were nil, rose to nearly 450,000 tons in 1952 and to about 587,000 tons in 1953; while cotton exports rose from about 72,000 tons in 1952 to about 100,000 tons in 1953. But in spite of these increases, the usual bugbears of the Turkish export trade—high prices, poor quality and lack of standardisation—have tended to blight the hopes held out by increased production.

In particular, the story of the 1953 wheat surplus has not been an altogether happy one. The amount has turned out to be about a million tons smaller than was at first estimated. Its value as an earner of foreign exchange (and this is true of most agricultural exports) has suffered considerably from the fall in world prices. Turkish wheat has not, in any case, found a ready market abroad because of its poor quality and high price. And the Turkish authorities have not always been very clever about marketing it, which is not surprising since the Toprak Office, the agency responsible, has only slight experience of the ways of the international wheat market. As a result of all these handicaps, Turkish wheat has either been sold at a price considerably below that paid to the farmer (the loss to the Toprak Office has been about 10 kurus a kilo) or else it has been disposed of in unsatisfactory barter deals with Spain, Jugoslavia and other countries outside the EPU area.

The Turks tend to excuse their trade deficit by maintaining stoutly that they must either import or stagnate. This is true enough, but it is an argument that can be carried too far, and in Turkey this has been done. The country is earning a bad name among its trading partners. Bad blood is being created on both sides and both sides are feeling increasingly frustrated. The Turks are genuinely, if rather ingenuously, outraged at the unwillingness of foreign countries to buy their wheat; there is a feeling that Turkey's friends and allies ought to be willing to help it through a bad patch even if this does mean buying wheat that is not as clean as it might be. British, German and other exporters, on the other hand, are becoming more and more indignant at their inability to get payment for their goods, for even though Turkey is a partner in the EPU, debts are contracted in good faith by Turkish importers only to find that the Central Bank simply has not got the foreign currency to meet them. It is small comfort to the foreign exporters to be told that the Turkish importer has paid on the nail for their goods, and that only the unfortunate fact that the Central Bank lacks foreign exchange prevents them from getting payment in their own currency. And they are not amused when they complain to an official in Ankara that their payment is up to 12 months overdue, and receive the uncompromising answer that they will just have to wait—for anything from four to seven years.

Manufacturing firms inside Turkey that are anxious to modernise and expand their plant to meet the growing domestic demand are now in a fix because they cannot obtain the necessary equipment from abroad. For the government, alarmed at the way things are going, is becoming ever more tight fisted with its import licences; while foreign firms, especially British ones, are sometimes reluctant

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to take up even those that are issued. This earns them a bad mark from the Turks, but they can hardly be blamed if they do not want to burn fingers already singed in the Turkish market. (The larger German firms, however, are determined to go on exporting to Turkey, whatever the unpaid bills, in order to keep a foot in the market.)

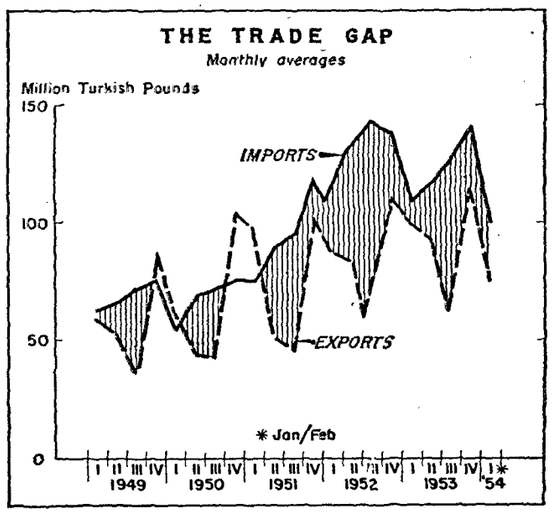
In this situation the Turkish economy is bound to suffer. Yet in the long run, provided it can get over its present difficulties, its prospects are good. In spite of all the development of the last five or six years, Turkey has only scratched the surface of its wealth and has only begun to make the best use of what it produces. When, for instance, the extensive programme for the provision of grain storage, handling and cleaning facilities and equipment has been completed, Turkish wheat will appear to much greater advantage in the world wheat market. Cotton production tripled between 1948 and 1952; with a wider use of improved techniques, with more fertilisers and more irrigation, the further expansion of production could be even more impressive.

The livestock industry is at present the Cinderella of Turkish agriculture; its possibilities as a source of foreign exchange have barely been explored. At present some livestock is exported on the hoof, but the meat-processing plants now planned and under construction in various parts of the country will at first only be able to produce for domestic consumption because of the poor quality and weight of the animals. But if the production of barley and fodder crops could be stepped up (and plans to do this are being laid) and the quality of the livestock improved, Turkey could in time build up a flourishing export industry in canned meat products to neighbouring Mediterranean and Arab countries which are now poorly supplied with meat products.

In short, given reasonable luck with the weather, the time and the wherewithal to develop its resources and experience in marketing them (and the government seems ready to

MAIN IMPORTS AND EXPORTS

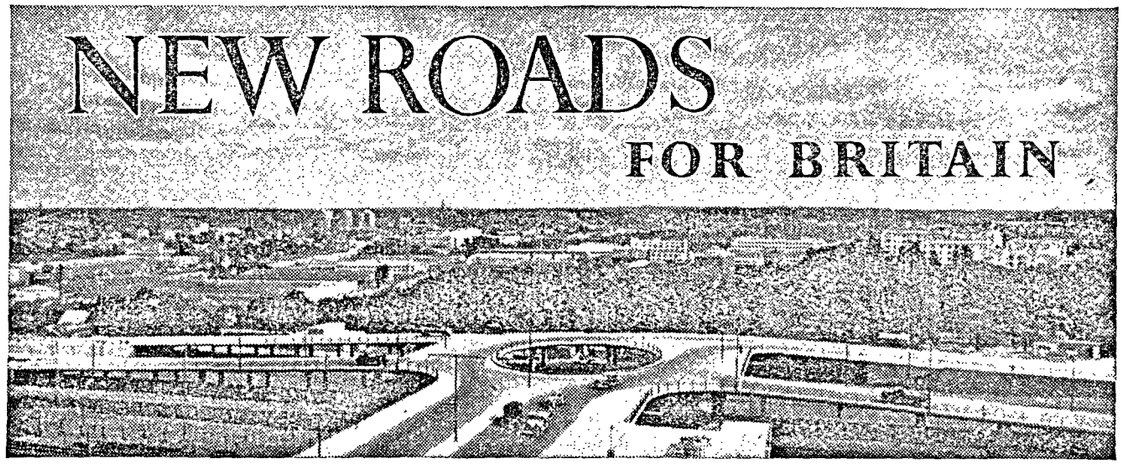
	1952		1953	
	Value (TL mn.)	Quantity ('000 tons)	Value (TL mn.)	Quantity ('000 tons)
Imports				
Machinery	425·5	146·5	345·6	116·4
Iron and steel	168·6	233·6	207·2	368·4
Vehicles	144·9	36·6	157·8	37·0
Mineral oils	112·7	818·9	124·6	962·2
Textiles, yarn	224·4	29·3	200·0	25·1
Chemical products	74·6	51·2	82·6	59·8
Other	405·9	825·3	373·4	1,062·4
Total	1,556·6	2,141·4	1,491·2	2,631·3
Exports				
Cereals	261·5	808·3	248·7	954·9
Tobacco	173·8	57·1	238·8	71·7
Cotton	193·5	70·1	220·3	100·8
Fruits	109·2	113·5	104·4	100·6
Seeds	24·1	59·8	26·3	81·4
Mineral ores	129·9	899·3	135·9	905·0
Others	124·2	428·9	134·6	241·8
Total	1,016·2	2,437·0	1,109·0	2,456·2



learn from its past mistakes), Turkey should be able to boost its exports considerably above their present level; and although its import requirements are more likely to increase than diminish for some time to come, few doubt that it will succeed in closing its trade gap in from four to—at the most pessimistic estimate—ten years.

But bright future prospects do not remove present difficulties, although they make it possible to face them more optimistically; and the immediate and essential problem for Turkey and its trade partners is to overcome the present trade crisis. Some Turkish traders feel that a devaluation of the lira is the only course. On the whole, however, the general opinion seems to be that this step will not be taken, although the currency is undoubtedly overvalued. Of course devaluation would allow the Turks to sell abroad at more competitive prices, but unless they have large stocks to get rid of—and on the whole they have not—offloading exports would hardly outweigh the disadvantages of raising the prices of badly needed imports, and of outraging Turkey's foreign debtors who would find the value of what they are owed sharply diminished.

It is essential that the Turks should face their debts problem more squarely than they have in the past. But it is hard to see how they are to get over their present difficulties unless the governments of the countries with which Turkey has the largest deficits are prepared to lend a hand. In the case of Germany, Dr Adenauer has already recognised this, although it remains to be seen how effective his intervention will prove. The British Government, for its part, has only recently tacitly acknowledged its belief that Turkey is in the long run a good bet, by guaranteeing long-term credits extended to Turkey by British firms for the construction of grain handling facilities and the development of electric power. Would it be possible for it to go further and extend a credit to the Turkish government for the specific and clearly defined purpose of enabling it to pay off some at least of Turkey's commercial debts to Britain? Such an unorthodox step would no doubt be uncongenial. But it could go far to help both the Turks, whose present troubles, if unchecked, could seriously hamper their long-term development, and those British traders whose dealings with Turkey have, through no fault of their own, landed them in serious difficulties.



Argument for Advance

AN economist, asked to make an estimate of the cost of road accidents to the community, began by constructing a graph of the net value of a human being throughout life. From the helplessness of babyhood to the close of education, he reasoned, the young person was simply a net cost. Throughout employment, reaching a peak in the prime of life, he made a net contribution to the economy. But in the sixties, after retirement, he went below the line again, into the red. At this an older colleague declared that he had sometimes thought of throwing himself under a bus at one of London's traffic black spots, in a desperate attempt to get some action out of the highway authorities, but had never realised that he would confer a net benefit upon the community by doing so; should he take his grandchildren, too?

Not all attempts to apply economic costing to road policy are as unpromising as that. But the economics of transport as a whole, and of the road system in particular, cannot be said to offer the clearest of briefs for an administrator. Roads constitute a national asset on which it would be extremely difficult to set a value or a working life, and hence to provide realistic depreciation. They are an investment the return from which is reaped by others than those who have the spending of the capital. They are, moreover, an inheritance physically and to some extent geographically unsuited to the economy that depends on them and to the motor vehicles that rescued them from the disuse of the railway age. These—plus the neglect of politicians—are among the reasons why Britain's road system is today becoming a dangerous brake upon the development of national productivity. An economy with so many inherent advantages of close industrial concentration is in danger of losing them through the inadequacy of its internal transport.

More than 5 million motor vehicles are licenced to use the roads of Britain today, against just over 3 million just before the war. The use they make of the roads—the total traffic—seems to have increased much less fast, though it is far harder to measure. Official sample inquiries suggest that road traffic last summer may have been about 25 per cent higher than in August, 1938, though goods traffic, the heaviest load, was nearly 90 per cent higher; there are, indeed, over twice as many goods vehicles registered as there were before the war, the great bulk of them "C" licence vans and lorries carrying their owners' own goods. But half as many private cars again, compared with 1938, recorded less than 5 per cent more traffic; the tax-inflated cost of motoring is having its effect.

The "vehicle population" has grown fairly steadily since the war, by about 7 per cent a year. Such a rate of increase—at present some 400,000 extra vehicles each year—would mean double the prewar figure in four years, and imply a population of more than 7 million vehicles by 1960. More generous projections have been made; some guesses in these columns last October suggested that on very favourable assumptions cars alone might number 5 million in five years. A more refined form of crystal-gazing, based on an observed relation between income per head and vehicle registrations that has been remarkably consistent over the years, would not suggest 7 million vehicle registrations in Britain until 1965. But it may be worth adding that these formulae and assumptions would imply that by 1980 the country would have some 10 million motor vehicles, and that by the end of the century the vehicle population might reach 17 million.

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It is tempting to guess at the volumes of traffic that such a growth in vehicle registrations might imply. Will traffic continue to increase more slowly than registrations? Hopes of reduction in fuel and other motor taxation seem vain at present, though purchase tax may eventually fall less heavily on the capital costs of motoring. Extension of car ownership down the income ladder may mean that the extra cars do less mileage. Again, it has recently been argued that the shifting balance of cost, which brought about a surge of freight traffic to the roads after the war, may now swing, for a time, towards the rail. Nevertheless, it seems doubtful

whether such factors could prevent the long-term growth of road traffic to double the prewar volume and more. The only limiting factor that may be set, in the long run, upon the growth of traffic and eventually upon the vehicle population, is that British roads will burst at the seams unless something is done about them.

The "capacity" of a country's road system is almost impossible to estimate; the concept is hard enough to define even for a single stretch of road. But the effects of a fast-growing vehicle population and the rise in traffic volume that must follow are not difficult to foresee. Greater congestion on the roads implies even slower average speeds—Britain already stands accused of the slowest road speeds in Europe—new bottlenecks on main routes, and in all probability another upward turn in the graph of road accidents, at present still mercifully lower than in the late thirties. It would impose further costs of delay upon an economy that is making growing demands upon internal transport, and particularly upon road transport, through the increasing interdependence of industries dispersed over many new locations, and through the country's increasing need for direct exports of more and more complex products.

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Expenditure on movement by all road users today has been estimated at more than 10 per cent of the national income—perhaps four times the total expenditure on rail transport. About half of this expenditure is concerned with the goods transport. Of all road haulage some 55 per cent is done by industry's own "C" licensed vehicles, with the British Transport Commission's nationalised lorries sharing the ton-mileage recorded on "public haulage" about equally with all other hauliers. Industry, drawing upon ever-wider areas for its labour, also has a direct interest

in the passenger-miles of traffic by coaches and buses; and by far the largest part of motoring by car is done on business.

It might be argued that if an obsolete road system for a growing motor fleet is rapidly pushing road transport towards the stage of diminishing returns, while greater traffic might bring the railways increased efficiency, much of the growth of traffic might conveniently be shifted to rail. This idea might be ingenuously extended into a theory of "transport integration"; but it would be an odd kind of integration that happened only when movement by road in the economy began virtually to seize up. Even modern politicians, always comfortably aware that roads do not vote, would hardly allow that extremity to approach. Some shifting balance may in future be achieved between road and rail in the public haulage of passengers and freight, though last year's Transport Act does little to define it; but it seems most unlikely that the modern industrialist will be disposed to relinquish control of the transport of his own goods to the home consumer or to the port.

What is more likely—it is indeed foreshadowed by the disappointing "new road programme" which the Government produced last winter—is a slightly more adequate standard of maintenance for existing roads, some opening of bottlenecks and improvement of black spots on the major routes, and a nibble at the fringe of the major projects that have been waiting the longest of all. But there are no signs that any serious approach will be made for several years, under the present plans to spend up to £14-£15 million a year, upon the modern motorways that almost every other industrialised country, poor or rich, now possesses.

Postwar neglect of investment in roads, during years in which public investment in other basic industrial resources of Britain—coal, energy and steel—has been pressed forward, has arisen partly from the diversion of the building and contracting industry and its materials to housing and schools, with power stations second and other factories a bad third. Since the war, transport has never been a very effective claimant on investment resources, except through private investment in motor vehicles; only recently have the railways at length been permitted some sizeable rolling stock construction programmes. The defence programme, moreover, made considerable claims on construction for airfields, atomic energy and the like. But today it is doubtful whether any physical limitations of contracting resources need hamper a much more resolute start upon arrears of road modernisation than the Government contemplates. Arguments for an independent authority to supervise road expenditure are not necessarily convincing; but when one compares expenditure on the roads—some £8½ million a year—with £490 million on housing or the £160 million invested in electricity, it is understandable that the British Road Federation should sigh for a Macmillan or a Citrine.

It has recently been questioned in these columns whether the Federation's latest advocacy of a road loan is the best method of approach; but the object of the federation's ceaseless exercise, and the detailed programme that it has now produced as an alternative to the present timid plans, deserve complete support. Mr C. T. Brunner recently outlined a ten-year programme:

- To bring existing roads into adequate condition by raising the present level of expenditure (some 70 per cent of prewar spending, in real terms) to about £100 million a year, against the present £80 million.
- To spend £25 million a year—instead of £4½ million which is only 2 per cent of the prewar effort—on clearing not only accident black spots, but the bottlenecks that impede traffic flow, particularly on the roads approaching cities or by-passing smaller towns.
- To begin on the new arterial routes linking the country's main industrial areas with its ports, starting with the Birmingham-Bristol-South Wales motorway. To build 100 miles of motorway a year would cost some £22 million.

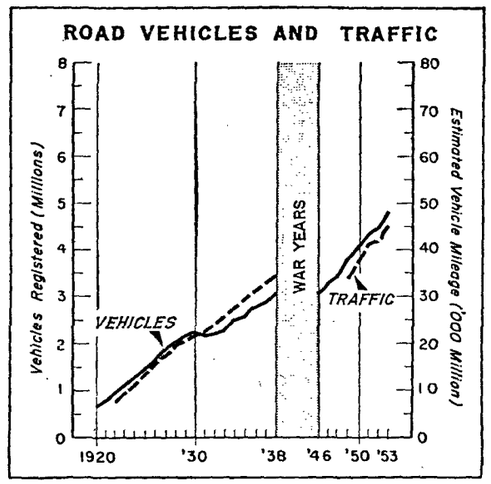
Such a revised programme would cost about £150 million a year, against £88½ million at present; it would broadly restore expenditure on roads, in real terms, to the level of the late thirties.

★

The return from investment in roads is shared by too many people to be counted. Nor are estimates based upon the costing of traffic delays—until research now in hand is completed—really meaningful. In the same way, though it is reasonable to contrast the growth of motoring taxation with the pitiful record of road expenditure, few would now assert that there should necessarily be any direct relation between the two; the Road Fund, in its original form as a store of money to spend on the roads, died long ago, and has only confused the form of the accounts for road building and repair. Investment in new motorways may or may not yield "higher returns" than investment in coal, steel or power; the point is that without it the country's other industrial investment as a whole cannot yield its full benefit, and some shift of the balance towards spending on the roads cannot be delayed.

This is a task for the Government; but there is one aspect of it that might well be undertaken by industry. It is understandable that the industrialist, faced with the suggestion that roads should be financed directly by the user, should reply that he pays enough in vehicle and fuel duty already (the yield of motor taxation, it may be noted, has long put out of date the old road-rail controversy about bearing the cost of the track). But if direct savings from new roads approach the magnitudes that are claimed by advocates of better roads for industry—there is no reason to doubt the reality of these savings, hard though they may be to measure—the simple commercial proposition follows that they ought to be worth buying. The toll road presents the primary argument for a separate road authority, free to cut red tape.

To leave the toll road out of proposals to construct the motorways that Britain needs does not weaken the absolute case for those motorways, even if it may make official stonewalling easy. The record of the American expressways and turnpikes suggests that industry might find that special payment for speed in moving its manufactures was triumphantly worthwhile. And in urging the provision of better roads for British industry upon the public authorities that have allowed Britain's roads to decay, it is hard to escape the feeling that some limited injection of business responsibility and commercial incentive would make for more effective care and development of these industrial and national assets.



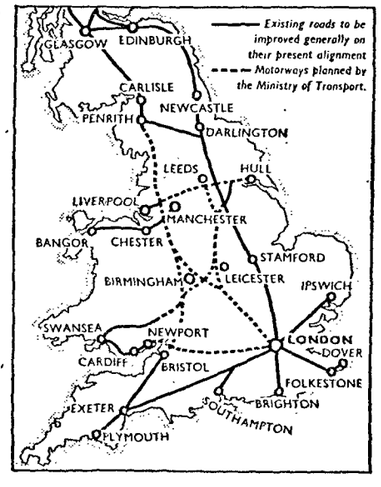
Plan on the Shelf

IN 1946 the Government approved a comprehensive 10-year programme for modernising the road system, after catching up with arrears of maintenance accumulated during the war. Bridges were to be strengthened and congestion in London and other big cities was to be relieved. There was to be a thoroughgoing reconstruction of the principal national routes, including the building of some 1,000 miles of modern motorways.

None of this has been done. After the 1947 economic crisis, roads were placed at the bottom of the list of investment priorities. It was not until last December that the present Government decided that expenditure on road improvements should be increased, but not nearly to the extent of the 1946 plan.

Schemes to be authorised during the current financial year will eventually cost the Exechequer an extra £19 million, and projects to be authorised in 1955-56 and 1956-57 will cost it a further £31 million, making £50 million altogether. Central government spending on major improvements and new construction is now about £5 million a year; by 1957-58 it will have reached £14-£15 million a year; and it is expected to remain at about that level for "a period of years."

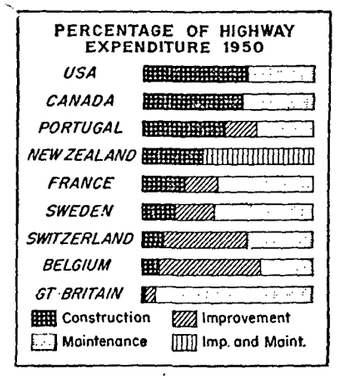
This will not be the total expenditure on major improvements and construction under the new programme. Local authorities will be making a contribution, as yet unspecified. In recent years about two-thirds of the total expenditure on the roads—maintenance as well as improvement—has come out of the rates.

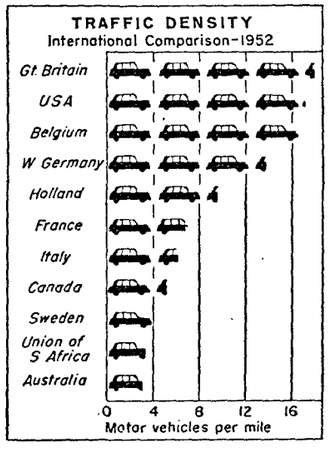


WHO IS RESPONSIBLE FOR WHAT?

Public Roads (miles)	Classification	Exchequer Grant (%)	Responsibility
8,200	Trunk	100	Ministry of Transport
19,600	Class I	75	1,285 Local Highway Authorities
17,700	Class II	60	
48,700	Class III	50	
91,300	Unclassified	nil	

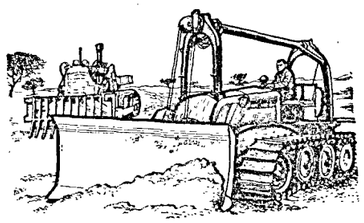
Total length of public roads in Britain = 185,000 miles.





Modern Macadam

BY A CORRESPONDENT



ARE the techniques and methods of road construction keeping pace with the potential track demands of the vast flood of traffic on British roads today? Because track development has not kept in step with traffic growth, experience of modern road construction on any appreciable scale in this country is almost negligible: since 1939 housing estate roads and a few miles of new main road construction are all that Britain has to show. Given small resources, a greatly restricted and reorganised road labour force, and using machinery wherever possible, the highway engineers of the country have made a remarkably determined attempt to improve the tracks so as to keep the wheels running. Partly because airfield construction, which has much in common with highway construction, has provided engineers with much valuable experience, there is hardly an aspect or technique of road construction which has not improved in some material way in the past decade. An expansion in the road-building programme would probably show that the leading British engineers and contractors are fully competent to take their place with the best and most experienced road-builders in the world.

Many things must be taken into account in planning and building a road: the engineer must consider the composition, speed and weight of the traffic to be carried, the degree of traffic segregation, the accident potential of the road, the aids to traffic movement such as signposting and marking, the topography of the country, the obstacles to be crossed, the gradients to be used, the cost of the land, the soil conditions, the availability and cost of materials, the structural design of the carriageway, the surfacing, and the effect of snow and ice. The whole procedure constitutes a complex engineering problem, and the best solution calls for a carefully made economic balance involving initial costs, maintenance costs and the cost of traffic operation. To some extent every road is a problem in itself.

The soil beneath the road crust must not be overloaded, but nor can it be covered with a wastefully thick road crust. The soil may be provided by an embankment or a cutting, and its properties will depend not only upon its mineral constitution but also upon its moisture content. In the last two decades, knowledge of soils—how to sample them, how to classify them, how to compact them and how to treat them—has grown into the science of soil mechanics. Careful investigation, by the Road Research Laboratory and other bodies, has provided the means of avoiding many of the mistakes, failures and difficulties experienced with the new roads built between the wars.

Soil can now be regarded as an engineering material. By no means all the problems are solved, for with more knowledge and experience from experimental lengths of roads, particularly on clay soils, large economies might still be possible. When suitably treated the soil itself can often also be used to form a substantial road base, a process which is being increasingly employed with great economy in housing-estate roads. The development of soil-moving equipment, including bulldozers and scrapers and special soil compactors of great variety—ranging from massive pneumatic-tyred and sheepsfoot rollers down to small vibrators and tampers—has played an essential part in the transformation that has taken place. One of the most recent developments is the "single-pass" soil stabilising train, which in one process will pulverize and mix the soil, add the stabilising agent—usually cement—and the required water and compact the mixture to form a hard uniform base. In appropriate circumstances this method will show a saving on traditional methods of 50 per cent or more.

But not all soils are suitable for processing, and other methods find their place in modern construction. The Telford base of hand-pitched stone is outmoded, for skilled men are scarce and it does not lend itself to mechanisation. The crushed stone base using the most suitable local material is gaining in popularity. This approximates to the system of employing uniform crushed stone evolved by Macadam about 150 years ago, the main difference being in the mechanisation of the process of laying and compacting which, by the use of rollers and vibrators, can give a high degree of density and stability. The postwar improvement most noticeable to the road user is the evenness of the road surface which has followed the introduction of the spreading and finishing machine. One such machine is capable of resurfacing with an inch of bituminous material one-third of a mile of 20-ft. carriageway a day. To accomplish such a task in the same time with hand-spreading would require five labour gangs instead of the one required with the machine, and the result would be inferior. For surface dressing of roads with tar and stones, the improvement in tar sprayers has resulted in much faster working and in greater durability. British tank-spraying machines are in fact the best in the world.

In large-scale concrete road construction small hand-fed mixers have been supplanted by travelling pavers and large concrete-batching plants with outputs

AVERAGE COSTS PER MILE OF BUILDING BRITISH ROADS

Class of Road	Nature of Carriage-way	Width of Carriage-way (*a*)	Cost per Mile
		ft.	£'000
Motorway (*b*)	dual (two-lane)	2 × 22	200–250
Trunk roads and class I roads	single (three-lane)	30	60–100
Class 2	single (two-lane)	22	30–50
Class 3 and housing-estate roads	single (two-lane)	18	20–30

(*a*) These widths are typical; other widths are frequently employed.

Pearl diving in the South Pacific

Road making in Britain

Atlas-Copco puts compressed air to work for the world

A man who has devoted almost all his life to the dangerous trade of pearl diving in the South Pacific knows what risks a man runs by descending to the sea-bed day after day. That is why he uses a number of small petrol-driven Atlas-Copco compressors to supply precious air to his divers. Vital though it is to the diver, this unusual job is only a small facet of Atlas-Copco's tremendous range of compressed air equipment. Atlas-Copco reliability is also specified for such formidable jobs as road making and maintenance in Britain.

In almost every part of the world, wherever compressed air is working hardest, Atlas-Copco compressed air equipment is on the job. Atlas-Copco equipment covers every conceivable application of compressed air. Add to this, the servicing and delivery facilities of allied companies* in 37 countries, and you realise why Atlas-Copco are among the world's leading compressed air specialists.

**Atlas-Copco embraces companies trading under the names Atlas, Atlas Diesel, Atlas Polar, Atlas-Copco, Copco, Delfos and Sampa. Enquiries in the U.K. should be addressed to* THE ATLAS DIESEL COMPANY LTD., *Beresford Avenue, Wembley, Middlesex.*

CAN WE AFFORD NEW TRUNK ROADS?

The economic consequences of the latest developments in "Caterpillar" earthmoving equipment

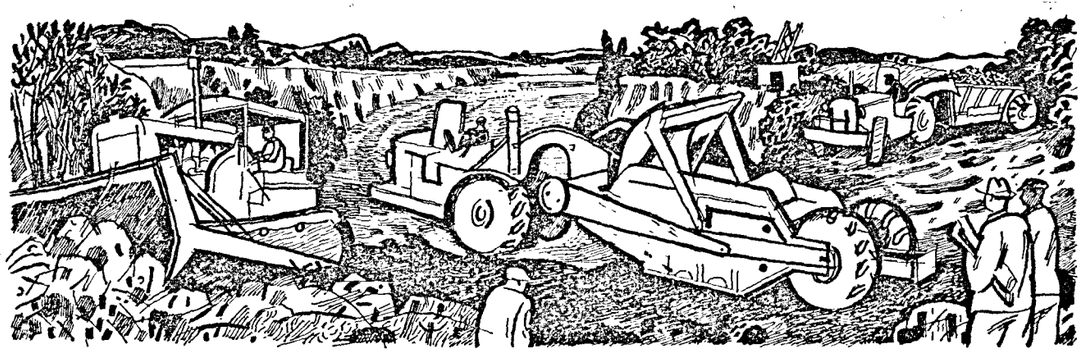
IN A LITTLE over two decades road projects have almost completely reversed the role they play in the economies of nations. As recently as the early thirties, many countries of the world (notably the U.S. and Germany) were turning to public works and road building programmes as a cure for chronic deflation and under-employment. Today not only do problems of under-employment hardly exist, but present day labour wages and costs would make road building by hand labour out of the question. Yet no-one will dispute that the *real* and urgent need for new and better trunk roads is greater than ever. Are then, new roads an economic possibility or not?

An important answer is given by the revolutionary reduction in earthmoving costs during the last 20 years—due to the tremendous technical developments in earthmoving machinery. For the building of trunk roads entails the removal and re-siting of literally millions of tons of earth, a job for machines alone.

The earthmoving problem and the continual striving to move *more* earth at less cost is one which has pre-occupied the Caterpillar Tractor Company for 50 years. The big yellow "Cats"—Diesel tractors, bulldozers, scrapers, shovels and particularly the recently imported high speed rubber tyred equipment have now brought road construction earthmoving costs well below those which prevailed during even the lowest wage levels of the thirties.

Since the war, many great new highways have been built in the U.S., the Commonwealth and in Europe. More Caterpillar machines have been used on their construction than all other makes of earthmoving equipment —two facts surely, which amply demonstrate how these great machines can make new roads an economic proposition for Britain.

On road building projects throughout the world a vast amount of experience has been collected in the economics of earthmoving. Much of it has been included in a paper read to the Georgia Highway Conference in Atlanta, Georgia, by Mr. L. E. Schumacher of the Caterpillar Tractor Co., last February. If you would like a copy of Mr. Schumacher's paper or any of the many illustrated brochures published by the Caterpillar Tractor Co., relevant to road construction, please get in touch with any of the Caterpillar dealers listed below.



4 UNITED KINGDOM CATERPILLAR DEALERS
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Fred Myers Tractor & Equipment Co., 4 Tilney St., London, W.1.
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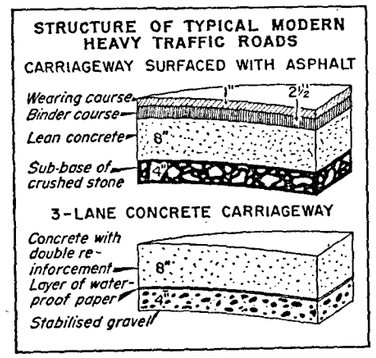
whenever you think of new roads think of the big yellow machines that help to build them

of hundreds of cubic yards of high-grade concrete per day, working in conjunction with special compacting and finishing machines. The hand barrows and hand screeding and tamping of prewar years are obsolete. By the new methods, outputs can be vastly increased and the quality of the finished road immeasurably improved. Concrete road construction, even when up-to-date mechanical plant is used, calls for skilled men. Severe restrictions imposed on new road work by the scarcity of cement and the lack of sizeable projects have handicapped the development of the skills to match the new methods; despite the long life and low maintenance cost of the concrete road, it is less used in this country than formerly. Rolled concrete of low cement content covered with a bituminous surfacing has been used as an alternative. If new construction began on an extensive scale, and if more cement were available, concrete would again take up the running.



The thickness of a carriageway to be constructed on top of the soil depends on the type and condition of the soil and on the volume and weight of traffic. With light traffic and a good soil, such as gravel, a thickness of 6 inches would be adequate; with the same traffic and poor clay soil up to 15 inches might be necessary; with heavy commercial traffic a good soil would call for 10 inches and a poor one would need rather more than two feet. When concrete is used the figures could be somewhat lower.

Although much has been accomplished in the field of road-making machinery, there is still room for improvement in the design of much of the equipment used by the road engineer and for the development of new plant, such as compacting machines for backfilling trenches, stationary mixers for soil-stabilisation, concrete mixers with improved cleanliness of discharge, improved compacting and spreading machines for concrete and self-propelled and towed spreader boxes for spreading broken stone bottoming. At present, unfortunately, manufacturers of civil engineering plant often have difficulty in diverting effort to the development of new machines whilst fulfilling orders for existing machines. Nor will manufacturers usually embark on the expense of the development and production of a new item of plant without clear indications that there will be a market for the equipment. The absence of a programme of new road construction has set up a vicious circle in the supply of new equipment and progress has been restricted. It may be possible to encourage the production of new machines by development contracts financed wholly or partly from public funds.

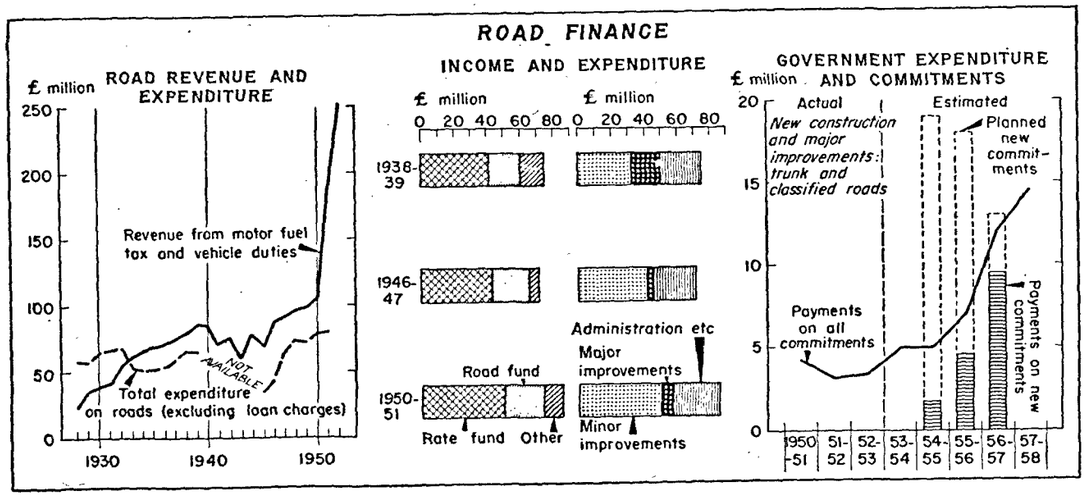
The cost of constructing roads depends upon many factors. For roads on housing estates, earthworks are small and few bridges are involved; the main cost is in the carriageway pavement, kerbs, drainage facilities and footpaths. At the other end of the scale are motorways which may involve earthworks of considerable magnitude, because of the need to avoid steep grades and for the provision of complicated flyovers and bridges. Thus in motorways such as the American turnpikes the cost of the carriageway may be no more than a fifth of the total cost. An estimate of the average present-day costs per mile of roads of the various classes in this country is shown in the table on page 4. The figures include cost of land, earthworks, drainage, carriageway pavement, footpaths and bridges.

In 1950 the Ministry of Transport recommended the following standards for rural roads:

Vehicles per hour

Up to 300	—	Two-lane carriageways
300 to 600	—	Three-lane carriageways
600 to 1,000	—	Dual two-lane carriageways
over 1,500	—	Dual three-lane carriageways

The standard lane width recommended is 11 ft., and 10 ft. for three-lane roads. Many roads in this country carry traffic running far above these figures. For example on trunk road A.40 east of Oxford in the peak hour a two-lane carriageway carries 700 vehicles; on A.40 at Denham a three-lane carriageway carries 1,300 vehicles and on A.406 a dual two-lane carriageway carries 2,300.

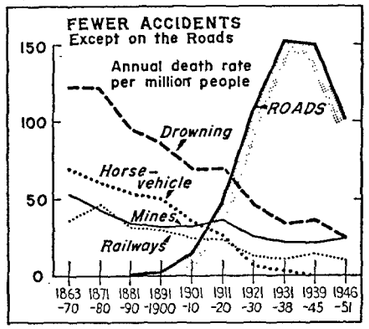


Road Safety and Research

SINCE Mrs Bridget Driscoll, a 44-year-old Irishwoman, was knocked down and killed by a private car travelling "at the speed of a horse" at the Crystal Palace on August 17, 1896, over 200,000 people have been killed in road accidents in this country—which is not far short of the total number of lives lost on active service during the last war—and several million more have been injured.

It may be said that some fringe of road casualties has to be accepted by any industrial community as an unavoidable cost of effective transport. In the design of roads there must often be some compromise between safety and flow. Segregation of traffic by type and by speed, which can usually resolve the problem, cannot be achieved everywhere. But a good number of the 170,000 or so road accidents that take place each year certainly need never happen if the condition of the road or vehicle were better or the particular road user involved were to pay more attention to the surrounding traffic.

Since 1946 the detailed problems of road safety and the particular causes of road accidents have come under the

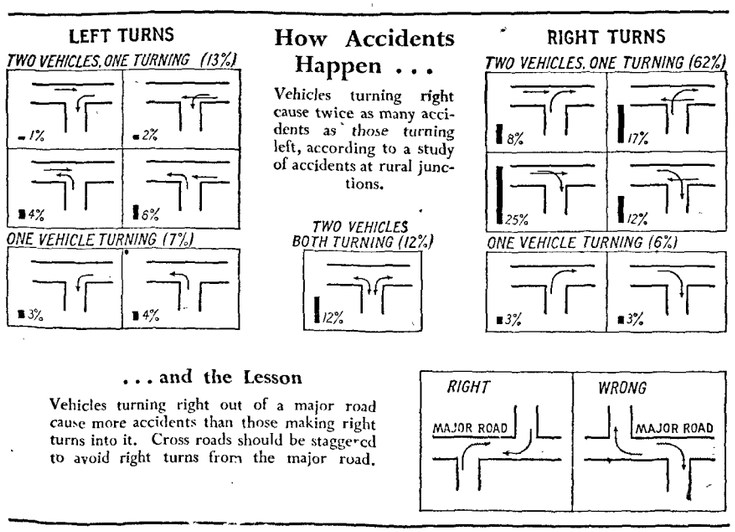


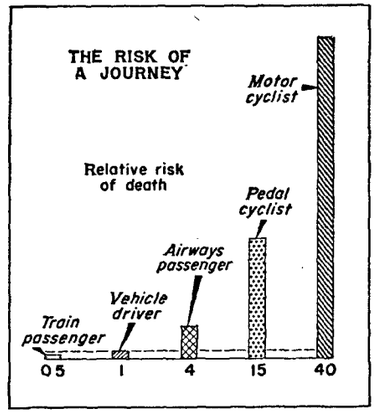
close scrutiny of the Road Research Laboratory, a branch of the Department of Scientific and Industrial Research. This is leading to a growing fund of knowledge about how accidents happen and how to prevent their recurrence. Already the effects are noticeable. Zebra crossings were first thought of at Harmondsworth, the headquarters of the laboratory, and the recent proposal to tighten up lighting regulations arose from investigations carried out by the laboratory's research workers.

The Road

THREE-QUARTERS of all road accidents occur in built-up areas, and almost half of these happen at junctions and cross-roads, where two or more streams of traffic try to join one another or disentangle themselves. An investigation into the design of road junctions begun some years ago by the County Surveyor of Buckinghamshire and since taken up by the Road Research Laboratory has thrown interesting light upon these accidents at junctions. According to the findings of this study, which are set out below, a vehicle making a right turn at a junction is more than three times as likely to cause an accident as one turning left; and a right turn made by a vehicle trying to leave a major stream of traffic for a minor one is more dangerous than a right turn made by a vehicle trying to enter that major stream.

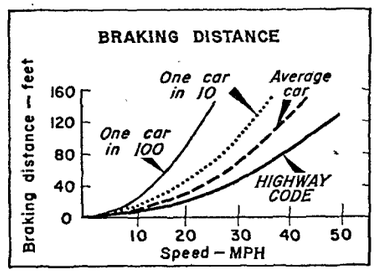
Certain road junctions have been redesigned with these conclusions in mind, and the investigation has also had an effect upon the design of cross-roads.





The Vehicle

Over a quarter of a million vehicles are involved in accidents each year, but no one can really say how many of these accidents are due to some defect in the vehicle. Police records put the blame on the driver or on a pedestrian for thirty accidents for every one that they say was caused by a defective vehicle, but these classifications are doubtful. When vehicles are examined for one reason or another, however, many are found to be defective or in poor condition.



Good brakes can stop a car in 45 feet from 30 mph. But, as the preceding diagram shows the brakes of very few cars actually reach that standard. About half of the cars may need 70 feet, one in ten over 100 feet, and one in a hundred over 200 feet to pull up. These are braking distances, and do not include the distance travelled in the time taken by drivers to apply their brakes. Cars travelling at 30 mph can cover over 40 feet in the second that most drivers take to apply their brakes in an emergency.

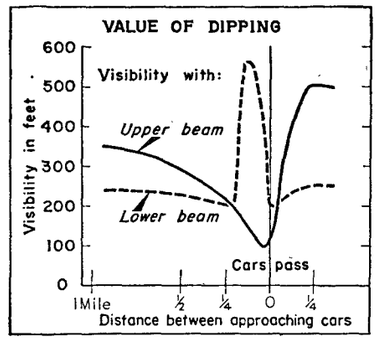
Even if all brakes were up to Highway Code standard, a good driver moving at

30 mph would be doing well if he stopped within the length of a cricket pitch; most would take twice as long. As would be expected, the heavier the vehicle the greater the distance it needs to stop. Heavy lorries pulling loaded trailers at 20 mph can be expected to cover nearly 70 feet even when their brakes are in good condition. On the other hand, technical changes may increase braking hazards on very light vehicles; not all the cyclists who now have light engines to assist them have brakes adequate for what has become a much faster road vehicle.

The Lights

Though most accidents occur in daylight, street and vehicle lighting make important contributions to road safety. Dazzle caused by headlamps is a frequent cause of complaint, but it does not seem to cause as many accidents as people imagine. "Dipping" one's headlights, in certain conditions, will enable a driver to see farther, as the chart at the top of the page shows. When approaching cars are 1,200 feet to a few hundred feet away from each other, objects may be silhouetted against the road by the approaching set of lights. At that range one can see silhouettes in the dipped beam better than a full view of the road with undipped headlights, particularly if objects in the road are dark coloured and merge easily into the night.

The theory of dipped headlamps is



sound enough. The trouble is that few headlamps are correctly aimed. A recent sample of the headlamps of nearly a thousand vehicles on the road revealed that only about one in ten were even approximately correctly aimed, whilst half were three degrees out of true—which is more than the angle of dip in an ordinary dipping headlamp. Half of these vehicles, therefore, had "dipped" headlights that were less than useless. The intensity of vehicle headlights also deteriorates with age. As many as one headlamp in eight in use now has only a tenth of the brightness it once had. Half of the cars using the "dip and switch" method had lamps with less than half their original intensity: even if correctly aimed such lighting would simply be inadequate for safety.

Poor or even non-existent rearlights are also blamed for accidents. Only a very small proportion of cars, lorries and bicycles, according to a recent survey, are fitted with rearlights sufficiently intense to make them plainly visible in or near the dipped headlamps of an overtaking car. Since these tests were taken steps have been taken under the Road Transport Lighting Act, 1953, to tighten up the standard of rearlamps and reflectors.

The unsatisfactory state of some vehicles using the road—and today nearly half the cars licensed are still pre-war models—raises the question whether vehicles should be subject to a compulsory test. As long ago as 1947 the Road Safety Committee of the Ministry of Transport proposed that vehicle testing stations should be set up. These tests would cost money but as American experience has shown, states with vehicle inspections have lowered their accident rates whereas those without have not; the resulting saving in accident losses might well pay for the cost of inspection many times over.

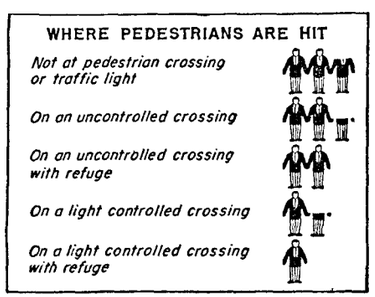
BRIGHTNESS OF REARLIGHTS ON THE ROAD

Intensity	Cars m/cs and buses %	Vans and Lorries %	Pedal Cycles %
Less than standard.	75	78	98
Less than a tenth of standard	33	59	84
Less than a fortieth of standard.....	13	26	50

Pedestrians and the Zebra

ABOUT two-fifths of the dead and a quarter of the injured in road accidents in recent years have been pedestrians. All but a tenth of these casualties occurred in built-up areas and nearly a half when the pedestrian was reported to be trying to cross the road.

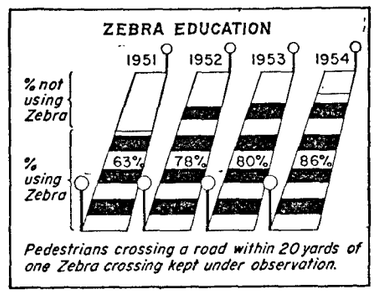
During rush hours in most large cities there is not room for everyone on the pavement, and the overflow of pedestrians into the roadway is a frequent cause of accidents as well as a serious hindrance to traffic. Unless they are compelled to, pedestrians will not use the crossing provided for them if it takes too long to use. Even when alternative routes are made as easy—or as difficult—as the direct route, by erecting barriers, by installing subway escalators, or by lowering the pathway before it reaches the subway entrance, the jaywalker will still prefer to "chance it" a hundred yards up the road.



Only in recent years have attempts been made to plan and to measure the effect of new road safety measures. The "Zebra" crossing is perhaps the best-known example, and certainly the most successful. Pedestrian crossings were first introduced in 1934, but in October, 1951, the majority of crossings were removed—they now number little more than 12,000. All uncontrolled crossings were striped, and parking at the approaches to many of the crossings was prohibited.

The introduction of "Zebras" has been associated with the biggest drop in pedestrian deaths since driving tests and the speed limit were introduced in the thirties.

One particular crossing, situated in Hornsey, London, and striped experimentally several years before "Zebras" were officially adopted, has been kept under observation more or less ever since. It has been found that the proportion of pedestrians who used it has been steadily growing year by year. Twice as many drivers are now giving way than in 1951, although drivers' manners have never quite re-attained the standard of 1952.

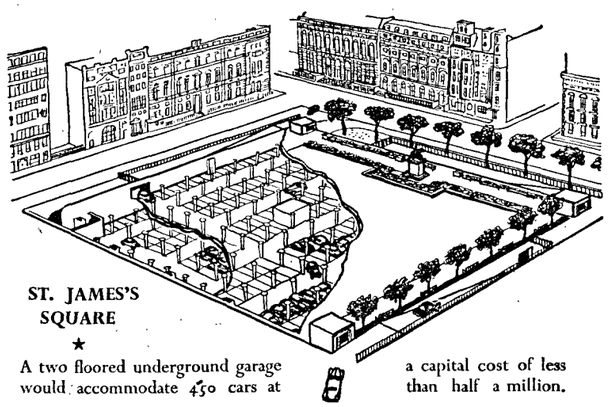


Pedestrians crossing a road within 20 yards of one Zebra crossing kept under observation.

Freeing the Streets

THE one major improvement that the New York motorist really needs from Detroit is a moderate-sized automobile—say 200 horsepower—that he can drive up to the sidewalk, step out of, fold up to briefcase size and deposit with his hat in the cloakroom. In London, as yet, congestion is not yet quite so bad; the cars are smaller. But so are the roads. On a normal weekday, in working hours, between 20,000 and 25,000 vehicles are parked in the 250 miles of streets of inner London. In some West End streets, three-quarters of the kerb is lined with stationary cars, vans and lorries; and this congestion is 50 per cent worse today than it was two years ago. London is a special case; yet it epitomises problems common to many British cities already—and to more in the future.

Street patterns first laid down in the days of the carriage are no match for the traffic that the motor vehicle has introduced, and any substantial re-planning of the central streets of most cities is not a practical possibility—except where a certain amount of preliminary site-clearing was done during the last war by the enemy free of charge. Traffic flow can be quickened in minor ways, by cutting a new thoroughfare or two, by making a few streets a bit wider and re-timing traffic signals in the light of operational research rather than of pre-conceived ideas. But none of these measures can do much to ease traffic congestion while parked cars continue to choke city streets.



ST. JAMES'S SQUARE

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A two floored underground garage would accommodate 450 cars at a capital cost of less than half a million.

How can these cars be moved off the street? In the past parking space has never been regarded as an essential part of any new office block or other building, and few cities now contain enough garages for the thousands of vehicles attracted by the work and trade carried on in their central areas. Powers given to local planning authorities by the Town and Country Planning Act of 1947 will, if used, ensure that in all new and reconstructed buildings garage space is provided at least for the normal use of the eventual occupiers, but this will only slowly ease the existing congestion. There may be one or two sites in most cities that could with little difficulty be adapted to provide parking space for a number of vehicles, but the shortage of off-street parking will never be solved by tinkering. Existing buildings do not lend themselves easily to adaption as roof-top or basement garages; the costs of underpinning and tunnelling are usually too high. The best site for a new car park or garage is often some distance away from the districts where one is most needed. What is becoming essential is a large programme of new garage building in the central areas of the larger cities. Such programmes will be expensive; present-day garages, whether built under the ground or above it, cost from £800 to £1,200 for each car they take. But little good will come of the costly motorways and improved arterial highways that need to be built between the larger cities if they attract more vehicles into city centres than the streets and garages there are able to accommodate.

★

In Inner London alone another 15,000 off-street parking places are needed in addition to the 8,000 or so that are available now—excluding the 3,500 places available in bombed site car parks that will be redeveloped within the next three or four years. A working party appointed by the Ministry of Transport recommended in 1953* that new garages should be built to take nearly 11,000 cars at a cost (on 1951 prices) of £11,700,000. It proposed that nine of these garages should be built under some of the famous London squares; the remainder were to be multi-storey structures erected in the areas of greatest parking need. These garages were for the long-period parker who in London, where people go shopping by bus and Tube, creates his own problem. Up to 80 per cent of the vehicles parked at any one time in inner London stay for more than two hours. If the streets could be cleared of these vehicles there would be ample room for the short-term parker, of whom at least 9,000 arrive during the most crowded hours. But no motorist can be expected to use a garage or car park if it is easier and cheaper for him to leave his car parked by the side of the road. If the new garages are to be used and the streets substantially cleared of stationary vehicles, waiting restrictions would have to be rigidly enforced and extended to the most congested areas and vehicle owners would have to be charged, by means of parking meters, for authorised central street parking places.

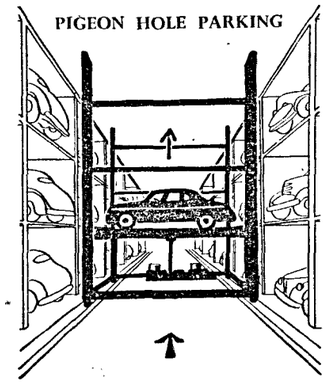
Motoring organisations so far have strenuously opposed the imposition of charges for the use of the highway, holding that motorists and hauliers are already heavily taxed. But parking space costs money, whether at the kerb-side or in a garage off the highway. The demand for parking is at present limited by congestion—by the amount of delay, annoyance, and inconvenience that drivers are willing to accept on journeys into and out of town. "Rationing by congestion" operates mainly on a first come, first served basis; hence a high proportion of the available kerb-side parking space in central London is taken up by all-day parkers arriving fairly early in the morning. The price

* "Report of the Working Party on Car Parking in the Inner Area of London." HMSO. 1953.

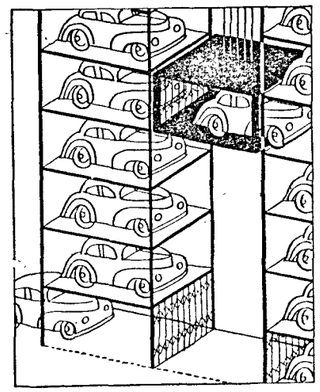
mechanism, properly applied, might be the simplest and most effective way of putting some order into the use of streets. Parkers should be encouraged to choose between parking their vehicles at nearby garages or street car parks, paying a small charge for the convenience, and leaving them free of charge in a street a few hundred yards further away, where they would be less of a hindrance to traffic.

Britain has had little experience of mechanical parking systems, and that has not been very encouraging. Delays and an occasional breakdown have given mechanical systems a bad name but to a large extent these were teething troubles, and it is perhaps unfortunate that the working party should have come down on the side of ramp garages. The greatest drawback to mechanical parking systems is perhaps the time taken to park and deliver one vehicle, especially during peak hours when speedy operation and quick movement are essential to prevent congestion. But in the United States, where several years' experience has now been acquired, timings are gradually being cut and if sufficient reservoir or overspill space is available, perhaps at an adjacent conventional garage, the peak-hour congestion problem becomes more manageable. In areas of considerable parking need, mechanical systems are able to offer several advantages. They cost more to build, but less to operate, use their space more efficiently than in garages where cars are parked by hand, employ less labour, and cause less damage to cars. More floors can normally be operated under a mechanical system than by ramp—which makes them particularly suitable where land values are high.

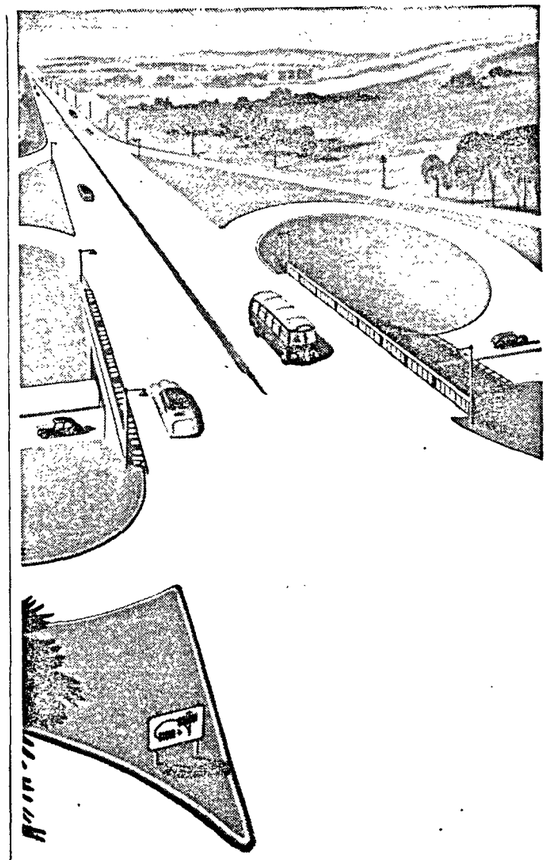
PIGEON HOLE PARKING



PARK-O-MAT



Three of the mechanical parking systems currently used or being planned for use in the United States are illustrated in this article. The three systems are Pigeon Hole Parking, the Park-o-Mat, and the Rotogarage, of which only the last two can be considered fully automatic in the push-button sense. Pigeon Hole Parking consists of two tiers of two car stalls facing each other across a corridor, in which an elevator moves horizontally along rails at the same time as it moves vertically, thus bringing the car in one movement to the selected stall. This system is classed as semi-automatic, as is an operator required to man each



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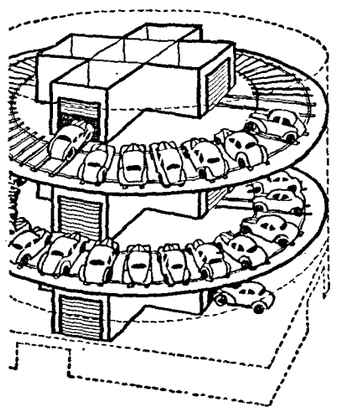
elevator. In the Park-o-Mat system one, or two, elevators feed the entire building. The car is driven on to the runway on the ground floor, an attendant selects the floor and stall to be used, presses a button on the control panel, and the elevator carries the car up to the correct stall and pushes it in. The Rotogarage is the most original of the three here illustrated, and it is still in the planning stages. The elevators are fixed ; it is the floors that revolve and so provide the horizontal movement. With four elevators to one tower each floor moves ordinarily through 90 degrees, but in an emergency the full turn of 360 degrees can be made and all 28 cars on each floor unloaded by the one elevator.

ROTOGARAGE



Although central London garages are at present so few they are hard put to it to fill even the limited room they have available because motorists are able to block the streets free of charge. Whilst this continues private capital will remain unwilling to venture further into the garage business ; local authorities, too, are reluctant to use ratepayers' funds to build garages for fear of the loss they may incur. Last year's working party therefore suggested that the Government should build the new underground garages and then lease them to other bodies. But the case for subsidising these garages, which was also advocated, is far from made out. There are no grounds for believing that they would not be used if street waiting regulations were extended and enforced, and there is no real reason why motorists and hauliers should not be prepared to pay for the space their vehicles occupy. Artificially cheap garage facilities would encourage an increase in demand for parking space, and private developers would feel with some justice that they, too, deserved a subsidy to help cover the cost of incorporating garage space in new buildings. Existing garages, too, might not be able to stay in business without subsidy, as the tariffs suggested still for the new garages were some way below those of the privately-owned garages.

A policy of restricting traffic would probably solve the problem of congestion, but it is neither desirable nor practical. Although heavy lorries might with advantage be banned from the most congested streets at peak traffic hours, a widespread prohibition of vehicles or a severe rationing, by means of a new licensing system, of the vehicles entitled to use the busiest districts would raise its own problems. As the traffic in London at Coronation time showed, the margin between congestion and complete blockage in the largest cities is tiny. Unless steps are taken soon to accommodate more vehicles in the garages and streets of British cities, growing congestion may lead here, as it has done in the United States, to the decay of city centres and the movement of business outwards to the suburbs.

Roads in Africa

Among the road works in Africa undertaken by British engineers is the new all-weather bitumenised highway to link the capitals of Northern and Southern Rhodesia. The 94-mile stretch between Lusaka and Chirundu runs through steep mountains and wooded valleys, then drops 3,000 feet to the Zambesi lowlands. Maintenance camps have been set up along the route to service heavy equipment working under abnormal strain, and four stone quarries with crushing plant supply materials. Here and on other road contracts in Africa, difficulties are overcome by organisation combined with team spirit among British and Africans alike.

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The Rebirth of London

BY far the most striking development in the world of banking and finance in recent months has been the great stride made by the City of London to recapture its former supremacy as an international centre. Necessarily, the tendencies and changes that have most clearly speeded this advance have arisen in the international sectors of Britain's trade and finance ; and this first chapter of the annual banking supplement, unlike the chapter published each autumn, is traditionally devoted to British rather than international banking. Yet this rebound of London unquestionably demands pride of place now—partly for its intrinsic importance, partly because the influences of international finance are now playing strongly again upon the domestic markets, and partly because the spring-board had to rest on the broad foundation laid by economic and monetary policy at home.

London's pretentions to supremacy have been questioned twice within the span of a generation—both by cynics at home and aspirants abroad. After each world war the damage done to sterling, to Britain's status in world commerce and to the technical apparatus of the London market has seemed for a time to be so nearly irreparable as to justify these doubts. But now it can safely be said that each time the predictions of decay or decline have been falsified. And it is interesting to draw the parallel between the patterns of revival after the two wars.

Between 1914 and 1919 London suffered the paralysis that must grip any international mechanism during a period in which commerce and finance become quite subordinate to the primary aim of waging total war. And after the war Britain's position had been gravely weakened ; a large slice of its foreign investments had been sold, sterling had depreciated in both its internal and external value, and the relative growth in the strength of the United States was evident. All these developments had crystallised into a widespread conclusion that London's supremacy was gone and that at best it would have to be shared with other centres, notably with New York.

London's answer was the laborious return of sterling to the gold standard at the 1914 parity. It was an unconscious answer, certainly made without counting or understanding the costs in terms of industrial recession and unemployment. The effort "to look the dollar in the eye" was costly and doomed to failure. But it did unquestionably help to restore London's prestige as a great financial centre, and it did so despite the nemesis of 1931—for the dollar came tumbling down soon afterwards.

The restoration of London also owed much to some purely negative factors, especially the weakness of the competition from the overseas centres. Attempts were made to create a discount market in New York and to foster the art of the acceptance credit among American banks ; but

only a few of these efforts met with any notable success. Paris also strove to emulate both the discount and the acceptance houses of the City; but these institutions; built on the volatile basis of the French franc, were never in the running as competitors in the business for international commercial credits. Amsterdam did, indeed, make great strides in this particular direction, but even in the brief phase when the guilder could claim to be a more stable currency than off-gold sterling Amsterdam handled no more than a small fraction of the business done by London. In the world of encroaching economic nationalism on the eve of the second world war, London could well substantiate its claim to be by far the most important international financial centre.

Its re-emergence after 1945 was somewhat slower than it had been a quarter of a century before. The disparity of financial strength between the United States and the United Kingdom had widened alarmingly—had become, indeed, the yawning dollar gap. The inconvertibility of sterling for non-residents as well as residents, and the whole paraphernalia of exchange control, with its blockings and its segregation of capital from current transactions, all these were new phenomena the like of which had not been experienced either during or after the first world war. Moreover, the postwar aftermath of physical economic controls, the continuance of State trading and the submergence of free commodity markets lasted much longer than after 1918. Above all, the damage done to Britain's creditor position—reflected in the wartime sales of foreign securities, the loss of reserves and the growth of both short and long-term overseas liabilities—was incomparably greater than that sustained during the Kaiser's war.

★

How, then, has London not merely survived as an international financial centre but regained its strength and influence to the point at which it is beginning to claim again to be the greatest centre of all? First and foremost is the fact that the mechanism and the tradition of international banking inherited from the past are still intact. London's close integration of financial institutions of every kind—banks with branches or agencies throughout the world, the acceptance houses, the discount market, the bullion and foreign exchange dealers, insurance brokers, the shipping and commodity markets and the rest—is one unmatched by any other mercantile or financial capital in the world.

It is true, of course, and highly important to remember, that if this inheritance from the past is to live and endure it must always be backed by a capacity to lend overseas that can derive only from an adequate surplus in the United Kingdom's balance of payments. Equally, if the progress is to continue, London must be assured of a stable currency and there must be no hampering restrictions on its use. Underlying changes in the relative economic strength of Britain may to-day set limits to the extent to which these conditions can be fulfilled. But, even after making the fullest reservations on this score, the fact remains that London is given a tremendous momentum by reason of its established mechanism. It would take many decades to build up a system of comparable efficiency elsewhere.

The second reason for the resilience of London is also to some extent an inheritance from the past. An indispensable ingredient in London's strength has been the continued allegiance owed to sterling as the basis of currency

by a large area of the world. This loyalty springs partly from tradition and habit; but it is also a testimony to the adaptability and flexibility of the sterling system. The use of sterling as basic currency and the regard for London as the banking capital of the sterling area have not been impaired, or even diminished, by the fact that the banker is now a net debtor on capital account and that his overseas liabilities payable at sight and short notice greatly exceed his immediately available assets.

Indeed, the change of role and the fact that the sterling area's holdings in London have grown so much may actually provide part of the explanation of this continued hegemony of the sterling area. "When you owe your banker one thousand pounds," Maynard Keynes once said in this very context, "you are at his mercy; but when you owe him a million he is at yours." Sterling has not been a freely convertible currency for the past fourteen years; but it has been more freely converted into the goods and services of international commerce than any other. The oft-repeated assertion that half the foreign trade of the world is transacted in sterling may be difficult to substantiate and appears, at first sight, somewhat exaggerated; but no other currency could even approach to such a claim.

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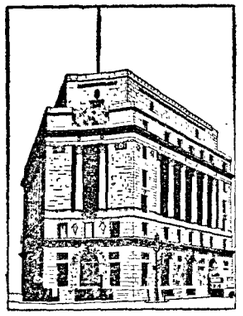
Admittedly, this status might not have survived much longer in the face of a persistence of the bi-annual sterling crises that punctuated the history of the United Kingdom and of the sterling area from 1945 through the odd years to 1951. But that sorry sequence was broken in 1953; and it is from that year that the true re-emergence of London as a great financial centre—a centre reputed for current performance instead of mainly resting upon past achievement—can be said to date. This progress can be detected at many points; but each advance forms part of the broad movement towards greater economic freedom that can best be described as the approach to convertibility.

During this last phase, the major commodity markets have been freed, including those for cereals and cotton in which dollar trade is important and in which, therefore, the task of marrying exchange control to freedom of dealing has been beset with special difficulties. Moreover, many of these freed commodities, including copper and coffee, are not even subject to restrictions on re-export. A genuine foreign exchange market has been reopened in London in which the operators are again dealers for their own account and not mere agents for the Bank of England, and accordingly can exercise their technical skill. The fruits of this freedom and of the arbitrage facilities more recently granted with it have begun to be harvested in the past few months, when London has regained to the full the share in foreign exchange business that it enjoyed before 1939. Further, the use of sterling in transactions between non-sterling countries has been greatly extended and the many varieties of sterling held by non-residents have been reduced to only a few. Last, but certainly not least, a free gold market once again functions in London.

In part as cause and in part effect of these practical steps to convertibility—their technical details are discussed in a subsequent article—world confidence in sterling has steadily grown. As the international use of sterling has extended, so have foreign bankers and merchants found their need for working balances in London rising; and a new and important impetus to this building up of working

ON EXECUTORS & TRUSTEES



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capital in sterling was felt after the reopening of the gold market. But in addition to these demands for sterling for such specific purposes, and partly in consequence of them, demands have been arising simply because sterling has been shown to be once more a desirable currency to hold—instead of being, as so often in the early postwar years, a currency to get out of at the first opportunity. Arbitrage movements of short-term funds, which had been of little significance in the international markets generally during the difficult years for the non-dollar world, have been revived by the new facilities and new confidence in London, and are gravitating towards it. And with them have come some speculative funds—as was plainly shown during the recent phase of rumours that sterling was about to be allowed to break from its moorings and rise above its present upper "gold point" of $2.82.

★

The confidence built up since 1952 has now demonstrably surged far beyond the point of merely making good the psychological damage done by the recurrent crises. Until only a few months ago, there were widespread (and not unreasonable) apprehensions that new stresses would soon appear. But instead of the confirmation of these fears, the world has witnessed one of the most remarkable exhibitions of resilience and strength that sterling has ever provided. The Chancellor of the Exchequer pin-pointed the measure of this achievement succinctly in a recent speech. "Between July, 1953, and April, 1954," he said, "United States industrial production fell by 10 per cent. Between those dates, the sterling area gold and dollar reserves rose 19 per cent. If anyone in the middle of last year had forecast this combination of percentages, he would have been written off as an optimist or an ignoramus—possibly both. Yet here it is."

It is of course true that some of this increase in the gold and dollar reserve is spurious to the extent that the recent rumours caused some anticipatory commercial demand for sterling and other more speculative transfers. Yet this contrast between the strength of sterling and the significant slackening of American business activity remains the most impressive token of the success that has attended the rebuilding of confidence in sterling and the concurrent "collective approach" to convertibility. The anticipatory purchases of sterling are, indeed, in themselves a tribute of the same kind.

But most of the fortification of the reserves that has come from this resurgence of London and of sterling is more dependable. The new functioning of the city's traditional apparatus, and of the international mechanisms of British commerce generally, have brought in overseas capital resources that will be needed here, in greater or less degree, so long as the whole system continues to do its newly-resumed job. Moreover, it is also already providing a bigger flow of foreign exchange from its own current "invisible" exports—quite apart from the even less visible flow of funds that is attracted to a virile international market so long as its currency looks healthy.

This last condition is paramount—both as a promise and as a warning. The technical facilities of the London market cannot by themselves make good any weakness in sterling that may spring from underlying deficiencies in Britain's economy or in that of the overseas sterling area. But the City can give valuable support to those economies, as it is now again being permitted to do, by providing the best possible framework within which sterling may play its fullest role as an international currency.

Flexible Money in the Freer Economy

THE contribution made by domestic monetary policy to the great resurgence of sterling and of the London market may seem, at first glance, to have been of little significance beside the impetus given by the monetary authorities through their activities in the sphere of international finance. In this sphere, as a later article demonstrates, almost every month has witnessed some new and well-publicised initiative. By contrast, the monetary scene at home has seemed to most people—or at least to those beyond the inner circle of the City—to have been relatively quiescent, and policy almost passive. But these appearances are highly deceptive. The unobtrusiveness of domestic policy does not mean that it has played a subordinate role; nor, indeed, is it really possible to separate the two strands of policy. But, if any distinction can be drawn, it is fair to say that domestic monetary policy, so far from being of less importance, has in fact provided the very foundation upon which sterling's international progress has been built.

Of all the influences that combined to break the sequence of Britain's recurrent crises, by far the most important of those deliberately contrived was that started by the change of monetary policy in 1951. This provided the basis not only for Britain's recovery from the acute strains of the crisis but also for the subsequent drive towards economic freedom—in the domestic economy as well as in its international dealings. Sterling's full resurgence is the product of both these processes acting together; the mere avoidance of danger, without the drive for freedom, could never have achieved so spectacular a result. And, whatever argument there may be about the part played by the "new" monetary policy in the first process, there can be no question that in the process of freeing it has played an indispensable role.

The key both to the recovery and to the derationings and decontrolling was the disinflation that spread through the economy in 1952. By prewar standards, it was a very mild disinflation, but the forces of inflation met their first effective check since the war, and that was sufficient to relieve the pressures of excessive demand, to restore buyers' markets in most sectors of the economy and to enable the physical cuts in imports to take place without causing a dangerous depletion of domestic stocks.

The tightening of supplies of credit and the raising of short money rates, though they had violent effects in the financial markets and in certain vulnerable branches of industry, were not pushed to extreme lengths, so that their influence upon the sectors not directly affected was often

not apparent—and has probably been generally under-rated. To many people, the non-monetary sources of disinflation—the loss of business through the cuts in overseas demand and the exhaustion of home consumers after their post-Korean spree—seemed to be much the most important. But it can be argued that even the first of these pressures owed much to Britain's monetary measures—for the dramatic swing to a positive policy after the long years of an atrophied Bank rate went far to convince the overseas sterling area that retrenchment had become desperately urgent. And, on the domestic plane, the change in monetary policy was virtually the only way in which the new Government's immediate measures for meeting the crisis differed from those used by its predecessors. When there is added to

TABLE I
CHANGES IN BANK DEPOSITS AND ASSETS*
(£ million)

Years to May	1948	1949	1950	1951	1952	1953	1954
Net deposits.....	+255	+ 47	− 40	+199	−152	+168	+240
Advances.....	+243	+102	+211	+155	+ 98	−119	+ 21
Investments.....	+ 7	+ 25	+ 1	+ 53	+377	+191	+182
TDR's.....	−102	−211	−672	− 95	−269	...	...
Bills and call money	+ 88	+137	+421	+ 62	−344	+ 90	+ 41
Cash.....	+ 28	− 1	− 5	+ 22	− 13	+ 7	+ 2

* London clearing banks; "net" deposits are gross deposits *minus* items in course of collection.

these considerations the fact that the change in monetary policy unquestionably exerted a widely pervasive "psychological" restraint, it becomes reasonable to rate it high among the causes of the recovery.

It was certainly so rated by the authorities. Before the event, the effectiveness of the long-disused monetary weapon could not be surely foreseen; and its actual achievement surpassed most expectations. Once the immediate dangers had been surely passed, this demonstration of the worth and power of the orthodox monetary techniques furnished much of the inspiration for the second process—the drive for greater economic freedom. Flexible money policy is the classical and natural regulator of the free price-system, and the monetary measures of 1951-52 were the first major move in this direction. Its success became symbolic, as an augury and an encouragement.

It also provided much more tangible support than this. Just as the disinflation had created the economic elbow-room within which it became feasible to ease the physical controls, so the knowledge that an effective monetary control was being restored provided the reassurance against the risks that greater economic freedom would bring. Many of the freeings of these past two years, and especially those in import licensing, in commodity markets and in exchange controls, could not reasonably have been risked unless there was confidence that the money and capital markets could effectively perform their full regulatory functions and would be increasingly responsive to the touch of the central bank.

The important contribution of monetary policy in this second phase has not been displayed in dramatic acts such as those that marked its reawakening in 1951-52. Its task has been twofold—to ensure that monetary tendencies did not in themselves give rise to a new disequilibrium, and to improve the technical apparatus so that its flexibility and effectiveness at least kept pace with the needs created by the freeings in the price mechanism as a whole.

It was to discharge this first responsibility that Bank rate was maintained at its crisis level of 4 per cent so much longer than many people deemed necessary. The monetary authorities were obviously determined not to take any chances; their aim was to consolidate the gains that had been won and to ensure that there remained a safety-margin for the drive for freedom. But although the tautness of domestic monetary policy—in the sense, for example, of the directives to the banks about lending policy—was eased hardly at all, the authorities could not be accused of pressing unduly upon business. The successful disinflation of 1952 had given place to reflation; but this occurred partly spontaneously and partly through the deliberate stimulus of the 1953 budget, and did not need an added stimulus from any overt softening of monetary policy.

This explains the seeming paradox, plainly displayed in the accompanying tables, that the phase of continued tautness of monetary policy was marked by a vigorous expansion of the volume of money. The source of this expansion was at first the borrowings by the Government itself, as its budgetary surplus ran down and Britain's deficit-borrowing abroad gave place to a current external surplus. In this period bank deposits rose despite the sharp contraction of the credit needs of the private sector of the economy. But in the past eighteen months or so, although the Government has still been increasing its borrowing from the banking system, its rate of new borrowings has been much reduced, while the private sector, instead of reducing its indebtedness to the banks, has been absorbing credit rather more rapidly than the Government. Part of this intake of credit by the private sector of course results from the return to it of financing functions that had been performed by the Government; but, apart from this, it is mostly the natural result of the recovery in domestic activity. So long as the credit expansion was not out of line with this revival, and so long as other evidence suggested that the general level of the economy was still below the inflationary danger-point, there was no reason for the monetary authorities to feel that the credit trend was inconsistent with the cautiousness of their

TABLE II
CHANGES IN ASSETS STRUCTURE, 1951–54*

	Nov., 1951†		May, 1953		May, 1954	
	£ mn.	%	£ mn.	%	£ mn.	%
Net deposits.....	**5,973·3**	...	**5,864·9**	...	**6,104·4**	...
Liquid Assets :—						
Cash	517·2	*8·4*	498·3	*8·2*	500·6	*7·9*
Call money	562·3	*9·1*	463·7	*7·6*	463·1	*7·3*
Bills	901·1	*14·6*	1,079·8	*17·8*	1,121·8	*17·7*
Total Liquid Assets	**1,980·6**	**32·1**	**2,041·8**	**33·6**	**2,085·4**	**32·9**
"Inflexible" Assets :—						
Treas. deposit receipts.	107·5	*1·7*	...	...	...	...
Investments	2,032·7	*32·9*	2,123·1	*34·9*	2,304·7	*36·4*
Advances.....	1,925·2	*31·1*	1,772·1	*29·1*	1,793·3	*28·3*
Total "Inflexible" Assets	**4,065·4**	**65·7**	**3,895·2**	**64·0**	**4,098·0**	**64·7**

* Asset ratios are expressed in terms of *gross* deposits.
† First make-up after launching of "new" monetary policy (and accompanying funding operation).

overt policy, as seen in the maintenance of Bank rate and in their attitude towards the banks.

The first sign of a softening was the reduction of Bank rate to 3½ per cent last September; the change naturally set in motion a general easing of market rates and of charges

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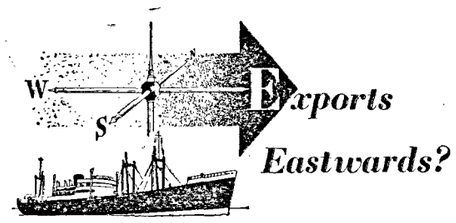

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for many bank loans and overdrafts. But the authorities contended then, and would still contend, that the softening was really only incidental to an attack upon the second part of their task. That Bank rate "adjustment" was the first of a series of moves designed to give more genuine flexibility to the revived monetary apparatus once the difficult transition from inertia had been accomplished and the lines for further advance tested. The shock of the transition had been cushioned by special devices that were quite out of keeping with the principles of a freely functioning money market—and whose adoption had, indeed, led many people to question at first whether the authorities were not rather half-hearted in their protestations about the virtues of flexibility. But their moves last autumn showed that these devices had been designed for temporary use only.

The reduction of Bank rate then, without any reduction in the rate for seven-day loans to the discount market (formerly the "special" rate, introduced in 1951, for loans against the security of Treasury bills only), struck away the advantage that had been given to the Treasury bill. Simultaneously, the Bank withdrew its objection to a lowering of the market's uniform rate for commercial bills, and by these two measures enabled the Treasury rate and commercial rates generally to come into more reasonable alignment. And, a few weeks later, its conversion operation to deal with the November maturity of Serial Funding Stock—one of the stocks by which the banks' holdings of Treasury bills had been funded as a means of curtailing the liquidity ratio—revealed that the objectionable technique of compulsory funding had been entirely dropped.

These measures not only produced a more natural relationship of rates in the market but enabled the authorities themselves to operate more flexibly upon it. The technique of using variations in the day-to-day supply of funds as the means of deliberately influencing market discount rates has been developed much more noticeably in recent months, and on several occasions has been valuably employed to give a clear lead at moments when other influences—notably those emanating from New York—threatened to cause a change of trend.

The new flexibility has, of course, been seen most strikingly in action on the occasion of the reduction of Bank rate, to 3 per cent, last month—the first entirely normal change in the rate for many years. This is indeed the point at which the intimate connection between the availability of efficient monetary weapons and the drive for freedom can be most easily seen. The new freedom, and the confidence it has inspired, has been the immediate cause of the massive flow of overseas funds towards London in recent months. But an undue intake of highly volatile money might raise the risks of freedom embarrassingly; the classical instrument has therefore been used to discourage that particular type of influx. Sterling's strength has in the traditional manner provided the signal for an easing of rates at home. And the traditional weapon will surely be used again when the opposite pressures recur.

Steps in Convertibility

UNDER British exchange regulations at present, the only foreign holders of current sterling that can automatically convert their balances into dollars are residents of the dollar area, and holders of certain other special types of sterling accounts. But in the past year the drive towards effective convertibility for all foreign holders of sterling has gone so far that it is only a slight exaggeration to say that a granting of full sterling convertibility to non-residents would represent little more than an official recognition of a practical *fait accompli*. The progress made in widening the scope for using sterling has in this important phase followed the dual lines of the so-called "collective approach" to convertibility—its aim has been freer trade as well as freer payments.

Along the first line a major achievement has been the liberalisation of imports into the United Kingdom from other West European countries. In spite of the fact that Britain has remained in substantial debt to the European Payments Union, the percentage of private-trade imports that are permitted without restrictive licence (expressed as a proportion of total imports in 1948) has been raised during the past year from 58 to 80 per cent. The extent of relaxation has, moreover, been greater than these figures suggest, because the proportion of total imports into Britain handled by private traders has substantially increased—so that the percentages apply to a larger segment of total imports.

The removal of quantitative restrictions on imports has not, however, been restricted to goods originating in countries of the Organisation for European Economic Co-operation. There has also been a substantial, though less publicised, easing of restrictions on imports from the dollar world. For certain goods, such as newsprint, larger allocations of dollars have been made available; but by far the most important easing of restrictions on dollar imports has come from the freeing of commodity markets and the associated granting of "open general" (that is quite unrestrictive) licences for many of those commodities—provided that any resultant dollar imports are made only for consumption in the United Kingdom. About 50 per cent of the imports now coming into Britain from dollar sources are wholly free of import restrictions.

The list of commodities freed from Government import and restored to private trading during the past twelve months is long and impressive. In foodstuffs it includes wheat, other cereals and feeding stuffs (May, 1953), rice (July), dried fruits (December), and oil and oilseeds (January and February, 1954). Among other commodities freed in the past year are copper (August, 1953), and hemp, sulphur, magnesium and tungsten in the first four months of 1954.

The associated reopening of many commodity markets of international importance has embraced, moreover, markets of special significance from the standpoint of convertibility, namely, those for copper, cereals and cotton. Copper is one of the few dollar commodities that may now be freely re-exported to any destination—and hence provides a medium through which foreigners can in effect freely convert their sterling into dollars. In the case of cereals, exchange control arrangements have been made that allow imports irrespective of the country of origin

and of the currency in which payment has to be made, but only on condition that they are intended for home consumption. Cotton is at present importable freely only from non-dollar sources, but in September dollar cotton also will be freely negotiable on the Liverpool futures market. Where these commodities are intended for re-export to a sterling area country, the necessary permission of the exchange control in the country in question must be secured if dollars have been paid by the United Kingdom importer. If re-export is made to a non-sterling country the general rule to be followed is "dollar for dollar."

Considerable restrictions do thus remain on convertibility of sterling into commodities having an international market, though it is interesting to note that those restrictions are less rigorous for residents than they are for non-residents. The freedom with which dollar goods can be imported into Britain for domestic consumption may, however, be ranked as one of the major aspects of the advance towards convertibility made over the past year; whilst the more limited freeing of commodity markets to international traders has made a far-reaching step towards convertibility for the foreigner.

*

It is, however, along the line of freer payments that the most direct evidence of progress towards convertibility will be found. One of the first actions of the Conservative Government after it took office in October, 1951, was to resurrect the London foreign exchange market. Official quotations for forward exchange were discontinued and authorised banks were permitted to deal forward at rates dictated by supply and demand in the market. More important was the freedom given to authorised banks to transact foreign exchange operations as principals and no longer merely as agents for the authorities. These moves were, however, merely the curtain raiser. The genuine performance began in May 1953, when the resumption of arbitrage transactions between the principal European exchange markets in the more important EPU currencies was permitted. At first, the arbitrage operations were limited to spot dealings, but in October they were extended to forward transactions for periods of up to three months.

This restoration of arbitrage facilities marked a considerable step forward in the freeing of foreign exchange dealings. The new scope for multilateral arbitrage operations in a free foreign exchange market quickly ensured that the cross-rates of exchange came into line with bilateral rates. Experience showed that the dealing skill of London bankers and specialist houses had not been wholly lost; before long, London was again attracting a very substantial part of Europe's foreign exchange business. It was then found that arbitrage dealings through sterling, in the main transacted in London, took up most of the clearing function previously borne by the monthly settlements through EPU.

Two further considerable moves towards convertibility were made last March, when the London gold market was reopened and steps were taken to unify, with a few temporary exceptions, all non-resident sterling other than that on American, Canadian and blocked accounts. The transferable account area was extended to include all non-dollar countries outside the sterling area—except, for the time being, Persia, Turkey and Hungary. The effect was to allow balances in transferable accounts to be transferred freely and without formality for any purpose, capital or current, over virtually the whole non-dollar world. A major simplification has thus been secured in the variegated structure of non-resident sterling. Apart from blocked or capital sterling, non-resident sterling now therefore conforms to two main groups: American account sterling, which is automatically convertible into dollars, and transferable account sterling. In a technical sense, it will need merely the touch of a switch, allowing equally free transfers of sterling between these two groups of accounts, to achieve effective convertibility of all non-resident sterling.

The reopening of the London gold market was necessarily subject to restrictions on its freedom. Complete freeing of the gold market for non-residents would clearly have conferred convertibility of sterling into gold and dollars. Under the present arrangements, therefore, dealings in the gold market are conducted in sterling, and anyone may sell gold in the market, but purchases are allowed only against payment in American or Canadian account sterling or against sterling acquired previously against sales of dollars or gold, and called "registered sterling."

Almost from the moment of its reopening, the London gold market re-acquired its previous position as the premier centre of the world for dealing in this metal. It is a genuine two-way market in which the bulk of the Commonwealth production of gold is now sold and where a large part of the world's demand for free gold is attracted by the exceptionally close rates that dealers quote. Some fears were expressed at the outset that sterling might be damaged by permitting quotations for gold that might depart from the official sterling parity. But the price quoted for gold in London has steadfastly remained below the mint parity of 250s. per fine ounce, so that in fact no such damage has been done. Indeed, by greatly extending the scope of London's facilities as an international financial centre the gold market has made an important contribution to the strength of sterling and so, indirectly, to the goal of convertibility.

*

Yet another straw to show how the wind blows towards convertibility is the more liberal policy that has been pursued by the Treasury and the Bank of England in providing dollars for new investments in Canada. There is accordingly a considerable measure of convertibility of resident sterling into Canadian dollars even for capital investment.

Other significant milestones on the road to convertibility have been passed during the year as the rising confidence carried the various rates for sterling up towards the official parity. The official rate itself has for several months been bumping up against the ceiling of the upper gold point of $2.82, and it would unquestioningly have risen beyond that figure had it not been for official intervention. The rate for transferable sterling has strengthened to nearly $2.79 and that for security sterling is only a fraction below it. These unofficial rates, it should be noted, are within the present official range of permissible fluctuation of the London sterling rate.

This remarkable strength in the unofficial rates for sterling has been achieved without apparent intervention by the authorities. It is for this reason that it can be argued that for most practical purposes convertibility is an accomplished fact, since non-resident holders of sterling can now secure convertibility of their balances at virtually the official rate. This puts a reassuring gloss on the estimates of the strain that may have to be taken by sterling if and when that accomplished fact is formally acknowledged.

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The statue at Port Said of Ferdinand de Lesseps, diplomat and engineer, who was responsible for the cutting of the Suez Canal.

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Canada Plans a Money Market

THIS current year, the year of the decennial revision of the Canadian Bank Act, under which the eleven chartered banks operate, is proving to be an unusually eventful one. Some of the significant changes in banking practice now taking shape stem from actual changes in the law—including amendment of the Bank of Canada Act, under which the central bank operates—but one of the most interesting will come from the voluntary action of the banks themselves. The chartered banks are now actively discussing an arrangement that would give Canada its first beginnings of a short-term money market. The Bank of Canada, which has long favoured such a development, has acted as an unofficial godfather behind the scenes, and it is expected that the first definite steps will be taken within a week or two.

Under the present system the absence of a genuine call loan market has led the Bank of Canada into a role that cannot be regarded as suitable for the regular operations of a central bank. The cash position of each chartered bank has to be regulated by strictly bilateral transactions with that institution. If one bank finds itself temporarily short of cash it goes immediately to the Bank of Canada to sell bonds, while a bank that is "over" in cash will in due course correct its position by buying bonds from the Bank of Canada. It has long been felt in official quarters that it would make for a healthier and more flexible banking system if these corrections could be made by inter-bank dealings. Inevitably, banks that are short of cash are in more of a hurry to replenish their reserves from the Bank of Canada than the banks that are long on cash are to get rid of it, so that the volume of central bank credit constantly tends to be larger than is strictly necessary, thus weakening the central bank's power of control.

*

Last year, moreover, the Bank of Canada found itself obliged to inaugurate a scheme of its own for financing the inventories of bond jobbers. Having, early in 1953, rearranged the issue of Treasury bills so as to provide regularly weekly issues and maturities, the bank wished to encourage dealing in these and other short-term maturities by encouraging jobbers to "run a book" in them. To provide adequate finance at sufficiently low rates, the Bank offered a purchase-and-resale agreement. Reporting on this in the Bank's annual report for 1953, the Governor, Mr Graham Towers, said:

> "These arrangements offer jobbers an alternative method of financing inventories of such securities so that they are at all times able to meet the requirements of their customers, including other bond dealers who only occasionally have transactions in short-term securities. A further effect of this arrangement is the relieving of the market from excessive pressure in the event of a temporary shortage of cash on the part of the chartered banks. Development of a broader market in Treasury bills and short bonds is of value to chartered banks wishing to adjust their cash positions either by increasing or reducing their portfolios."

When the new scheme begins to operate, cheaper call loans from the chartered banks may displace the purchase-and-resale agreements as the main source of finance for bond jobbers, but it is probable that the Bank of Canada will maintain its facilities as a sort of backstop.

If the new call loan market develops as expected, it will fit in with the new statutory requirement governing the banks' cash ratios. The Bank of Canada is now given power to regulate the minimum monthly cash ratio of each bank at limits set between 8 and 12 per cent. The cash ratio will not be a fixed daily minimum, but will be calculated on the average reserve held over a period of a month, in order to provide a reasonable flexiblity. A fixed daily minimum, it is argued, would prevent the reserve from ever being used. When the new procedure takes effect, the required minimum ratio will be 8 per cent, and the Bank of Canada will be able to raise it at any time provided it gives a month's notice; but no increase may exceed 1 per cent in any one month. The new power is regarded in Canada as furnishing a potent weapon to the central bank against the return of inflationary pressure; but it is not expected to be used in more normal conditions.

*

Another major change, which had a mixed reception from the commercial banks, was legislation authorising them to invest and deal in insured mortgages on residential property. The major source of mortgage money for a very considerable housing programme in recent years has been the insurance companies, but last year they showed signs of approaching their saturation point for mortgage investment. The federal government's housing authorities were therefore confronted with the alternatives of increasing the government's participation by direct loans, which they were reluctant to do, or of finding other private sources of funds. A scheme was therefore devised whereby a Crown Corporation, called Central Mortgage and Housing, would insure approved mortgages on new house building, subject to inspections by its own staff. The banks have been authorised to invest in these insured mortgages, and they are being encouraged to deal in them, though it is provided that if a bank sells mortgages to a private investor, it must continue to manage them for a small fee.

As some time-lag was expected before the banks could meet the whole demand for mortgage money, the Central Mortgage and Housing Corporation was provided with funds and authority to provide direct government loans for house-building if this appeared necessary. After two months' experience, it now seems much less likely than it did that the Government will have to lend on any substantial scale. In spite of the rather grudging reaction of some banks, the way has been opened by others. The Bank of Montreal jumped in immediately after the law came into effect, and made the first loans, both to commercial builders and to private owners, at both ends of Canada. Immediately afterwards the Royal Bank followed with newspaper advertisements inviting people to discuss their mortgage needs with their bank managers. The scheme appears to be off to a good start.

During the House of Commons' discussion of the amendments to the Bank Act, the question of personal loans was

raised by one of the banks. Mr N. J. McKinnon, general manager of the Canadian Bank of Commerce, suggested to the Commons Banking and Currency Committee that the permitted interest rate on small personal loans should be 1 per cent per month, and that the banks should be allowed to take chattel mortgages as security. Under the old act no loan payable in Canada may carry interest or a rate of discount higher than 6 per cent, and chattels may not be accepted as security for ordinary personal loans. The Bank of Commerce has already devised a scheme whereby it makes personal loans at a 6 per cent discount and payable in instalments, giving it an effective interest rate of nearly 10½ per cent, and Mr McKinnon explained that he thought the bank could provide a greater service to borrowers if it could get a slightly higher return. Mr T. H. Atkinson, general manager of the Royal Bank and this year's president of the Bankers' Association, opposed this proposal, and the Commons Committee was obviously not sympathetic to it; but the Government did say, rather unenthusiastically, that it would not oppose an amendment to make chattel mortgages available as bank security for personal loans. The Committee is reporting to the full House accordingly; and chattel mortgages will presumably be permitted in the amended Bank Act.

Another recent development of practice as distinct from law, the launching of a new type of personal savings plan, has aroused some interest and argument. The Bank of Nova Scotia has started a "Personal Security Plan" that combines an insurance feature with a regular monthly savings deposit. The small saver, between ages 6 and 46, undertakes to reach a stated "savings goal," between $100 and $1,000, in 50 monthly instalments. So long as his deposits continue regularly, he is insured from the time of his first deposit for the full amount of his savings goal. The success or failure of the plan will be followed with some interest, because many bankers believe the bookkeeping will be too great for the results achieved.

Other changes in the Bank of Canada Act are worth noticing. The most important of these, on the longer view, may be a removal of the restrictions that formerly forbade the central bank to hold securities of over two years' maturity to the extent of more than 50 per cent of its liabilities. This relaxation does not foreshadow any early change in the Bank of Canada's holdings, but it does clear the way for Central Bank operations in the long-term market if such intervention should ever seem desirable in the future. It would ensure that the Government would not again have to resort to the use of its own securities investment account if it wished to influence the long-term market, as it did for a while in the years immediately after the war. A more immediate advantage for the Bank of Canada is the increased scope afforded to it for smoothing the launching of new issues—such, for example, as the $300 million of 3¼ per cent 1976 stock and the $550 million of 2¼ per cent 1956 stock issues that were sucessfully issued in May.

New requirements have also been laid down for the holding of foreign currencies by the Bank of Canada. Its new powers are restricted to holding any amount of obligations of the United States Government in any form and obligations of the United Kingdom Government in maturities of up to six months. Formerly, the Bank was authorised to hold maturities up to six months of any British Dominion or of France. Now the restriction to the short-term securities of the United Kingdom alone—and, in effect, virtually to UK Treasury bills—will merely leave scope for employment of the limited amount of sterling that the Bank holds as working balances.

Australia's Economic Recovery

BY A SPECIAL CORRESPONDENT

"AUSTRALIA'S finances have never been more solid, her prosperity never more noticeable, and her Treasury never more solvent." This broadside marked the opening of Mr R. G. Menzies's successful campaign in last month's general election. Its hyperbole did not, however, go beyond the bounds of electoral licence; for Australia has indeed made a striking recovery from the near-crisis of 1952.

The drastic cuts in imports, aided by the maintenance of high prices for exports, converted the external payments deficit of £A580 million incurred in the twelve months to mid-1952, into a surplus of £A171 million in 1952-53. In the eight months to end-February last there was a visible surplus of roughly £A136 million. Net payments for invisibles absorb nearly £A200 million a year, but when receipts from non-monetary gold and net capital movements are taken into account, it would appear that, even after the almost complete lifting of the import ban, Australia should this year show a comfortable surplus on its balance of payments as a whole.

This external recovery has been buttressed by a check to the dangerous wage-price spiral. On September 12, 1953, the Arbitration Court suspended the automatic quarterly adjustment of basic wages to movements in the cost of living index, and in the ensuing six months this index (for the six capital cities) was virtually stabilised. This process has, of course, been assisted by the tendency of the average cost of imported goods to fall, but there has also been a decline in the average cost of goods of internal origin. The shortages, notably of fuel and power, that were a constant danger to the economy until two or three years ago have almost completely disappeared.

An interesting aspect of this recovery is the comparatively painless manner in which it has been achieved; it might have been expected that the extremely drastic cut in imports would have caused major dislocation. The maintenance of reasonably high and stable export prices obviously eased the transition, especially by sustaining confidence—even though it maintained domestic demand at a time when the supply of consumption goods was falling. But there can be no doubt that the comparative smoothness of the adjustment owed much to the banking system, and especially to the Commonwealth Bank—which inspired a flexible banking policy, and ensured that the deflationary shock (particularly to the import trades) did not go beyond bounds. But although the pressure was not allowed to lead

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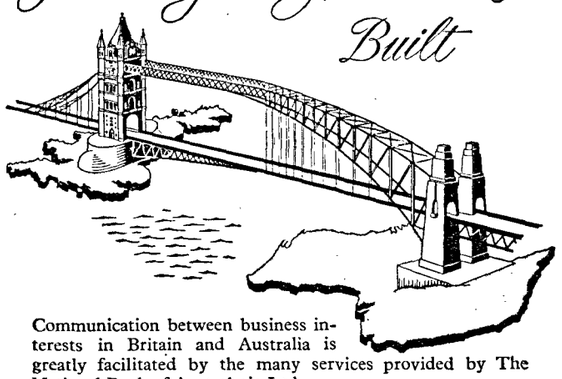

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to great hardship or many dramatic failures, it was sufficiently acute to carry a sharp lesson both to management and to labour. The resulting shake-out was salutary; labour conditions have certainly improved since then, and, so far as can be judged, there has also been a real drive for increased efficiency from the side of the employers. In the last six months, moreover, the process of rehabilitation has led on to a marked upswing in business in practically all fields; economic activity has reached a new high level.

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These are the high-lights in Australia's economic picture. There are, however, some dark shadows. Despite its shake-out, the economy still has a dangerously high cost structure and is beset by rigidities that make the costs problem particularly intractable. The curve of wage rates, which was relatively gentle during the war and early post-war years, steepened violently after Korea, and its flattening in the past twelve months may soon give place to a new advance.

The basic wage (Sydney) rose between 1939 and November, 1946, only from 81s. to 101s.; four years later it was 146s. But in December 1950 a special review conceded an increase of 19s., and in the following two-and-a-half years the quarterly reviews carried it, by May 1953, to 243s., at which level it has since remained. Statistics for New South Wales show that basic average real wages rose by 14 per cent between 1939 and 1952, while the average hours worked declined from 44 to 40 a week.

There is much evidence to show that these trends have established Australia as a high-cost economy. A striking illustration comes from ICI; they may be presumed to be reasonably efficient in keeping down such costs as are within their control, yet the caustic soda produced at their plant at Osborn in South Australia costs approximately twice as much as the ex-duty landed cost of soda from the United Kingdom. Admittedly, production in the United Kingdom has advantages over that in recently erected plants in Australia; but this discrepancy is too great to be healthy.

Every chairman's speech refers to the need for cutting costs, but there is no real prospect of any substantial progress in the immediate future. The strength of the unions in industry and of the Labour party in politics on the one hand, and the political influence of secondary industry on the other; the easy habit of recourse to tariff protection, and the unwillingness of either political party to face the temporary unemployment that would accompany readjustments resulting from even a moderately free play of economic forces—all these factors rule out any radical approach, except under the pressure of imminent disaster.

Moreover, it seems likely that the wage-price spiral will start turning again towards the end of this year. There is a pending demand from the Metal Trades Union for a 28s. a week increase in margins for skill. The Arbitration Court decided last February to defer consideration of this claim until later in the year in view of its likely adverse effect upon the economy as a whole. But the steady rise in the basic wage has indefensibly narrowed the margins for skill. Pressure to expand the concertina at the higher end will eventually become irresistible; the unions will not get everything they ask for, but they will get something.

Similarly, the virtual ban on imports at the beginning of 1952 provided a shield behind which a substantial expansion of secondary industries occurred, some of it uneconomic. The lowering of the ban has consequently led to a flood of applications to the Tariff Board for increased protection. That board, like the Arbitration Court, is acutely aware of the damage that can be done to the economy by any action that tends to increase costs, and it will undoubtedly approach these applications with a critical eye. But, here too, whilst the applicants will not get all they ask for, they will get something—and to that extent the increase in costs implicit in the expansion of industry behind protective barriers will begin to show itself. Courtaulds, for example, has announced that it operated at a loss in Australia during the six months to end-1953, and has consequently applied for increased tariff protection. Similarly, British Celanese (Overseas) has stated that its decision to go ahead with the setting up of a rayon factory on its Geelong site will now depend upon the outcome of the Tariff Board's enquiry into the degree of protection that should be given. A few weeks ago new duties were announced on various types of electronic equipment, titanium oxide, and titanium white; and a host of applications are now before the board.

It should be noted, too, that another inflationary force has come from the budget of 1953-54, which gave "incentive" cuts in taxation totalling £A118 million. The Government, when framing this budget, recognised that much would depend upon the extent to which the released purchasing power went into investment or into consumption; but the financial authorities are now convinced that substantially too great a proportion has been going into consumption.

These inflationary threats naturally do not mean that the current high level of domestic activity will soon subside. Many specific cost comparisons do indeed show the Australian pound to be grossly over-valued; but so long as the present high level of export income is maintained, the economy is effectively insulated against the normal consequences of inflation. If there were a sharp contraction of export income, however, the consequences to the Australian economy would be very rapid and very painful. The fall in internal incomes would, if left to itself, bring about an immediate slump. And if measures were taken to cushion the deflationary impact—the political pressure for such measures would certainly be very strong—a further devaluation of the Australian pound would be hard to avoid.

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The prospect therefore depends absolutely upon the level of export income, and for the next few years at least this still mainly means the income from wool. Perhaps more clearly than ever before, Australia is riding today on the sheep's back. Of a total export income of some £A800-850 million a year, wool now contributes roughly £A430-450 million. In 1946-47, when wool prices were just beginning to rise, the Australian wool cheque was £A126 million; in 1948-49, not a bad year seasonally, it was £A231 million, little more than half the present level.

There is, however, no reason to take a gloomy view; the statistical position of wool is reasonably sound, and the situation that threatens in the Far East could easily work as a stimulus to commodity prices. It is true that Australia has had virtually eight good seasons in succession, and as the record for such a run is eleven years it would be prudent to expect some drought years in the immediate future; but unless the drought was prolonged and on the disastrous

scale of 1945, it would not be likely to cause major trouble for the economy as a whole.

On a somewhat longer view, an intriguing prospect opens up. Australia's natural resources, it seems, are likely to prove to be of considerably greater importance than was formerly supposed. When every allowance has been made for the exaggerations that greeted the discovery of oil at Exmouth Gulf, it does appear that a substantial field will be brought in, and that favourable conditions exist for the discovery of oil in other areas—with particular promise in Papua and New Guinea. Meanwhile, the outlook for uranium production steadily improves. In addition to the well-publicised operations at Rum Jungle, there have been promising finds at Radium Hill, Myponga, Lake Dundas, Mount Isa, and Adelaide River near Darwin.

Aside from the possibilities of other mineral development, recent research has established beyond doubt that the productivity of land in Australia can be very greatly increased, and some major projects are now afoot to bring into production areas that have hitherto been quite useless. Other land, particularly in pastoral areas, can, by the appropriate measures, have its sheep-carry more than doubled. Experiments in the seeding of clouds that are still in progress suggest that a degree of rain control may be possible that would be of incalculable benefit.

During the next five years, too, Australia will begin to reap the benefits of her major programmes of investment. Power and irrigation projects—notably the vast Snowy River scheme, involving eventual expenditure totalling £A422 million—should be beginning to show a dividend. Programmes of expansion in some of the major industries, particularly steel, chemicals and cement, will be completed, and the extensive re-equipment of certain secondary industries should show its results. The remarkably rapid increase in population, which has hitherto been mainly a source of difficulties, should by then be bringing in its advantages.

Altogether, the long-term prospects for Australia are favourable; though they may not compare with those of Canada, they may come a good deal nearer to the Canadian expansion than has hitherto been expected. Whether these possibilities can be realised comparatively easily and comfortably by a steady expansion will largely depend on the course of the traditional sources of export income in the important development phase that lies immediately ahead.

Extending Bank Mechanisation

IN a number of recent controversies, notably that surrounding the tricky question of bank charges, the banks have faced criticism for not seizing eagerly every available mechanical or technical device that might offer a reduction in the costs of their routine operations. They have indeed been slow to contemplate the revolutionary possibilities of "robot" banking conjured up in some minds by recent developments in electronics that are now being employed to meet other needs in other types of business. But the banks have some excuse for hesitancy on this particular issue, for the problems of organisation that would be involved in any radical change—and only such a change could economically capitalise the real potentialities of electronic equipment—would be immense. And it would be a grotesque mistake to suppose that the banks' attitude towards electronic projects of this major kind is indicative of their attitude towards mechanical aids in general. The banks were among the pioneers in the mechanisation of commerce.

Nearly all branch banks are now mechanised in greater or less degree. Within the past few weeks, indeed, the Midland Bank has become able to claim that all its branches are equipped with some form of accounting machine. Although not all banks have reached this stage, in all of them the process of mechanised account posting that began in the 'thirties has since been creeping outwards to cover almost the whole of the banking network of the country. The pattern of organisation laid down by these machines will not change again until some radically new system of book-keeping is developed. Short of the introduction of revolutionary new systems, there is little that the banks can do in the way of basic innovations. In consequence, their research departments have concentrated during the past three or four years on extending mechanisation to some of the smaller drudgeries of banking.

Within the banks, the man who has gained most from the innovations is the cashier. Two specialised pieces of equipment have come into routine use, a note-counting machine and note-weighing scales. These have relieved the cashier, wholly or partially, of the hypnotic tedium of counting notes by hand. The counting machine can handle notes at the rate of 20,000 an hour, excluding stoppages for torn currency; this compares with roughly 5,000 notes an hour that a trained clerk can count by hand. The scales are designed to weigh notes, normally in bundles of £100; and they are accurate enough to register the weight of a postage stamp.

Opinions differ among the banks about the relative merits and reliability of these two machines. But on one point there is universal agreement: mechanisation of note-counting is economic only when a branch handles quite an appreciable volume of notes a day. A daily intake of about £40,000 in notes is probably the economic minimum—and this is a comparatively high average. When a branch transacts this amount of business, the choice between the two machines is determined largely by the nature of its business. The scales, which are worked on the counter by the cashier, are useful in districts where—but only where—large numbers of £100 bundles are likely to be paid in. For there is less chance of congestion building up round the counter if the cashier can weigh the bundles as they are handed in instead of thumbing through them while the customer waits. The weighing is done, moreover, in the presence of the customer, so that any discrepancy can be immediately queried. This is quite clearly a faster method of working than by using a counting machine, which must handle each note separately; but the scales save work only if the bank normally receives large quantities of notes in convenient £100 packages. The scales are indeed considerably cheaper than the note counter—at less than £50 compared with £750—but the risks of using them may be greater. Opinions differ, however, about the significance of these risks in practice.

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each bundle of notes received over the counter should be counted once each by two different cashiers. But some of the Big Five do now rely on the reading of either the scales or the counting machine—provided that the customers are known, and that an occasional hand check shows nothing amiss. The banks that adopt this attitude do so because they question the ability of any cashier to detect a forgery once the mesmeric influence of note counting by hand has taken effect; and they believe that the technical difficulties of preparing paper to the exact weight of a £1 note are sufficient to prevent cheating on the scales. Other members of the Big Five are prepared only to halve the hand counting, and not to dispense with it entirely; they use their machines merely as a substitute for the second of the two cashiers who normally count by hand. Needless to say, none of the banks publicises its method of working.

There is no doubt that the introduction of one or other of these two machines has saved the bank counters from becoming swamped under the flood of extra currency that has been flowing across them since the war. The number of bank accounts has risen by 30 per cent since 1939, and the note circulation more than threefold. Without some mechanical devices of this kind it is difficult to see how the extra work could have been handled; it would certainly not have been possible to get enough cashiers behind the existing counters. Silver sorting machines that swirl the coins into slots have had less dramatic effects, but solely because there is only a limited demand for sorted silver.

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At head offices, mechanisation has taken more advanced forms. In particular, the banks are making increasing use of photography. Cheques are no longer listed separately in the central clearings but are fed automatically into recording machines and photographed on to 16 mm film. The immense number of cheques handled daily in the clearing department of a head office of any of the big banks—it ranges from 250,000 to 750,000—must be visualised in order to appreciate the amount of handling and machine work that has been saved. The banks are also increasingly using photography for the recording or storage of documents other than cheques.

The growing use of photographic film and the consequent acceptance of a photographed copy as the equivalent of the original for most business purposes is indeed providing a new basis for the projects for centralised grouping of branches—even though the actual experiments in centralisation that have taken place have been written off one after the other as impractical. The latest such experiment, technically more advanced than any previously attempted, linked the branches by teleprinter with a central bookkeeping office. From a purely mechanical standpoint, the experiment succeeded, but it was discontinued because the bookkeeping centre could not meet the time-table that the branch managers considered necessary for efficient banking—a time-table that was influenced by the leisurely practice of the Post Office.

Centralisation of bookkeeping is, however, certain to remain a live issue, for in busy and expanding districts the branch banks are often intolerably cramped in premises bought before the war and incapable of extension. If enough cashiers are to be brought in to ensure good service, something must go to give them room, and the obvious candidates for displacement are the accounting sectors and their machines. Already one or two banks have had to move their records away from their main offices. Glyn Mills' experimental television link is well known, but another branch bank, separated from its head office by a shorter distance, is linked by tele-photography with the office where its records are kept. It is hoped that in the next few weeks the apparatus should be able to reproduce material the size of a customer's statement within two minutes. It operates along an ordinary telephone line, and, unlike television, gives a copy of the document than can be torn off.

A third main element in the banks' use of machines is the setting of ordinary office equipment to new uses. Addressing machines are being adapted to do the routine of standing orders for regular payments for customers. Punch cards are coming into more general use in the departments handling foreign business, and also for the banks' own general administration. Less conventional devices, such as tele-tape that will send a hand-written message from one end of a long room to another, are also being used experimentally.

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Each bank's research for new methods involves the introduction, trial and abandonment of a surprising number of machines. Only a handful of the original products of research ever turn out to be winners. The banks' most conspicuous failure has been to find a way to mechanise the sorting of cheques at the head office clearing. This is the more disappointing as every cheque already carries in the form of its branch code the kind of markings that could be read and interpreted by most of the photo-electric reading devices used in industry. The technical difficulty seems to have lain in the varied size, the crumpled condition and the generally flimsy nature of the cheque itself; it was not easy to visualise a machine that could adapt itself to all these features. But note-counting machines have pointed the way, and now a number of prototype cheque-sorting machines are at last being developed.

Faster progress might have been made not only in this but in many other of the banks' mechanisation problems had they been prepared to put up funds for prototype development. Individually, the banks spend considerable sums on research every year; but their research programmes consist of buying in new machines and testing them out experimentally, and as the majority prove failures it seems reasonable to conclude that the money spent on them might have yielded better dividends had it been employed in contributing to the cost of developing apparatus to do a specific job stipulated by the banks rather than in the purchase of a machine designed for a wider market. An important matter of banking policy that may soon be decided is whether the banks are to sponsor a joint banking research institution with its own small laboratory, or whether they separately place development contracts with individual manufacturers.

The joint committees that have considered mechanisation—and from time to time electronics—have not indeed been fruitful, for the banks appear to remain convinced that the way to maintain their individual identity is to go their separate ways. Provided, however, that the banks accept the need to permit their research departments to take a financially active rather than a passive part in initiating development, there is no need for this commendable desire for individuality to stand in the way of new developments.

Research for Industry

Who are the Innovators?

EVERY theory of the course of events in nature, it has been said, is to some extent a fairy tale; and certainly the conventional tale of technical innovation in that perfectly free and competitive society that economists' dreams are still made on has something of the unwinding other-worldly logic of The House That Jack Built. "This is the inventor who has the idea and takes out the patent and finds the backer who founds the enterprise that markets the invention that earns the profit that pays the dividend that enables the shareholder to back the next invention that the patent system gives an inventor the incentive to devise. . . ." The virtuously spiralling generalisation was never, perhaps, universally true. Today it is by no means universally false. But how far, as a theory of technical innovation in the modern industrial economy, has the classical bargain of the free inventor and the competitive entrepreneur faded into fairy tale?

Some economists would answer that it no longer fits the facts at all. Research has institutionalised invention; today's entrepreneur, or the salaried managerial revolutionary who has filched his chair, has his own forcing-house of new techniques, the laboratory; and it is only big companies that can afford effective research. The new ideas, such economists assert, now grow in the deep furrows where big companies have been ploughing back into research profits withheld from their shareholders. "Most of the cheap and simple inventions have, to put it bluntly, been made." Has the lone inventor of today the equipment to develop new techniques, or the solitary risk-taker the information or resources to back complex research and development? Most innovations can be easily and quickly imitated today, this argument adds, and a freely competitive market might well pass on their rewards to the public before the innovator could get his money back. In industries dominated by a few large firms, however, price leadership may ensure that the costs of development can be recouped before the benefit of innovation is passed on. Is it only in these industries that the high cost of continuous innovation through research can be met?

A glance at the financing of research in recent years, in Britain or the United States, might suggest a reality even further removed from the tradition of the aspiring inventor and the businessman who backs his hunch. Whoever operates the laboratories where technical innovations are nurtured nowadays, it can be argued that the Government often takes most of the risk. In global terms, this is true; the biggest single contribution to expenditure on research and development, in both countries, at present comes from the government—money ploughed into rather specialised technical innovation ordered from Whitehall or Washington. This state support for research and development is largely for defence, and is hence concentrated into a smallish though growing group of industries. Its present level—some 55 per cent of all research spending in America, and possibly an even higher percentage here—may be abnormal. But it was at a high level even before rearmament began.

The significance of these developments may be debated. But both are real changes, and represent major shifts of responsibility for innovation from the individual's imagination and judgment to an administrative plane. The decisions are taken out of the hands of the private capitalist; his contribution to technical progress may be mulcted, before it ever reaches him, by the board or the Chancellor.

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Some of the direct responsibility for new technical ideas has certainly passed, during this century, from the individual inventor to the team of research workers. Most of the inventions upon which the nineteenth-century industrial economy was built up were the work of ingenious engineers who had experience in the workshop and a consuming interest in scientific knowledge, but seldom academic training in science. Nations and industries, admittedly, differed. In the United States the inventor had perhaps even less contact with scientists than his British counterpart, while in Germany the links between industry and the universities were closer. The chemical industry, again, is one in which such links—and the employment of qualified scientists in management—developed earlier than in most others. But in general the inventors utilised and combined the principles that the scientists made available to them; they were seldom the same people. The lag between scientific discovery and its application in industrial practice was long; the intellectual and social gap between scientist and inventor, too, was often wide.

It was the development of the chemical industry and of electrical engineering that narrowed the gap towards the end of the last century. The first major laboratories set up to serve industry with a regular flow of new ideas to develop came in these fields, though at the outset the laboratories were often still dominated by outstanding individual inventors such as Edison. Investment in research has since become more general—though it still appears to be concentrated into certain industries and into the larger companies—as an insurance premium against obsolescence and an assurance of continued growth. Industry as a whole has become more complex, and requires heavier capital investment, which has indicated new requirements and fruitful areas for research.

Theory and Application

Applied research in the industrial laboratories, moreover, is moving closer to the frontiers of scientific theory. It is perhaps only in the atomic energy industry that application has seemed to advance hand in hand with theory—less through miraculous new methods of applying scientific knowledge quickly than through the removal of normal restraint upon the expenditure the nuclear physicists could command. But in certain other fields applied research is hard on the heels of theory ; and throughout industry liaison with fundamental research is close and the possibilities of application are systematically explored. This, too, loads the dice against the individual inventor, reducing the area of unexplored scientific knowledge from which he may draw undiscovered applications to industry.

Over the years, the proportion of patents held in the name of corporate bodies, not individual inventors, has grown considerably ; though, in general, reliance upon the patent system may be declining. In modern research organisations, the man who makes a discovery seldom benefits directly from the time-limited monopoly that a patent confers, whether it is filed in his name or not. In government laboratories, various tribunals may award the individual a grant or certain rights in the value of the idea. In the research association or many industrial companies' laboratories, even the grant system is dying out. In cases where individual responsibility for valuable new ideas can be established, the scientist concerned often receives his reward as a rise in salary or promotion.

Use of the patent system, too, has been affected by the fact that rival companies' research teams can quickly imitate most innovations. A patent, after all, has been called "only a licence to litigate" ; and to file the application immediately a discovery is made may hand valuable information over to equally research-minded competitors. Innovations in one's own manufacturing processes, in particular, are often nowadays patented only after a period. A competitor who learns enough of a new process from the patent specification as deposited to use it in his own plant, directly or indirectly, but who never intends to sell the process itself, might gain more from the patent than the original discoverers. One real meaning of that word "know-how," which has recently become so common as to irritate purists in English, is the technical knowledge that a company considers it unwise to patent but may after a time be prepared to sell. Its substantial value is demonstrated by the fact that while a patent may be licensed for perhaps 2 per cent of turnover, patent plus know-how may cost as much as 8 per cent.

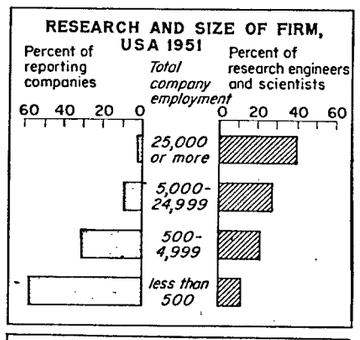
The individual inventor, it should be said, is by no means a figure of the past, limited though his field of operation may have become. There is a continuous flow of new ideas and gadgets from the inquiring amateur, particularly in ingenious applications of such standardised devices as the low-powered electric motor—the mechanisation of the home is an obvious field. More importantly, the extent to which innovation flows from research varies between industries. In engineering, for example, much of the improvement in capital equipment still comes from the ideas of the production engineer, the design department, a new demand from the customer, or from the ingenious operative. Though the company's suggestions box may exist primarily to improve labour relations, it brings in a residue of technical ideas as well as better operating methods ; and, particularly in light engineering, some very profitable new ideas since the war have come from men with little training but a flair for doing things differently, who have found backers with some money and more imagination in much the same way that James Watt went into partnership with Matthew Boulton at Soho in 1775.

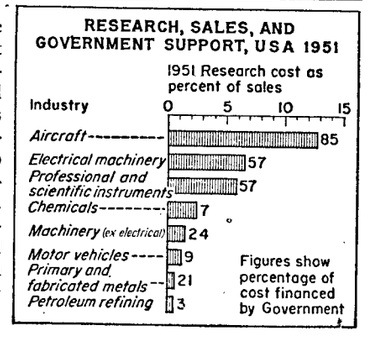
Technological change, moreover, is not confined to actual innovation ; its main effect upon an economy, perhaps, occurs through the imitation by industry in general of the new ideas of the most advanced companies. Some industrialists, indeed, would argue that there is always an advantage in being second or third in a field, rather than first ; and the large mass of smaller companies will change their methods—though more slowly—to follow the leaders. Fashion, indeed, seems to have some influence ; and in this way the research carried out by the leading companies must eventually pass some of its rewards to the rest of the industry.

Research and Bigness

IT may cost £15,000-£20,000 a year to run anything effective in the way of an industrial research department. That is why, as Sir Ben Lockspeiser once said, the firms in this country that can afford to do any substantial amount of research themselves are numbered in hundreds, while those that need research are numbered in their thousands. The chart showing research and development expenditure by size of industrial companies is for the United States ; but the pattern is probably similar here.

Concentration of research into the larger companies is perhaps a permanent feature of modern industry. Its concentration into industries heavily engaged on research and development contracts may be temporary. The British Government does not disclose the industries into which its military research and development expenditure channels public funds. But some of those that receive most support in the United States—aircraft and electronics — are certainly the main recipients here, too, and among the largest industrial spenders on research.





New Agents of Change

During this century, then, the development of large-scale research along with other large-scale economic organisation has partly transformed the traditional picture of technical innovation in the free economy. Dependence on the free inventor and the free investor, who were together the agents of change during the most profound technological revolution in history, has diminished. Many scientists and some economists would argue that what Calvin B. Hoover this winter christened "the organisational economy" of today has found a surer and faster method of technical progress.

That the applied research team is generally superseding the old agents of technical change, nobody doubts. It is to be hoped that it is surer and faster—but perhaps rather early to be sure. It has not yet, perhaps, had time to pile up as impressive a record of practical innovation. Many of the technical triumphs of recent years, certainly, have come from these big battalions of applied science—the new synthetic fabrics, for example, and most of the new plastics. But the jet engine, which combined individual brilliance, development by big companies, and government money, is a reminder that the parentage of technical change is still often mixed. It has been asserted that companies operating large research organisations themselves commonly rely on outside sources for two-thirds of their new ideas, though it is not easy to know how this could be measured. Such external inspiration does not necessarily come from the outside inventor on his own ; it is often the incidental product of research in other large companies. The brains corralled in a big laboratory often range beyond the periphery of their own employer's direct interests ; this may provide the organisation with profitable ideas to dispose of elsewhere—as Calico Printers passed on "Terylene" to ICI. Alternatively, it may encourage the company to enter into new fields to exploit these branching ideas.

The amount of government money in research, too, raises some questions. Its present extent—and the width of its range—may be temporary. In the United States between 1951 and 1953, it has been said, almost any company that had a new technical idea even remotely "affecting the national interest" could get some agency or other in Washington to pay for development. In Britain, too, the Ministries most concerned with research and development have nearly doubled their expenditure since rearmament began, though this is more confined to defence industries. Even so, with the main research effort in new industries such as atomic energy likely to remain entirely under state control, the Government seems likely to continue to provide a large slice of total research expenditure ; which is not an unmixedly good thing. Its support may assist certain valuable technical innovations towards commercial practicability ; but it would seem likely, over any long period, somewhat to twist the direction of research effort away from the lines that ordinary economic demand would indicate.

In counting the high cost of defence to the modern economy, people commonly talk of the perhaps 10 per cent of national income that may go into it. They might better count the long-term cost of pre-empting as much as half 60 per cent of the nation's research resources—in which first-class men are much scarcer than money—for defence. Military research brings much valuable civil development in its train ; but inevitably other technical progress has to be forgone.

Today there is every need to devote the maximum share of industrial resources—in Britain in particular—to research, if the twentieth-century industrial economy is to be made as effective in promoting technical advances as the nineteenth-century economy out of which it has been crystallising. The change, call it what one will, of course affects more than technical innovation. One may hope that self-financing and institutional investment can be relied on to promote as many risks as saving by the individual investor. But they may not ; and individual originality will still have a contribution to make to the scientific industries of the future. Mr Murray of Salford, tethered ten feet above the ground in his home-made helicopter by order of a government that ploughs millions into the development of new types of aircraft by established companies, may well reflect upon the Duke of Edinburgh's dictum "The day of the private adventurer in science is over." It is still perhaps not too old-fashioned to hope that he will not quite believe it.

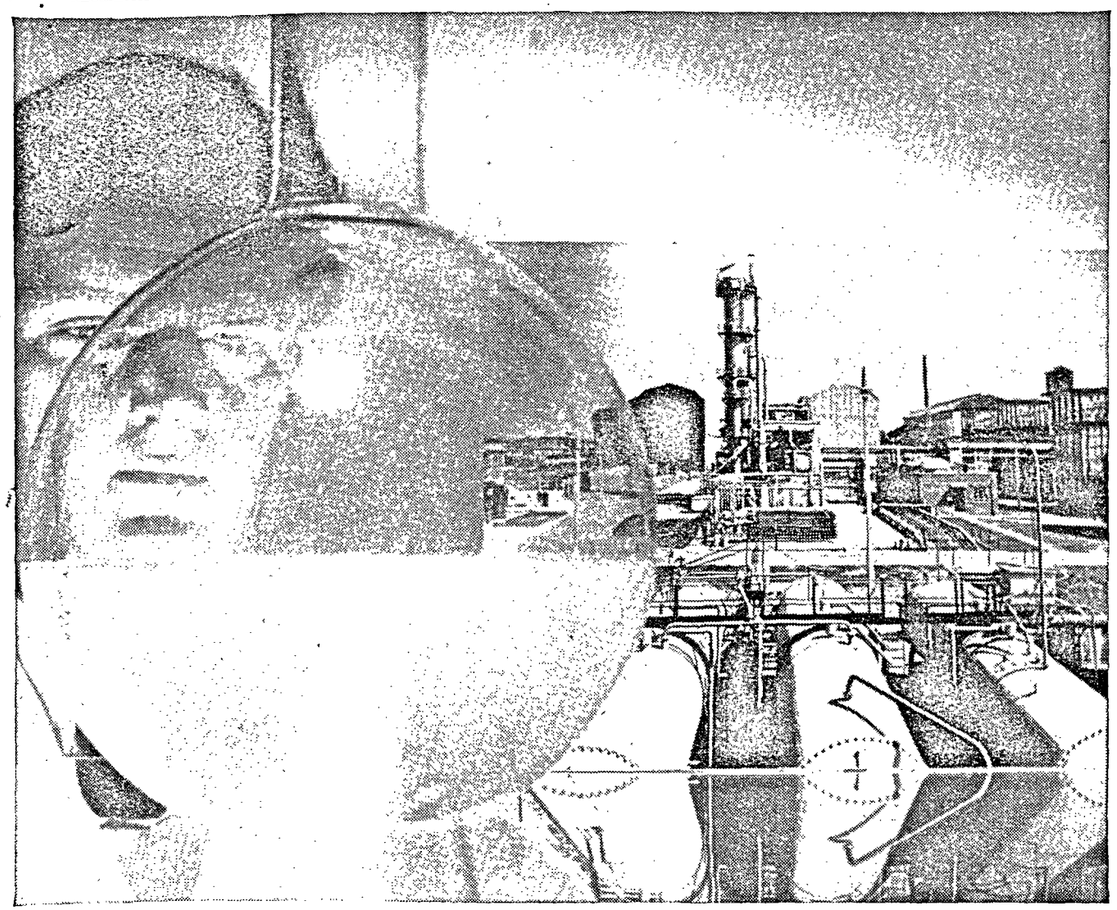
Assisting the Inventor

ALTHOUGH industry's own laboratories have taken over much of the responsibility for technical change in the modern economy, a continuing flow of new ideas still comes from the individual inventor. Do these ideas receive sufficient welcome ?

Prewar economic folklore had it that large numbers of potentially valuable inventions were either frozen out by the indifference of established industries or bought up and suppressed. There was not much truth in that. There was more truth in the complaints that some useful British ideas went begging until they were developed in America or sold back and licensed to this country—though the reverse was occasionally true, too.

Postwar economic folklore has it that the National Research Development Corporation was set up in 1949 simply to develop valuable British inventions that failed to find commercial support. In fact, the corporation's first duty is to develop and patent possibly commercial innovations that arise in Government research work, though it has also the power to put public money into the development of inventions from other sources when this would appear to it to be "in the public interest."

In its first four years, the corporation considered only five inventions submitted to it from private sources worth developing with public money. This might indicate that the majority of new ideas from the individual inventor, if worth while, can find sufficient commercial backing from industry itself. But the element that is to some extent lacking today is the individual capitalist prepared to take a gamble on an inventor's brain-child. The proper prudence obviously required in the investment managers of trusts, insurance companies and the like is not the ideal attitude required for putting money on long shots in engineering. And the almost emotional link between the backer and the inventor, plus the amount of time and worry that small capitalists often invest along with their few thousand pounds, is something for which institutional money may offer no substitute.



INVENTION AND ACHIEVEMENT

EVERY TWELVEMONTH sees a score of entirely new products added to I.C.I.'s selling range. The list may include new plastics, new fibres, new paints, new drugs, and more besides—materials which, because they offer new properties and qualities, have an invigorating effect upon countless branches of activity. These are the fruits of a research and development programme which operates over a very wide front, and is currently costing I.C.I. no less than £7,500,000 a year.

Yet research—and discovery—are only the beginning. There remains the problem—always complex and sometimes supremely difficult—of translating laboratory techniques into bulk production processes, so that the new knowledge won may be swiftly made available to the nation's industries. It is significant that, in the nine years 1945-53, I.C.I. spent over £146,000,000 on new capital construction, of which nearly £50,000,000 was for the erection of plant to make entirely new products. A further £60,000,000 has still to be spent to complete new projects now in progress.

I.C.I.'s policy is to anticipate the changing trends and likely demands of industry and agriculture, and to be ready with the new products and production capacity to meet them.

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Problems in a Mirror

IT has become a truism, of late, to complain that Britain fails to apply new scientific knowledge within industry as fast as the United States. It is less well known here that the problem has what might be called its mirror-image in the United States. The worry of scientific administrators on the other side of the Atlantic is that their great industrial republic, with the superb technique it has developed for turning fundamental ideas into prodigious ironmongery, is itself doing insufficient fundamental research to generate those new ideas.

Comparison of the effort devoted to research within the two economies is hampered by a familiar difference. The United States produces so many statistics of research that it is difficult to know which to choose or quite what they mean, while Britain produces hardly any useful figures at all. In the last three years, in particular, American agencies such as the National Science Foundation, the Bureau of Labor Statistics and the Department of Defence, with the assistance of industrial associations and specialised academic bodies such as the Division of Research of the Harvard Business School, have carried out an exhaustive statistical survey of almost all research and development activity in the United States. Providing that certain discrepancies are accepted—for example the estimate of total research and development expenditure in 1952 is nearly $3 billion by one count, and about $3¾ billion by another—and that the definitions of research and development are not taken too strictly, these figures offer an informed basis for comparison—and for policy. The educated guesses possible for Britain, on the other hand, are inadequate by any statistical criterion.

Certain of the estimates are illustrated on page 12. Broadly, it appears that American spending on research totals some $3 billion, or about 1 per cent of the gross national product; that more than half of this research and development is currently being paid for by the government, while roughly two-thirds of it is actually done inside industry; and that the money spent inside industry for research and development amounts to some 8 per cent of total investment in new plant and machinery. British figures for 1951—the latest date for which estimates for industry, based on a very small sample, are available—suggests a total expenditure on research and development, in the widest definition, of perhaps £200 million; on a more conservative basis of guessing the total would not exceed £100-£125 million, which is also of the order of 1 per cent of GNP. Lack of information about industrial spending on research—particularly in small and medium-sized companies—is one source of uncertainty here. Another is the ragbag of activities that the Government includes under "Research and Development Expenditure" in its annual estimates. For 1951-52, these totalled some £141 million; for 1954-55, the estimates total nearly £200 million, plus some unspecified part of the £53 million to be spent on the atomic energy programme and the research expenditure included in the £28 million that goes to the universities.

In the United States, the Bureau of Labor Statistics has estimated, some 96,000 research engineers and scientists were employed by 2,000 companies that did about 85 per cent of American research and development. The cost of research effort amounted to some $22,000 per qualified man. In Britain the comparable cost may be no more than about £2,500.

It is not too easy to separate fundamental research from applied research; but in 1952, the National Science Foundation has estimated, only about 6 per cent of the $2.2 billion spent by the American Government went into fundamental, or "basic" research. The comparable proportion for Government spending here might be somewhat higher, and almost certainly the proportion of total effort devoted to fundamental research in this country is considerably higher than in the United States. One American economist who came to study research in this country, indeed, put it as high as a quarter of all research work, shortly after the war. A similar emphasis upon fundamental research may well exist elsewhere in Western Europe.

The result of this contract, so far, has been that the United States has relied to a considerable extent upon the flow of fundamental scientific knowledge from Europe; and that Britain, at least, has complained that its new ideas are too often developed in America faster than at home. The United States is no longer content to rely upon so many imported ideas, partly for reasons of prestige and partly because it feels the flow might dry up or be turned off. A frequent habit of American historians of science is to count the number of American giants of fundamental science, as measured on one list or another. Of late, the numbers who have won Nobel Prizes is a favourite yardstick—and one by which America's score is greatly improving.

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Britain, at first sight, has much more to be anxious about. With few natural resources except skill, in a world where technological know-how is spreading fast, this country needs to retain its technical lead, a task that is always inherently difficult. Moreover, the supply of basic scientific data to America for development is an unprofitable division of labour, even if America possesses undeniable advantages in the job of application. One famous estimate by an American economist, indeed, has suggested that America receives considerably more economic benefit from British fundamental research than Britain does itself; and that British basic research, therefore, has reached the stage of diminishing returns. For fundamental scientific knowledge is communicated free. Development costs more money; but its results are saleable.

Need America, then, pursue this scientific autarchy? Should it not remain content with staying able to develop anybody's ideas, wherever they come from, faster than the next economy? Its administrators might well reply that the free flow of scientific knowledge is at present threatened, directly and indirectly, by political dangers. The veil of security shrouds atomic development, giving rise to the admirable but somewhat wasteful efforts by which America's allies have had to duplicate much of its development work to reach the stage of nuclear energy production; and it is drooping over other fields of scientific inquiry. Moreover, an economy based upon such a rate of technological progress as the American must ensure that the flow of basic ideas is uninterrupted. It can surely maintain its capacity to apply new knowledge fast without the present

lopsided distribution of its efforts in scientific research.

It will probably be easier to adjust the balance in the United States than here, in terms of spending. There, it is a matter of altering allocations within a huge expenditure. In Britain, whether or not fundamental research may yield diminishing returns, it would be intensely dangerous to attempt to cut the country's effort in fundamental science. What is needed is a larger expenditure upon the application of science; a larger flow of technologists than there are today facilities for training or than at present seek training; and some changes of attitude within industry itself.

Both countries may find certain shifts of emphasis necessary within their educational systems. Here, a more easy acceptance of scientific knowledge at all levels of education is needed; and there, perhaps, more exacting training of the first-class brain. In recent years, of course, the United States has relied upon a flow of scientific immigrants from Europe, as well as a flow of scientific ideas; and recruitment is still continuing. Europe need not begrudge these scientists; the interchange is generally valuable. But it does not seem likely that the United States, in the future, should have any difficulty in supplying its own share of fundamental scientists. In Britain, it can perhaps be assumed, raw material of the necessary quality is not lacking, though too little of it, still, may be receiving scientific training. Other resources for technological progress here are much scarcer; this economy offers far less room for manœuvre. It is as difficult to say how much of its resources a country should be putting into research as it is to say how much a particular company should. But considering the natural resources and the present economic circumstances of the two countries, it may be permissible to guess that Britain should be devoting a much greater effort to research, in proportion, than the United States.

How Scarce are Scientists?

IN April, 1946, the Barlow Committee reported to the Lord President of the Council—then Mr Herbert Morrison—that even if the British universities were to double their output of science graduates "at the earliest possible moment," Britain would probably still, in 1955, be a long way short of the number of qualified scientists that it needed.

The universities did in fact double their population of science students more quickly than the committee hoped—by 1947. It is not quite clear how the committee defined the "output" of science graduates, which it said was about 2,500 a year before the war and needed to be raised to 5,000 a year. But in the academic year 1952-53, allowing for those remaining to seek higher degrees, the net output of scientists will have been about 4,500.

The Barlow Committee's prescription for output, then, has roughly been filled. What of its calculations about supply and demand? At that time, the committee held, there were about 55,000 qualified scientists in the country. By 1955, there might be 64,000, against a demand of perhaps 90,000.

Since 1946, in fact, something over 30,000 qualified scientists will have left British universities. On the original assumptions, the country's "capital" of scientists at the end of 1955 might be built up to 70,000 or more, which would be considerably better than the Barlow Committee could hope, but still far short of the number that it believed the country would need. How acute has the shortage turned out to be in practice?

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Four or five years ago the answer to that question could have been fairly optimistic—at least in arithmetical terms. There arrived a time, in 1949-50, when scientific talent, along with various other commodities, seemed to be approaching that invisible frontier that divides shortage from abundance. It was becoming difficult to find jobs for all the biologists who were leaving the universities, and certain other specialists were not in the strongest of demand; though there remained continuing shortages of chemists and chemical engineers.

Then rearmament arrived. It made heavy demands for physicists and engineers, and again for chemists. An assessment of the situation by the Advisory Council on Scientific Policy in 1951-52 found that "for years there will be a particular shortage of physicists qualified to undertake defence work in the thermionic valve field"; that chemists might remain scarce until the end of 1954, while the shortage of chemical engineers would continue even longer; and that demand for electrical engineers was rising, while the output of these engineers was remaining the same and universities were tending to retain more of these graduates for research. There were roughly enough geologists, civil engineers, and metallurgists; and while the total output of biologists was greater than demand, there were a number of specialised jobs in biology that could not be filled with men of the right quality.

The situation has not radically altered since. A report early this year made plain perhaps the most serious shortage of science graduates, one where the prospective supply falls far short of fairly immediate needs—the lack of science teachers. Government support for defence and civil research is increasing, and the enlargement of research facilities in industry has been encouraged by extension of the 20 per cent investment allowance to the provision of capital expenditure on research projects.

Effective demand for scientists, therefore, seems likely to remain ahead of supplies, so far as specialists in many fields are concerned; if it is perhaps not as acute as the Barlow Committee guessed eight years ago, there are plenty of distinguished voices to argue that that is only because British industry is still not making sufficient use of the scientist. In technology the situation is more complicated. But there appears to be some slackening in the flow of young people who want technological training; not all the places on offer at the universities are being filled.

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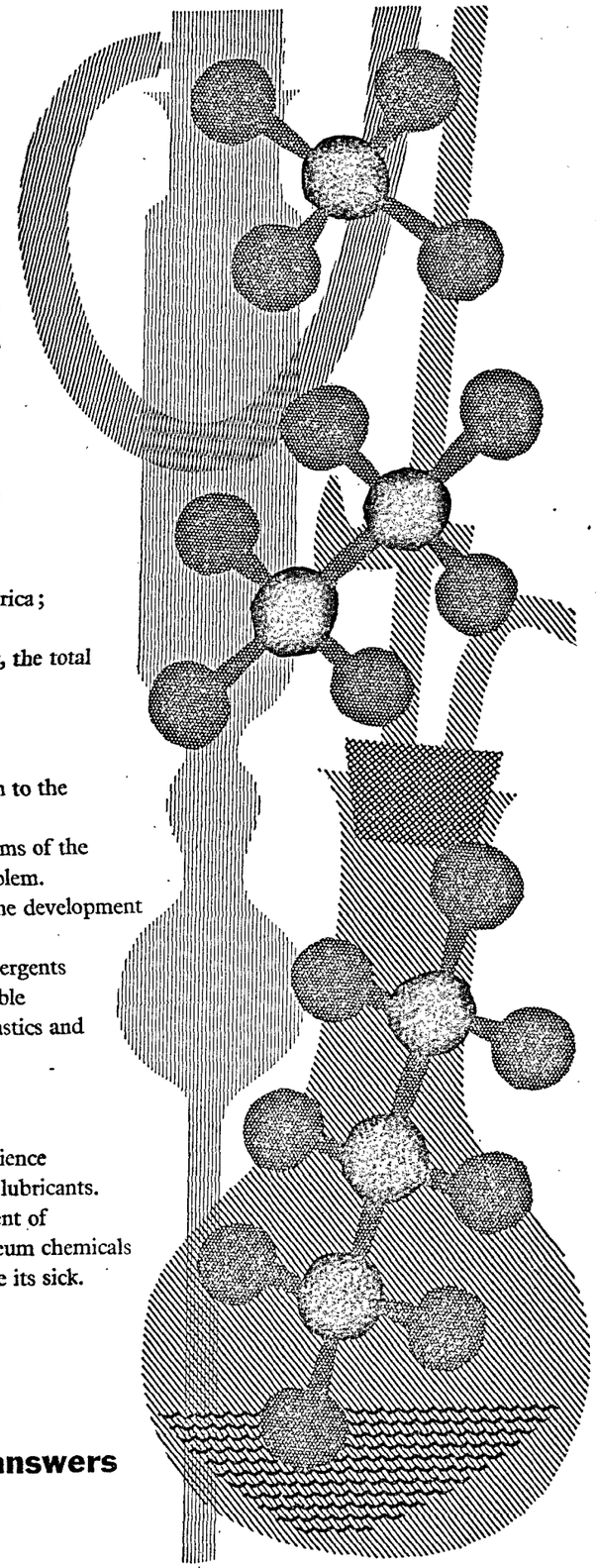
Yet it is in the technological field, rather than that of actual research, that the shortage of qualified men is often most evident. One advantage that American industry often appears to possess over British, at least to the visitor, is the number of young men on the lower rungs of the executive ladder who have at least been exposed to university life. The quality of their degrees may not be as high as British. But the background gives these young men an acquaintance with academic criteria, and an easy familiarity with the graduates from the research department whom they meet across the table, that is of tremendous value. In many British companies, there still remain constraints between the works engineer with little academic background, the manager with a public school education but no degree, and the graduate from research—roughly the NCO, the officer, and the boffin of industry—that are largely absent in America; and it is difficult not to feel that these may often have an effect upon the technical efficiency and progressiveness of a company in making full use of research results.

Oil means brainwork



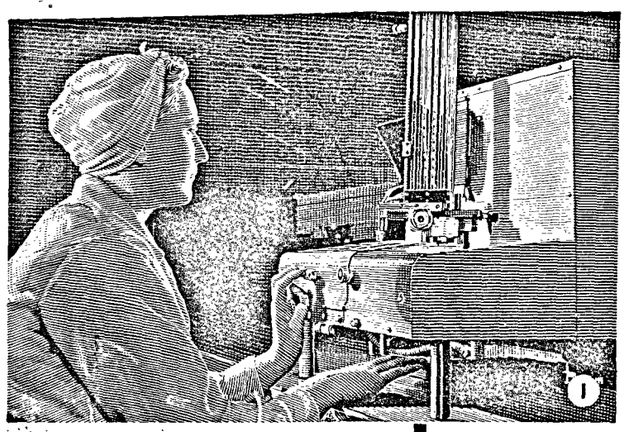
SHELL RESEARCH is one of the big brains-trusts of the world. You could call it a Graduate University of Applied Science, with ten specialist colleges.

There are seven major Shell research laboratories: two in Holland, two in England, three in North America; and three Agricultural Research Stations: one in England, two in North America. At last count, the total staff of those ten establishments was nearly 5,000. The back-room boys of a great industry.

The main, perpetual task is to make fuels and lubricants provide bigger power and better protection to the modern engine in all its forms. But Shell Research has also been tackling some of the big general problems of the twentieth century. Malaria control was one such problem. The jet turbine was another. The war against rust, the development of selective weedkillers, the quantity manufacture of sulphur, the production of glycerine, alcohol and detergents from new sources, so as to leave all edible fats available for the world's food supplies, the development of plastics and synthetic textiles . . . Shell Research has been, is and will be working on all these things.

Shell's back-room boys are occupied with one of the most exciting branches of new knowledge . . . the science of hydrocarbons. Shell Research improves fuels and lubricants. But it also prompts, points and paces the development of the brave new world of petroleum chemicals. Petroleum chemicals are helping to feed and clothe the world, and to cure its sick.

SHELL research is finding the answers



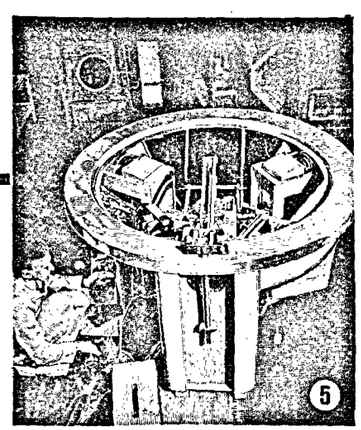
1 Radio and Television Valves
2 Special Electron Tubes
3 Cathode Ray Tubes
4 Fine Wire
5 Specialised Electronic Equipment
6 Magnetic Materials

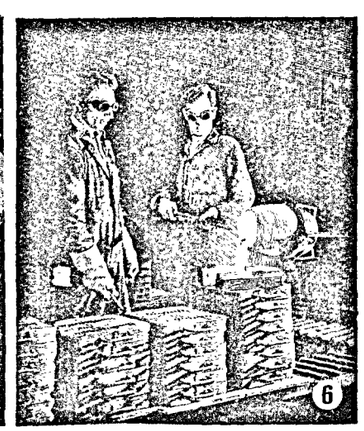
Progress in Electronics

MULLARD research and development have made many notable contributions to Britain's progress in electronics. The illustrations on this page are but representative of the fields of activity covered, and give the briefest indication of the range of products finally produced and the modern manufacturing methods employed.

Active research is currently undertaken on projects as diverse as microwave valves and semi-conductors; ultrasonics and servo-mechanisms; magnetic materials and colour television.

The benefits of this research are brought quickly and economically to both industry and the community by an extensive chain of Mullard factories situated throughout the country. Employing advanced production techniques, many of these factories are among the most efficient of their type in the world.





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Board and Back Room

IN a sample survey of research in industry around Manchester that it carried out between 1950 and 1953,* the Manchester Joint Research Council found that more than 16 per cent of the science graduates employed by the companies it consulted were on the board of directors. On the other hand, none had reached board level direct from a research department. Even if they had originally been in research, they had made the move over to development or works management fairly early in their careers.

This finding came from a very small survey in a particular area, but it does not appear to have been focused upon companies with any exceptional degree of interest in research. Nearly half of the companies consulted employed no science graduates at all, and more than half did no research or development. The proportion of directors with scientific training throughout British industry, therefore, may be higher than was previously imagined. This has a bearing upon two major problems of top management today —to decide how much resources it should devote to research and development, and to get the best value out of the resources—primarily human resources of a rather special kind—that it does employ there. These questions can really only be answered at the top. The Manchester inquiry, indeed, suggested that the personality of the chief executive of a company is often the deciding factor in settling its attitude towards research and innovation.

In deciding the total amount to allot to research, and assessing what this buys, the industrialist has only one dubious assurance—that he is no more likely to be wrong than the next managing director. Although many possible formulæ have been propounded, there seems to be no generally accepted guide to right action in budgeting for research. Criteria of alternative cost hardly apply. The licensing fee paid for other people's discoveries, for example, applies only to successful ideas (and du Pont has said that research is worth while if only one idea in twenty pays off). It applies also to ideas that one gets second-hand only when the other fellow chooses, without the building of a bank of knowledge that is relevant if not immediately saleable. There is after all some advantage even in finding out which alleys are blind.

The old rule of thumb that a company should spend about 2 per cent of turnover to equal the average—which in any case ignored the great variations between industries —is today out of fashion. Research, the current doctrine runs, should be related to investment, not to sales. Some research administrators favour a fairly steady relation between the research allocation and capital investment, taken as averages, and a few attempt more elaborate relations between research expenditure and the investment envisaged by the time research projects come to fruition. This attempt to find formulæ has not so far been very productive, but it is likely to continue, if only because it might provide a yardstick to measure performance as well as to decide future expenditure. In the meantime, as the director of one of Britain's greatest industrial research departments said recently, "You only find out in the long run. If you are doing too little research, you eventually notice that the company is falling behind in competition. If you notice that there are more proposals to manufacture piling up than you have resources to invest, you might—perhaps—be doing too much."

The extent to which research and development work is costed varies in British industry. Many of the smaller companies employing two or three people, often very effectively, upon technical innovation will not trouble to separate even their salaries from others in the design and engineering departments. Even if a separate research department is accounted for, it will not always be charged with overheads. Among the larger companies, where most of the country's spending on research probably takes place, the budgeting is much more detailed. But not all of them attempt the financial analysis of effectiveness carried out by companies such as du Pont and Monsanto in the United States. Between 1941 and 1950, Monsanto estimates, it began to sell 250 new products; by 1950, these amounted to 43 per cent of its gross profits, which represented a return of $2.80 on each dollar invested in research over the 10 years.

★

Contact between board and back room, therefore, is primarily concerned with the allocation of research and the settling of broad directions of investigation, a normal concern of top management with one of the departments in its business. Though the Manchester inquiry recorded a complete lack of mutual understanding between the top management of a few companies and scientists—"they might be living on different planets"—liaison between management and research in many firms is perhaps better at the top than lower down. If only because they may share a common university background, directors and scientists may often meet on an easier plane than scientists and some junior men in management. It has been argued elsewhere in this survey that Britain lags behind America in the educational and social quality and assurance of its lower levels of management, and this may be partly responsible for inadequate application of research. The friction possible there may be less likely at the level of top management; but there are two fields in which the man at the top is today being faced with rather special claims upon the part of the scientist, within his own company and from outside. These are the claims that scientists, by virtue of their calling, are needed on the board of British industry to promote technological progress; and that new scientific techniques, such as operational research, should be employed much more generally in the ordinary business of management.

The first claim is not easy to controvert. The highest posts in certain of Britain's most technically progressive companies have recently been going to eminent industrial scientists. Last year the Government's Advisory Council on Scientific Policy argued effectively:

> It is no accident that the enormous growth of American production has coincided with an increasing representation in management with a strong scientific or technical background.

One seldom meets a German industrialist who is not a Herr Doktor of one science or another. And it is true that many boards of management in British industry are unaware of the advantages they might draw from the results of

* Industry and Science. Manchester Joint Research Council. Manchester University Press. 12s. 6d.

scientific research, while many more certainly do not take these advantages to the full.

Nevertheless, some reservations remain. The best use of the best scientific brains, almost certainly, is in research; and most of these, of course, will never leave the universities or other institutions of fundamental research even for the research departments of industry. The quite ferocious intelligence that some of them can occasionally bring to bear on any problem that is mentioned might well be an asset in any group where problems have to be analysed and decisions made; but it would be best employed in their own sphere. The applied scientist who has made his career in industry, again, will probably at some time have cast his die for management or research; and while this need not be a point of no return, few directors can be more ineffectual than the *ex officio* research director who will monopolise the discussion when research or technique are in question but can hardly conceal disdain or boredom at other times.

Many scientists can bring a fresh point of view and a high intelligence to the deliberations of a directorate; not all excel in powers of decision or breadth of understanding. The argument sometimes advanced that the application of "scientific method" can work wonders in ordinary decisions usually rests upon a crude vulgarisation of that method, and the illusion that common sense and trial and error belong particularly to science. Few arguments more justly irritate the scientist than the lordly assumption by men with a classical background and a proudly abysmal ignorance of the sciences that scientific training narrows the mind. But a career in research, with its own peculiar satisfactions, hopes and jealousies, is often not the best background for taking broad decisions about profit; particularly as certain scientists retain an obstinate inkling that economic criteria are grossly unscientific, anyway.

The claims upon management of operational research—which can be grossly overplayed and sometimes partakes of the same irritating mysticism as advocacy of "the scientific method"—are of a different nature. The operational researchers, broadly, do not want to share in the management's decisions; they want to assist them by narrowing the process of decision. This war-bred technique, which often brings together scientists and engineers of quite varying backgrounds, is concerned with the study of organisations and processes in action, and with the application of advanced statistical techniques to problems of production. It had certain outstanding successes in war, and has recently achieved some impressive results within certain civilian industries. It may be able to offer the manager quantitative information about the actual and likely behaviour of systems that involve the combination of many variable factors, as most production processes do.

At one edge, this ill-defined technique of "operational research" may shade off into various methods of work study. At the other, it may enlist the esoteric mathematical techniques of "linear programming" to determine the most effective method of operating a large production shop working on a variety of products in varying demand. Its offer to narrow the spark gap of individual decision arouses an instinctive suspicion among some managers ("What am I paid for except taking full account of every significant factor?"), and it is true that it might complicate a decision that would be taken anyway and make it unnecessarily expensive. But greater certainty is often worth buying.

It is possible—though highly unfashionable—to argue that right at the top, where major decisions finally have to be made, British management is of a quality that is certainly no lower than in the United States or Germany, and may in some respects be higher. Certainly there is much to be said for the unspoken assumption of many British industrialists that management is as much an art as a science. But scientific methods that can inform the process of decision to the utmost are hardly to be disregarded. As Sir Geoffrey Heyworth said last year, "Your technique is to be able to drive in a fog." Anything that will help management see forward through that fog is worth considering. And that—in operational research and, in a wider sense, in most other applications of research—is what science in British industry is trying to do.

Research for Sale

WHEN a company that cannot afford a research department itself has a technical problem, or one that can has a problem right outside its own field, it would seem sensible to get someone else to do the job. In the United States many firms do. In Britain some research is bought outside, but not nearly as much as might be expected, considering that 85,000 firms in this country employ fewer than 100 workers.

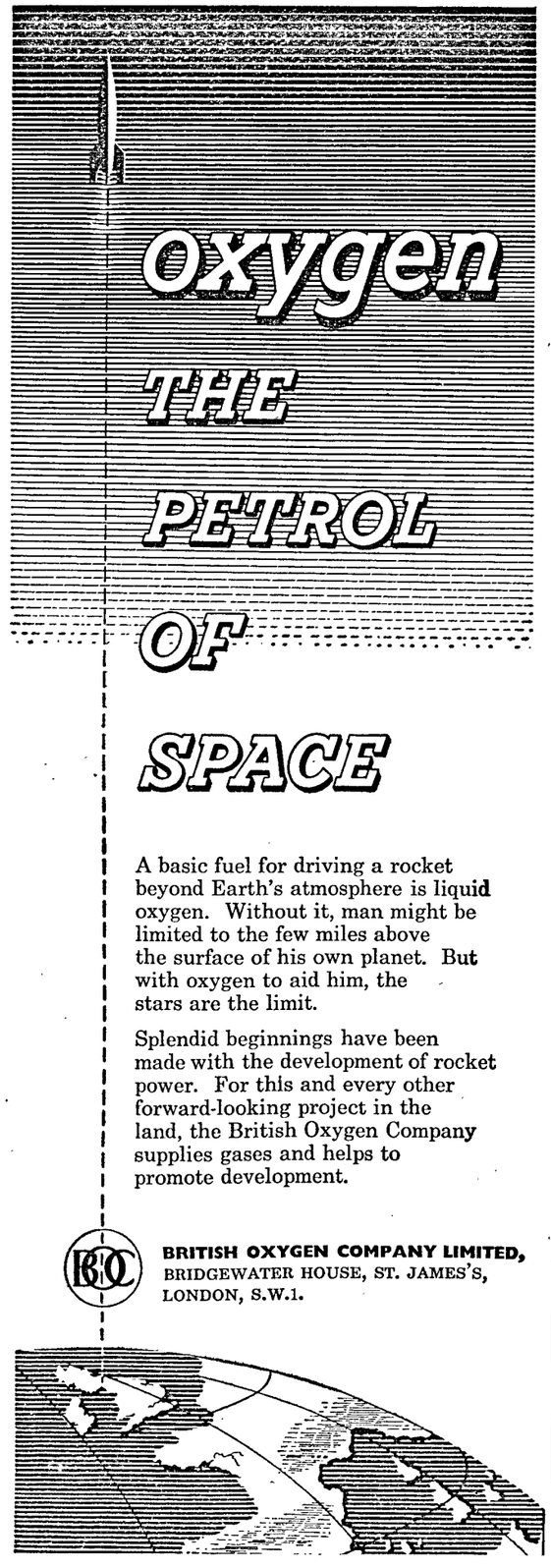
This is partly because Britain has some 42 co-operative research associations that supply all the companies in particular industries with scientific information about materials, processes and products. Nevertheless, a good deal of the work of the research associations is comparatively "fundamental"; and in any case their research is almost always available on equal terms to all the members. The technical problem that a particular company may want solved is often directed to getting ahead of a competitor, and secrecy is essential. It is only recently that a few research associations have set up separate organisations to handle members' particular problems in confidence.

Here and in America some companies have their more fundamental problems worked out for them in university laboratories on a contract basis, while technical colleges also do a little for industry on rather simpler problems. This research is generally somewhat remote from the production stage, and usually can only be done if it fits into the programme of research already going on in a university.

In the United States co-operative research is infrequent, though developing. But a large number of "sponsored research" organisations exist to do research on particular problems for particular clients, on a commercial basis. The research results they obtain become the sole property of the client, and there is no formal limit to the range or the nature of the work they can undertake.

Britain has two major "sponsored research" institutes, Fulmer and Sondes Place; there are two or three other small laboratories working in particular industries or areas. A considerable amount of work that both institutes do is on Government account; neither yet is on the scale of the larger American institutes. They do not, admittedly, promote the sales of their facilities with the typically American salesmanship of the Battelle Institute, whose activities have recently been widened to Europe.

It is sometimes argued that the slow progress of sponsored research in this country by comparison with America derives from the fact that Americans are always more prepared to hire somebody else to undertake part of their work for them, while the British have traditions of greater insularity in industry. This may be true; but many companies simply do not know what is on offer, and there seems scope for a little British salesmanship.



A basic fuel for driving a rocket beyond Earth's atmosphere is liquid oxygen. Without it, man might be limited to the few miles above the surface of his own planet. But with oxygen to aid him, the stars are the limit.

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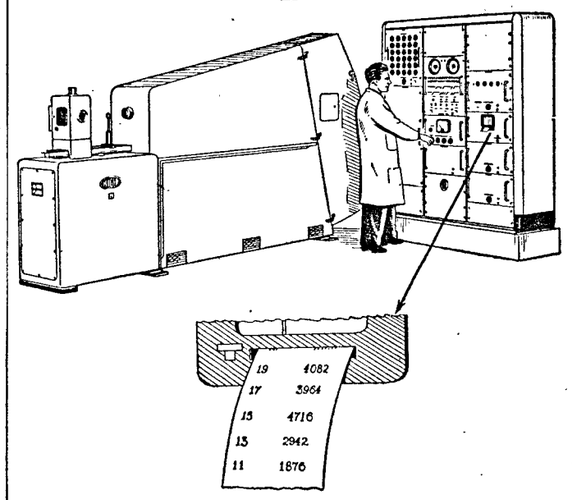
Science Speeds Output



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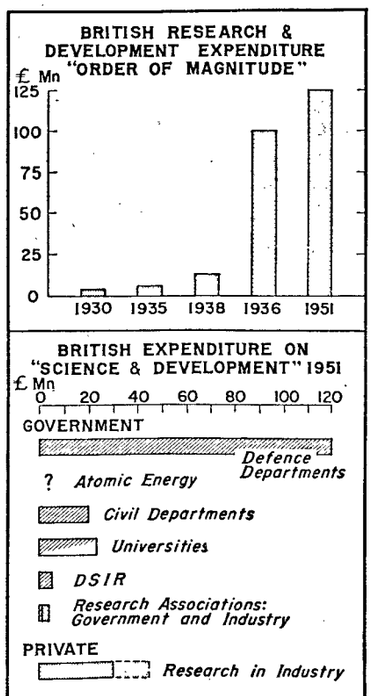
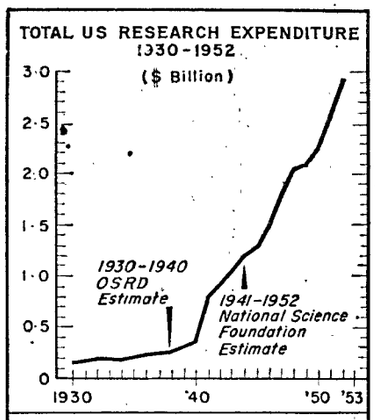
FEW statistics are shakier than those dealing with research and development. This is partly a matter of definition. In a university, for example, it will be difficult to divide a don's time arbitrarily between imparting knowledge and advancing it; in industry, hard to set the point at which research into a new technique passes into development of the process—or that into manufacturing design. In practice, British universities and many American make no attempt to measure the amount of effort or expenditure which goes into research, except in the case of separate research institutes within a university. And though some inquirers—notably those in the recent Manchester survey—have used what seemed to them satisfactorily separate definitions of research and development, most statisticians working on this subject lump the two together. Certainly most companies do.

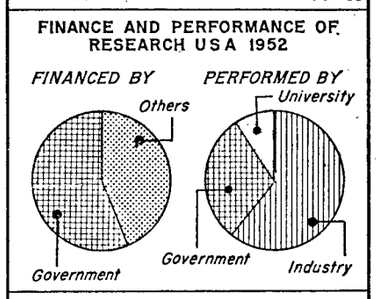
There is a plethora of data upon research and development in America. The figures of total research and development expenditure over the years used here are those of the National Science Foundation in Washington, between 1941 and 1952, and those of Dr. Vannevar Bush for earlier years. This may be a conservative estimate. The Department of Defense quotes consistently higher figures than the NSF from 1940 onwards. Its estimate for the 1952 total, indeed, is $3,750 million.

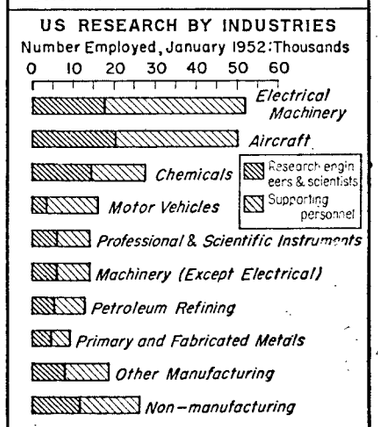
The British charts have no claim to accuracy, and indicate only "orders of magnitude." The historical totals are based upon the "educated guesses" of various authorities, plus some quite specific Government figures which unfortunately refer to a rather wide definition of "research and development."

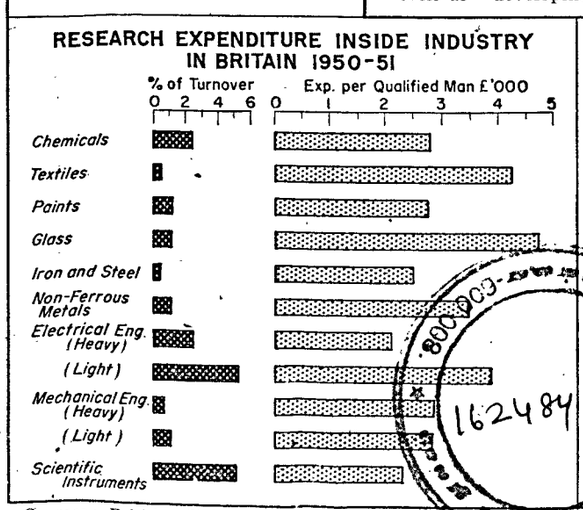
The estimates of expenditure on research in industry come from the Federation of British Industries—but again are based on a very small sample of companies; the total may be some £30-45 million. Since 1951, Government expenditure on "research and development" in the military field has increased considerably. But these defence figures cover expenditure on production of prototype equipment, which may well take the largest part of the money and can perhaps only dubiously be classified even as "development."

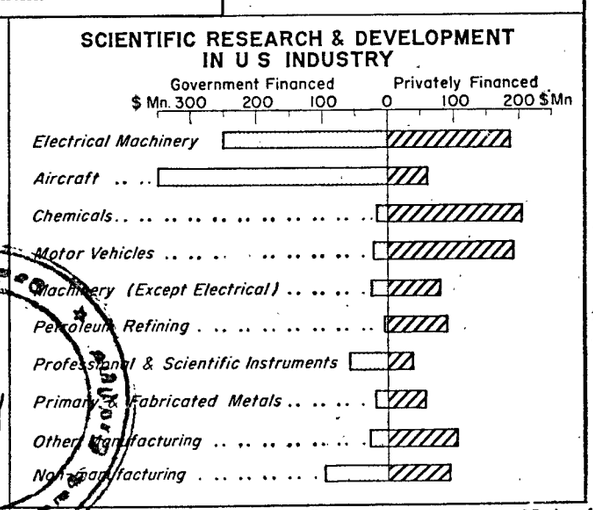












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Sources: British—Civil Estimates, Advisory Council on Scientific Policy, Federation of British Industries. American—National Science Foundation, Department of Defense, Bureau of Labor Statistics, 1953; "Spending for Industrial Research," Division of Research, Harvard Business School, 1954; and "Science—The Endless Frontier," Vannevar Bush, 1945.